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

2022 Annual Report

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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)[1]
Mr. Leung Chi Kit (梁志傑)[2]

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

15/F, South Tower,
Zhonghai Plaza,
8 Guanghua Dongli,
Chaoyang District,
Beijing, 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

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
17/F, Far East Finance Centre,
16 Harcourt Road,
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

Notes:

1 Resigned on 26 May 2022

2 Appointed on 26 May 2022

II. CHAIRMAN'S STATEMENT

Dear Shareholders and investors,

On behalf of the Board of China 21st Century Education Group Limited, I am pleased to present to you the 2022 annual report for the year ended 31 December 2022.

Due to the positive impact of new policies introduced in the education industry by the PRC government and the negative impact arising from the uncertainty of the external economic environment, the Group forged ahead in opportunities and challenges during 2022. On the one hand, the Group's operations maintained stable. In particular, the Group built new campuses to strengthen organic growth and expanded its high school education business. On the other hand, the State Council promulgated a number of favorable policies to promote vocational education, including the Vocational Education Law (revised), the "Strategic Plan for Expanding Domestic Demand (2022-2035)" (擴大內需戰略規劃綱要(2022–2035年)) and the "Opinions on Deepening the Reform of Modern Vocational Education System Construction" (關於深化現代職業教育體系建設改革的意見), the Group's vocational education segment will benefit from such policies. According to the important instructions of the government on vocational education, the Group actively responded to the policies in a timely manner by tapping into segments that integrate industry and education in a all-round way and offering urban services via our "Education + Industrial Chain" and " Education + Supply Chain" businesses, so as to further clarify the development strategy with new vocational education as the main line.

OPERATING HIGHLIGHTS

As at 31 December 2022, the Group owned 12 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology); and 1 full-time ordinary high school (Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)), 2 New Gaokao* (新高考) Business institutions and 8 Saintach Kindergartens under non-vocational education segment. The Group had 23,888 full-time students, representing an increase of 27.1% as compared to 18,792 students in the corresponding period in 2021. The Group was also entrusted with the operation of the west campus of Sifang College (vocational education segment).

The Group made vigorous efforts to develop the vocational education segment, as at 31 December 2022, 19,809 full-time students were enrolled under the vocational education segment, which represented an increase of 16.0% from 17,076 students for the corresponding period in 2021. In addition, the Group provided the west campus of Sifang College with entrusted operation service for 3,888 students.

The Group kept strengthening the "organic development", while also actively promoting the implementation of the Action Plan for Quality Enhancement and Excellence. We undertook 14 tasks under the "Hebei Provincial Action Plan for Quality Enhancement and Excellence in Vocational Education (2020-2023)" to further improve education quality. In addition, the Group conducted governmental vocational education and social training for 4,356 people by relying on quality resources to serve the surrounding areas to provide intellectual support for corporate talents training and technical skills and improvements, 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 twelve industrial colleges, forming a pattern of industry education integration based on the long-term cooperation between government, industry, enterprise and school. Adhering to the strategy of leading fast half a step, the Group has shifted from "alternation of working and learning 1.0" to "industrial college 4.0", always walking in the forefront of the industry in terms of integration of industry and education.

The Group has expanded its high school education business with a commitment to provide quality curriculum teaching and enrollment services for high school students, with Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) being included in the high school education segment in September 2022. As at 31 December 2022, there were 2,361 students enrolled in our schools.

In line with the national concept of education equality, Peijian New Gaokao* (新高考) Business has focused its services on the college entrance examination channel services. As at 31 December 2022, it has served 51 high schools and has established cooperation relationships with more than 100 schools in nearly 20 provinces nationwide, delivering quality service system and providing planning and tutoring to 5,999 students all over the country. Based on the regional in-depth cultivation plan, the cooperation business will be expanded to Henan, Hubei, Hunan and other national regions.

Leveraging on a good local reputation and brand image, Saintach Kindergartens maintained stable operation and continued to contribute to the Group's income and profit. The overall student enrollment in 2022 remained stable, with the student enrollment reaching 1,718 (corresponding period of 2021: 1,716) as at 31 December 2022. Some kindergartens have been relocated and renovated. Through strengthening its main characteristic, "Saintach" was able to upgrade its brand positioning and enhance the kindergarten capacity and the tuition and boarding fees (保教費) per student.

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 HK$0.80 cents per Share for the year 2022 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" with focus on the integration of quality education resources to establish our presence in diversified education industry pattern and grow into a full-cycle career service provider from "Education" to "Employment", in a bid to make education accompany everyone's growth throughout their lives.

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.

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.

In 2023, Shijiazhuang Institute of Technology will celebrate its 20th anniversary and will welcome its first batch of students to its new campus. This marks another milestone in the Group's development history and the starting point of a new phase. 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

30 March 2023

III. FINANCIAL AND OPERATING HIGHLIGHTS

1. RESULTS

	For the year ended 31 December				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Revenue	**311,908**	308,767	253,802	234,242	201,995
Cost of sales	**(165,524)**	(181,942)	(131,517)	(112,934)	(99,691)
Gross profit	**146,384**	126,825	122,285	121,308	102,304
Gross profit margin	**46.9%**	41.1%	48.2%	51.8%	50.6%
Profit before tax	**27,414**	28,394	79,119	84,664	70,196
Profit for the year	**26,718**	28,740	78,772	82,753	69,420
EBITDA	**119,094**	101,984	129,647	123,601	84,715
Basic earnings per Share (RMB cents)	**2.39**	2.56	6.51	6.78	6.48

2. SUMMARY OPERATING INFORMATION

Operating information	2022 to 2023	2021 to 2022	Changes	Percentage of changes
Total number of full-time students①	**23,888**	18,792	5,096	27.1%
Student capacity②	**137.1%**	122.0%	15.1%	12.4%
Student retention rate③	**97.4%**	88.8%	8.6%	9.7%
Total number of teachers④	**772**	586	189	31.7%

Notes:

① Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology, full-time high school students in Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) and students in kindergartens.

② It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 31 December 2022 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.

③ Retention rate of full-time students.

④ It refers to full-time teachers.

3. ASSETS AND LIABILITIES

	As at 31 December				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Assets and liabilities					
Non-current assets	**1,452,178**	674,657	515,860	433,330	203,829
Current assets	**503,284**	699,426	627,210	639,532	552,154
Current liabilities	**559,579**	553,254	362,764	327,527	170,194
Net current assets/(liabilities)	**(56,295)**	146,172	264,446	312,005	381,960
Total assets less current liabilities	**1,395,883**	820,829	780,306	745,335	585,789
Total equity	**725,861**	685,787	669,947	672,594	584,905
Non-current liabilities	**670,022**	135,042	110,359	72,741	884
Total equity and non-current liabilities	**1,395,883**	820,829	780,306	745,335	585,789
Property, plant and equipment	**641,915**	251,954	151,126	140,719	125,541
Cash and bank balances	**212,583**	334,332	357,700	258,613	259,491
Interest-bearing bank and other borrowings	**693,383**	446,468	213,961	179,082	13,000
Contract liabilities	**143,025**	101,301	108,495	93,296	71,637

	As at 31 December				
Financial ratios	**2022**	2021	2020	2019	2018
Current ratio	**89.9%**	126.4%	172.9%	195.3%	324.4%
Debt-to-asset ratio[1]	**62.9%**	50.1%	41.4%	37.3%	22.6%

Note:

[1] Total liabilities divided by total assets.

4. CASH FLOWS FROM OPERATIONS

	For the year ended 31 December				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Net cash from operating activities	**128,452**	90,909	129,084	119,112	123,876

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Business Profiles

The Company focuses on the operation and content incubation of the education industry. 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 new vocational 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 Our Schools

1.2.1 Overview

As at 31 December 2022, the Company owned 12 schools, including 1 private college (Shijiazhuang Institute of Technology) under vocational education segment; 1 ordinary high school, 2 New Gaokao* (新高考) Business institutions and 8 Saintach Kindergartens under non-vocational education segment. The Group was also entrusted with the operation of the west campus of Sifang College (vocational education segment).

Schools of the Company	**31 December 2022**	31 December 2021
Vocational education — College	**1**	1
Non-vocational education — Ordinary high school	**1**	0
— New Gaokao* (新高考) Business institutions	**2**	5
— Kindergarten	**8**	8
Total	**12**	14

1.2.2 Student enrollment

As at 31 December 2022, we had 23,888 full-time students enrolled in our schools. The specific details are as follows:

Breakdown of student enrollment	2022–2023 school year	2021–2022 school year	Changes	Percentage of changes
Full-time students				
Vocational education — Shijiazhuang Institute of Technology				
Including: Junior college	**16,937**	13,844	3,093	22.3%
Secondary college	**2,872**	3,232	(360)	(11.1%)
Subtotal (full-time college students)	**19,809**	17,076	2,733	16.0%
Non-vocational education				
Including: Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)	**2,361**	—	2,361	100.0%
Saintach Kindergartens	**1,718**	1,716	2	0.1%
Total (full-time students)	**23,888**	18,792	5,096	27.1%

As at 31 December 2022, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,888 students.

1.2.3 Charge and average tuition revenue

We charge our students fees comprising tuition (including tutoring fees) and boarding fees at Shijiazhuang Institute of Technology. Among them, the fee range under non-vocational education segment approximates to that for the year ended 31 December 2021, 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	2022–2023 school year	2021–2022 school year
Vocational education		
Junior college courses	**RMB8,800 to RMB17,000 per school year**	RMB8,800 to RMB13,000 per school year
Secondary college courses	**RMB9,360**	RMB7,200

Average Revenue[1]	For the year ended 31 December 2022 RMB	 2021 RMB	 Changes RMB	 Percentage of changes
Vocational education	**8,398**	7,662	736	9.6%
Including: Junior college	**8,658**	7,882	776	9.9%
Secondary college	**6,861**	6,578	283	4.3%
Non-vocational education				
Including: Ordinary high school[2]	**9,119**	—	9,119	100.0%
Kindergartens	**18,378**	18,035	343	1.9%

Notes:

[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 number of students enrolled as at the end of the same year.

[2] Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) was consolidated into the Group in September 2022. Its average revenue is calculated based on the revenue generated from tuition fees for a total of 4 months from September to December 2022 and the number of students enrolled as at the end of 2022.

1.2.4 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 2022, Shijiazhuang Institute of Technology, its teachers and students have won 105 ministerial, provincial and municipal awards, including various awards such as Prokofiev International Music Competition (普羅科菲耶夫國際音樂比賽), the 7th "Bauhaus Award" International Design Competition (第七屆「包豪斯獎」國際設計大賽), "Xuechuang Cup" National College Students Entrepreneurship Comprehensive Simulation Competition (「學創杯」全國大學生創業綜合模擬大賽), the 10th National College Digital Art and Design Competition (第十屆全國高校數字藝術設計大賽), National College Students Live E-commerce Skills Competition (全國大學生直播電商技能大賽) and the National Vocational Institutes Cross Border E-commerce Skills Competition (全國職業院校跨境電商技能大賽).

The employment rate of graduates for the 2021–2022 school year was approximately 97.1%:

Employment rate[1]	31 December 2022	31 December 2021	Changes	Percentage of changes
Vocational education	**97.1%**	96.6%	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 corresponding school year.

1.2.5 Our teachers

Teachers	**31 December 2022**	31 December 2021	Changes	Percentage of changes
Full-time teachers				
Vocational education	**388**	379	9	2.4%
Non-vocational education[①]	**384**	207	177	85.5%
Subtotal (full-time teachers)	**772**	586	186	31.7%
Part-time teachers				
Vocational education[②]	**161**	65	96	147.7%
Non-vocational education	**433**	441	(8)	(1.8%)
Subtotal (part-time teachers)	**594**	506	88	17.4%
Total	**1,366**	1,092	274	25.1%

Notes:

① The acquisition of Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) led to a substantial increase in the number of full-time teachers.

② Increase in the number of outstanding part-time teachers, who become full-time teachers after passing the qualification assessment.

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 2022, the percentage of our teachers with a bachelor's degree or above was 85.0%; and the percentage of teachers that had worked with us for more than two years was 76.3%.

1.3 Movements of Business Operations during the Reporting Period

1.3.1 Vocational education segment

1.3.1.1 *Focus on the construction work of the new campus of Shijiazhuang Institute of Technology*

In 2022, the Company focused on the new campus project of Shijiazhuang Institute of Technology, which was included in the Key Construction Projects in Hebei Province in 2022 (《河北省2022年省重點建設項目》). During the period from March to August 2022, the Group successfully bid the land use rights in Gaoyi County through public tender process, and acquired a total of 279,577.48 sq.m. (approximately 419.37 mu.) of educational land and 46,269.12 sq.m. (approximately 69.40 mu.) of commercial land, and has commenced the construction of a comprehensive teaching buildings, canteens, dormitory buildings, campus environment and related ancillary facilities of the new campus of Shijiazhuang Institute of Technology. The new campus will increase the enrollment quota of Shijiazhuang Institute of Technology, which is expected to complete its first enrollment in September 2023, thus boosting further revenue growth of the Group.

The new campus is strategically located in Gaoyi County, Shijiazhuang City, Hebei Province, which can take advantage of resources such as industries and employment in the Beijing-Tianjin region with promising development prospects. Meanwhile, the new campus is close to Gaoyi County High-speed Railway Station with convenient transportation. With widely recognized teaching quality of Shijiazhuang Institute of Technology in the market, the new campus has great enrollment prospects.

The new campus will be developed into a new vocational and technical college with landmark attributes and industry-education integration features in the future, which is expected to have a total student capacity of approximately 30,000. It 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. This project will help Shijiazhuang Institute of Technology obtain more enrollment quota 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. It has played a positive role in promoting the Group's layout of the pan-vocational education industry ecology.

1.3.1.2 Strengthen cooperation between government, industry, enterprise and school to form a development pattern of industry-education integration

While completing their basic teaching and research tasks, the schools under the Group further expanded their cooperation with the local governments, industry associations and key enterprises to form a development pattern of industry-education integration. As at 31 December 2022, 12 industrial colleges relating to emerging industries such as intelligent manufacturing, Internet+ and digital economy, have been established. At the end of 2022, the Group was included in the Third Batch Industry-Education-Integrated Enterprises in Hebei Province (《河北省第三批產教融合型企業》), which recognized the Group's achievement in industry-education integration and promoting regional industry economy.

- School-enterprise Cooperation
  Under the model of jointly establishing an industrial college, the college and the enterprise jointly carry out trainings for students, with the college be responsible for public courses and the enterprise be responsible for professional courses, and both parties jointly undertake the investment of teachers and curriculum construction, which can solve the problem of college students' employment and the shortage of industry talents from the source. We can develop a talent service business covering from "Education" to "Employment" of college students based on such resource advantages of industrial colleges, cooperation enterprises and cooperation colleges.

  In 2022, Shijiazhuang Institute of Technology established "Geely Automobile Industrial College (吉利汽車產業學院)" with Geely Automobile Group Company Limited (吉利汽車集團有限公司), which adopted modern apprenticeship courses, and mutually built talent training bases and production-oriented experimental training bases to achieve precise employment of students in the automobile industry chain, serve the automobile industry and support "Made in China 2025 (中國製造2025)". It established "Tangxun Specialized and New Digital Industrial College (唐訊專精特新數字產業學院)" with Hebei Tangxun Information and Technology Co., Ltd.* (河北唐訊信息技術有限公司), to collaborate on computer network technology (cyber security) and mobile communication technology (5G mobile communication). It jointly established the Institute of Industry-Education Integration (產教融合研究院) with Shijiazhuang Kelin Electric Co., Ltd. (石家莊科林電氣股份有限公司) to cooperate in the fields of intelligent manufacturing, industrial robots and high-end equipment manufacturing. It entered into a formal agreement with Hebei Jiantou Power Technology Service Co., Ltd. (河北建投電力科技服務有限公司) to reach a strategic partnership in respect of the construction and operation of incremental power distribution business, intelligent micro-grid construction and power trading. Both parties will carry out comprehensive cooperation in the field of "Integrated Energy Services for New Campuses of Colleges and Universities (高校新建校園綜合能源服務)".

As at 31 December 2022, 20 professional programs in Shijiazhuang Institute of Technology have worked with 13 enterprises to jointly offer featured majors, representing 25.32% of total professional training programs offered. 20 tailor-made classes were established with 2,308 students. There are 15 apprenticeship pilot programs, 13 key professional group training bases, 55 on-campus experimental training centers and 208 off-campus training bases. It has also established long-term cooperation relationship with more than 1,000 domestic and foreign renowned enterprises in total, including 13 top 500 global enterprises such as Haier Group Corporation, Panasonic Corporation and Huawei Technologies Co., Ltd., providing more than 12,000 internships to fresh and previous graduates or interns of Shijiazhuang Institute of Technology, and invited enterprises to invest tens of millions RMB in total in the construction of practical training rooms on an accumulative basis, which considerably enriched our teaching practice.

Benefitting from the in-depth industry-education integration and school-enterprise cooperation, graduates not only have solid professional knowledge, but also excellent practical operation skills and good professionalism. It provides targeted practical courses to students and trainees through the industrial college and skills training, cultivate standardized industrial talents, increase the employment rate of students, and help further enhance the institute's brand influence and enrollment scale.

- Government-school Cooperation
  We work closely with the Government of Hebei Province. In the proposed cooperation with the Gaoyi County Government, Shijiazhuang City, we will obtain 200 mu. 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. On the one hand, Gaoyi County has abundant land resources, and on the other, it can share the urban functional facilities of Shijiazhuang City, bringing continuous convenience for talent attraction and high-quality public services required for industrial transformation and upgrading. Leveraging the Beijing-Tianjin-Hebei synergetic development strategy, it will promote the transformation and upgrading of existing industries and attract a number of new industrial clusters.

  With the support of government subsidies, we opened a new campus in Gaoyi County providing school infrastructure and vacancies for student in-take based on the local government's industrial planning, labor needs, output value goals, and outstanding enterprises that need to be introduced. We have had in-depth cooperations with enterprises in the technology parks by co-developing new industrial majors or equity investments. We also made use of the education industry of Shijiazhuang Institute of Technology to promote the development of surrounding industrial parks with diversified cooperation. In 2022, three industrial colleges were established in cooperation with the Gaoyi County Government, with diversified cooperation in majors including digital economy, green building materials and modern trade and logistics.

In addition, Shijiazhuang Institute of Technology and Shijiazhuang Luquan District Human Resources and Social Security Bureau (石家莊市鹿泉區人力資源和社會保障局) deepened the business of industry-education integration, and jointly established the "Information Technology Application Innovation Industrial College" (信創產業學院), being the first industrial college established with government in Hebei Province, to connect with the construction of a hundred billion-level electronic information industry cluster and talent training in Luquan District, Shijiazhuang City. The industrial cluster has six clusters planned, including integrated circuit industry, new electronic material industry, modern communication industry, automotive electronics industry, software industry and science and technology innovation centre and terminal product manufacturing, with the goal to attract more enterprises in the upstream and downstream electronic information industry chain locate in Luquan District. The Information Technology Application Innovation Industrial College will also provide better career prospects and opportunities for students.

We continue to serve the local economy to deliver fruits of our practice. On 25 July 2022, Industry-education Integration Policy Innovation Working Committee of Hebei Association of Policy Science (河北省政策科學研究會產教融合政策創新工作委員會) was established in Shijiazhuang Institute of Technology. With the approval of the Provincial Party Committee, Hebei Association of Policy Science is a national academic institution set up to engage in policy theory and specific policy research and to provide consultation service regarding policy and decision-making to decision-making departments at all levels. As its subordinate authority, Industry-education Integration Policy Innovation Working Committee of Hebei Association of Policy Science is the first think tank in China to provide expert advisory services and solutions to governments at county (city and district) level in school-enterprise cooperation.

Shijiazhuang Institute of Technology has applied to join the National Security Emergency Industry Demonstration Base Project (《國家安全應急產業示範基地》項目) for the Luquan Economic Development Zone, Hebei Province (the "**Luquan Development Zone**"). After the joint review and assessment by the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Science and Technology, Luquan Development Zone was qualified as a founding unit of the National Security Emergency Industry Demonstration Base. In addition, Shijiazhuang Institute of Technology has won a bid on the Decision-making Consulting Project on Major Issues in the Financial and Economic Field (《財經領域重大問題決策諮詢項目》) awarded by the Development and Reform Commission of Hebei Province, prepared the "Implementation Plan of Establishing and Improving the Technology Brokerage Service System to Promote the Transformation of Scientific and Technological Achievements" (《關於建立完善技術經紀服務體系促進科技成果轉化的實施方案》), conducted overall analysis for a project awarded by the Bureau of Science, Technology and Industry Information Technology of Luquan District Shijiazhuang City, namely the "Innovative Industrial Cluster of Communication Equipment Manufacturing and Application Service" (《通信設備製造與應用服務創新產業集群》). It also has been approved as the Women's Homemaking Training Base of Luquan District Shijiazhuang City. As the president unit of the Ex-servicemen Employment and Entrepreneurship Promotion Association of Luquan District Shijiazhuang City (鹿泉區退役軍人就業創進促進會), Shijiazhuang Institute of Technology also undertook social training tasks from the Human Resources and Social Security Bureau of Luquan District and Bureau of Ex-servicemen affairs of Luquan District and provided training on the 14th Five-Year National Economic Plan of Luquan District (《鹿泉區十四五國民經濟規劃》) for ex-servicemen.

- Cooperation between industry and enterprise

  On 24 April 2022, Shijiazhuang Institute of Technology hosted the New Generation of Information Technology Industry Youth Innovation and Entrepreneurship Development Forum of Hebei Province in 2022. With the theme of "Digital Intelligence Era & Multi-dimensional Dual Carbon (數智時代 • 多維雙碳)", the forum gathered well-known experts and scholars from colleges and universities, young entrepreneurs and venture capitalists in China to discuss the new development direction of the new generation of information technology industry in the future, which helped students to reach the frontier of the industry and understand the policies of innovation and entrepreneurship. The institute will further help the in-depth development of innovation and entrepreneurship, and promote the close integration of innovation and entrepreneurship talent training with industrial requirements.

  In December 2022, Shijiazhuang Institute of Technology was approved to join the "National Virtual Teaching and Research Office Co-construction Team (全國虛擬教研室共建團隊)". Over 30 colleges and universities have successively joined the "National Virtual Teaching and Research Office Co-construction Team" since July 2021, when the Department of Higher Education under the Ministry of Education of the PRC (the "**MOE**") issued the Notice on Conducting the Pilot Construction of Virtual Teaching and Research Office (《關於開展虛擬教研室試點建設的通知》). With its e-commerce major joining the Virtual Teaching and Research Office for E-commerce of MOE, Shijiazhuang Institute of Technology for the first time implemented multi-dimensional teaching and research collaboration across schools and regions, which enabled teaching reform and innovation, quality and professional teaching and research resources sharing, knowledge structure upgrading and high-quality career development of faculty in e-commerce vocational education, thereby enhancing the institute's brand competitiveness.

1.3.2 Non-vocational education segment

1.3.2.1 Business extension to high school education

On 31 August 2022, the Group completed the acquisition of Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) to expand its high school education business, contributing additional increase to the number of the Group's students and revenue.

Shijiazhuang Yuying Experimental High School* is a boarding ordinary high school established in 1994 with a total site area of 120 mu. The school is run by a team of experts led by a well-known headmaster in Hebei Province, who have built a provincial brand school through innovative school-running model and teaching philosophy. The school currently has over 200 staff members, consisting of a number of provincial well-known teachers and master graduates. Through years of teaching practice, it assembled a group of top-notch mentoring and training teams, including a teaching and research team composed of renowned teachers from famous schools in Hengshui as well as a team of professional teachers composed of high-calibre talents.

The school offers diverse teaching with curriculums covering not only courses for college entrance examination, but also art, dance, producer and director, broadcasting and hosting, and sports. The school has adopted a hierarchical training system and established a system of services including Foundation Enhancement Program (強基計劃) and comprehensive evaluation to develop pathways to further studies.

We will also actively seek merger and acquisition opportunities for other vocational or regular high school in the future. Through collaboration between ordinary high schools and vocational high schools, we will be able to share resources via common design of curriculum. We have also extended our upstream and downstream businesses of the New Gaokao* (新高考) to become a comprehensive service provider for high school education.

1.3.2.2 New Gaokao Business deepens regionally and expands nationally*

In line with the national concept of education equality, Peijian New Gaokao* (新高考) Business has focused its services on the college entrance examination channel services, taking the development of high schools in county areas as the priority of its services and carrying out multi-level cooperation in schools. As at 31 December 2022, it has served 51 high schools and has established cooperation relationships with more than 100 schools in nearly 20 provinces nationwide, delivering quality service system and providing planning and tutoring to 5,999 students all over the country. For 2022–2023 school year, 762 and 350 students to whom services were provided, received first-class provincial awards and won gold, silver and bronze medals, respectively. Based on the regional in-depth cultivation plan, the cooperation business will be expanded to Henan, Hubei, Hunan and other national regions.

1.3.2.3 Kindergarten business maintained stable operation

Leveraging on a good local reputation and brand image, Saintach Kindergartens maintained stable operation and continued to contribute to the Group's income and profit. The overall student enrollment in 2022 remained stable, with the student enrollment for 2022–2023 school year reaching 1,718 (2021–2022 school year: 1,716). Some kindergartens have been relocated and renovated to introduce virtual interactive space equipment and courses, so as to help kindergarten students cultivate logical thinking ability. Through strengthening its main characteristic, "Saintach" was able to upgrade its brand positioning and enhance the kindergarten capacity and the tuition and boarding fees (保教費) per student.

1.4 Our Technological Empowerment

We are committed to promoting digitalization. We developed digital platforms in multiple perspectives and scenarios, including internal operation and management as well as external cooperation, to enhance the overall management levels of the school campus and the Group's overall operational efficiency through technological empowerment.

Digital Operation Dashboard: We have developed, optimized and upgraded the digital operation dashboard, which is designed with differentiated modules to connect to the system ports of each business unit of the Group, enabling real-time aggregation and updating of operation information. From financial information to core operational indicators, the dashboard gives an immediate display of the completion status of the Group's businesses, realizing visual management of key operational nodes for timely correction of errors and improvement of operational efficiency.

C-end Charging Center: We incorporate the charges of each business unit into the digital platform to achieve full coverage of digital applications. C-end charging coordination and consolidation may output unified charging technology solutions, ensuring the transparency of C-end charging of each business unit for the integrated management of cash flows and funds.

Tianze Talent (天擇人才) Platform: We provide an integrated platform for employment, entrepreneurship, management and services. Catering for colleges, universities, students and enterprises, we aim to deliver high-quality college graduates, expand employment channels for college graduates, and improve the quality of talent training. Focusing on positions in industries where there is a shortage of high skilled talents (such as production, manufacturing and the internet), we make overall plans and carry out employment and entrepreneurship education to promote the transformation and upgrading of the talent training models. At present, there are over 1,000 registered enterprises on our platform, offering over 20,000 employment opportunities for graduates, opening up the talent supply and demand channels for students' employment by enterprises.

In addition, software platforms, such as "Sousou Smart School (嗖嗖智校)", "Smart Cloud Platform for Educational Growth and Consumer Services (教育成長消費服務智雲平台)", "C-end Charging Center (C端收費中台)" and "Financial Operation Data Center (財務運營數據中台)", have been established to assist our operations in student management, teaching and learning and business processes.

1.5 Our Licenses and Honors

For the year ended 31 December 2022, the Company has completed the 2022 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our business in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

On 13 January 2022, the Company won the "Most Valuable Education Company (最具價值教育公司)" award in the 6th Golden Hong Kong Stock Awards organized by Zhitongcaijing.com with its healthy corporate governance structure and satisfactory main businesses in recent years, which can provide sustainable and stable value returns for investors.

On 24 March 2022, the Industry-Education Integration to Cultivate Craftsman & Teaching Reform to Promote Development — Talent Cultivation Model Based on "Four-Dimension, Three-Joint, Two-Integration and One-Whole (《產教融合育工匠教學改革促發展—基於「四維三同二融一體」的人才培養模式》)" declared by Shijiazhuang Institute of Technology was successfully included in the "Typical Cases of Industry-Education Integration and School-Enterprise Cooperation of Ministry of Education (教育部產教融合校企合作典型案例)". In order to further improve the standards of talent training and build a long-term industry-education integration mechanism, the institute integrates the four dimensions of government, industry, enterprise and school to establish the first industrial college with government in Hebei Province. It adheres to students as the center and serving students as the purpose, aiming to promote the close integration of industries, positions, majors, courses and teaching materials, smooth the communication channels between enterprises and schools, solve the problems of teachers' teaching skills training, realize the integration of resources, and ultimately achieve substantial improvement in teaching quality and enhance the ability to serve the society.

On 27 April 2022, the application in respect of the "National Model Worker & Technical Skills Master Wuming's Studio (全國勞模吳明技術技能大師工作室)" made by Shijiazhuang Institute of Technology was approved and included in the Higher Vocational Education Innovation and Development Action Plan (2022-2025) Project in Hebei Province (《河北省高等職業教育創新發展行動計劃(2022–2025年)項目》) as a "XM-12 Provincial Technical Skills Master Studio (XM-12省級技術技能大師工作室)" in full recognition of the school-running capacity and reform and development of Shijiazhuang Institute of Technology.

On 30 October 2022, the Group was elected as the standing director of Shijiazhuang Enterprises Confederation and Enterprise Directors Association, condensing wisdom and strength into the goals and tasks set by the 20th National Congress of the Communist Party of China, and making new contribution to promote the practice of Chinese modernization in Shijiazhuang. We will continue to improve the cultivation of high-quality technical and skilled talents to cultivate elites for the Communist Party of China and cultivate talents for the country.

On 16 December 2022, the Company won the recognition and trust from all parties in the market and obtained the "GuruClub Awards — Annual Transformation Pioneer Award (金格獎—年度轉型先鋒獎)" from Gelonghui (格隆匯) with its vigorous measures on new vocational education transformation and excellent results achieved on transformation.

On 19 December 2022, the Company won the "Best Small and Mid-Cap Companies (最佳中小市值公司)" and the "Best IR Team Award (最佳IR團隊獎)" in the 7th Golden Hong Kong Stock Awards organized by Zhitongcaijing.com, gaining unanimously recognition from third-party professional institutions and investment banks, as well as high recognition from investors on the Company's overall strategy. Therefore, the development of the Company is promising in the future.

On 29 December 2022, the Development and Reform Commission of Hebei Province and the Education Department of Hebei Province announced the Third Batch Enterprises in Hebei Province (《河北省第三批產教融合型企業》), in which Zerui Education was successfully selected. This is not only recognition of the Group's achievements in industry-education integration and regional industrial economy promotion, but also marks a new stage in the development of the Group's school-enterprise cooperation. While fulfilling government's management objectives, the Group will also receive convenient support from the development and reform departments and education administration departments of the government in terms of project approval, service purchase, financial support and land use policy.

2. MARKET REVIEW AND NEW REGULATIONS

On 20 April 2022, the 34th meeting of the Standing Committee of the 13th National People's Congress passed the revised Vocational Education Law of the People's Republic of China (《中華人民共和國職業教育法》), which further benefits the development of vocational education from four aspects. Firstly, it clarifies for the first time that vocational education is of equal importance as regular education; secondly, it focuses on improving the recognition of vocational education, including enhancing the social status and treatment of talents in technology and skills, and organizing vocational skills competitions and other activities; thirdly, it deepens industry-education integration and school-enterprise cooperation, including that the State promotes enterprises' vital role in running vocational education, advances the in-depth participation of enterprises in vocational education, encourages enterprises to run high-quality vocational education, enterprises can set up full-time or part-time positions to implement vocational education, and the implementation of enterprises' vocational education shall be included in the corporate social responsibility report, and the State encourages industry organizations and enterprises to participate in the development of professional teaching materials for vocational education; and fourthly, it improves the vocational education guarantee system and measures, including that the State takes measures according to the industrial layout and the requirements of industry development, vigorously develops emerging majors required by industries such as advanced manufacturing, supports the construction of high-level vocational schools and majors, optimizes the structure of educational expenditures, adapts the vocational education expenditures to the requirements of vocational education development, and encourages fund-raising through various channels for the development of vocational education in accordance with the law.

On 15 August 2022, the MOE mentioned in its reply to Recommendation No. 0588 of the 5th meeting of the 13th National People's Congress that the MOE attaches great importance to the development of private higher education, and pays attention to and supports the development of private schools in the formulation and improvement of various important regulations, major plans and major policies in education. The MOE will continue to support private colleges to build first-class majors, first-class courses and modern industrial colleges that integrate industry and education for regional and industry development. The State actively encourages innovative education investment and financing mechanisms so as to attract social funds through multiple channels, thereby expanding the sources of funds for running schools. Besides, financial institutions are encouraged to develop financial products suitable for the characteristics of private schools under the premise of controllable risks, explore the handling of future loans pledged by operating income and intellectual property for private schools, and provide diversified financial services such as bank loans, trusts and financial leasing.

On 7 October 2022, 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 Strengthening the Building of a Highly Skilled Workforce for the New Era (《關於加強新時代高技能人才隊伍建設的意見》), which indicated that skilled talents are an important force supporting "Made in China" and "Created in China". It mentioned that by the end of the "14th Five-Year Plan" period, skilled talents will account for not less than 30% of the employed population, where highly skilled talents will account for one-third of skilled talents. A system for training highly skilled talents shall be shaped, which takes industries and enterprises as its mainstay, is based on vocational schools, and integrates government promotion with social support. If an enterprise included in the scope of construction and cultivation of enterprises integrating industries and education makes qualified investments in provision of vocational education, it may claim a credit equivalent to 30% of the investments against its education surcharge liability and local education surcharge liability for the current year in accordance with relevant provisions. The basic role of vocational schools in training highly skilled talents shall be maximized. The types of vocational education, distribution of post-secondary vocational schools, and programs of study shall be optimized. Measures such as parallel enrollment allowing secondary vocational schools and ordinary high schools to enroll students in the same batch shall be taken to stabilize the enrollments in secondary vocational schools.

On 2 November 2022, five departments including the MOE jointly issued the notice on the Implementation Plan for the Projects Meeting the Standard Operating Conditions of Vocational Schools (《職業學校辦學條件達標工程實施方案》), which states that: encourage enterprises to support and participate in running vocational education through donating equipment and sharing venue, and the relevant efforts shall be reflected in the report on the implementation of corporate social responsibility. Besides, industry-education-integrated enterprises that enjoy incentive policies could be connected with the relevant corporate investment, where applicable. The notice supports vocational schools to use operating income to carry out credit business cooperation with financial institutions on the premise of not adding hidden debts to local governments to attract more social funds for vocational education to improve school operating conditions.

On 14 December 2022, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Outline of Strategic Planning for Expanding Domestic Demand (2022–2035) (《擴大內需戰略規劃綱要(2022–2035年)》), proposing to support and standardize private education development, to regulate after-school tutoring comprehensively, to promote the reform of classified management of private education steadily and to carry out high-level sino-foreign cooperation in operating schools.

On 21 December 2022, 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 Deepening the Reform and Construction of Modern Vocational Education System (《關於深化現代職業教育體系建設改革的意見》), which further benefits the development of vocational education from following aspects. Firstly, it explores a new model for constructing provincial modern vocational education system. Incentive policies in respect of financial, fiscal, land, credit, employment and income distribution measures will be formulated. Secondly, it builds municipal industrial and educational consortia. Municipal industrial and educational consortia will be built based on industrial parks with the functions of talent cultivating, innovation and entrepreneurship and high-quality industrial economy promotion. Thirdly, it creates industry-education integration community. Leading enterprises, high-level colleges and universities and vocational schools are encouraged to support the establishment of cross-regional industry-education integration communities with the participation of schools, research institutions, upstream and downstream enterprises. Fourthly, it constructs an open practice center for regional industry-education integration. Schools and enterprises are encouraged to build a number of practice centers in the form of "school-in-factory, factory-in-school", serving vocational school students for internship training, enterprise staff training, product testing, process improvement and technological research and development. Fifthly, it expands channels for students to grow and stand out. It proposes to expand the enrollment scale of application-oriented undergraduate schools in vocational education entrance examination; improve the method for graduates in vocational schools to enroll in undergraduate schools with work experience; and support high-level undergraduate schools to participate in vocational education reform. Sixthly, it innovates international exchange and cooperation mechanism to build a number of high-level international vocational schools.

3. FUTURE PROSPECTS

As a comprehensive private education service provider, we have been adhering to the corporate mission of "creating equality by education". With a focus on integrating quality education resources, we aim to lay out a diversified education industry pattern, expand from vocational education services to industry-education integration services, and become a full-cycle professional talent service provider covering from "Education" to "Employment" through the upgrading of the core growth model of vocational education.

We set our focus on new vocational education with Shijiazhuang Institute of Technology as the foundation and its new campus as the starting point of the new stage. In the meantime, we deepen the development of industry-education integration through internal construction layout of school-enterprise cooperation, external mergers and acquisitions and government-enterprise cooperation to link the talent requirement of companies with the employment demand of students, and carry out vocational training with extension to life-long education. In addition, we rely on the experience and achievements of collectivized school operation to extend service scope. Taking Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) as the starting point, we have obtained a vocational high school license and explored the model of integrating vocational education and regular education. We have also extended our upstream and downstream businesses of the New Gaokao* (新高考) to become a comprehensive service provider for high school education, so as to nurture compound talents with integrated learning and practical abilities for the society.

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 1.0% from approximately RMB308.8 million for the year ended 31 December 2021 to approximately RMB311.9 million for the year ended 31 December 2022 mainly due to the increase in revenue of approximately RMB38.1 million as a result of the increase in student enrollment of Shijiazhuang Institute of Technology and an increase in revenue of approximately RMB21.5 million from new ordinary high school business, which was offset by a decrease in revenue of approximately RMB54.6 million as a result of the restructuring of the business and the closure of part of the K12 business.

4.2 Cost of Sales

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

Cost of sales decreased by approximately 9.0% from approximately RMB181.9 million for the year ended 31 December 2021 to approximately RMB165.5 million for the year ended 31 December 2022, mainly due to a decrease in cost of approximately RMB30.8 million as a result of the business restructuring and the closure of part of the K12 business, which was offset by the cost from new ordinary high school business of approximately RMB15.8 million.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 15.4% from RMB126.8 million for the year ended 31 December 2021 to RMB146.4 million for the year ended 31 December 2022, and the gross profit margin increased from approximately 41.1% for the year ended 31 December 2021 to approximately 46.9% for the year ended 31 December 2022, mainly due to the increase in gross profit and gross profit margin resulting from the significant increase in the revenue of Shijiazhuang Institute of Technology.

4.4 Other Income and Gains

Other income and gains consisted of (1) investment income; and (2) interest income received from bank and other loans. Other income and gains decreased by approximately 41.1% from approximately RMB59.8 million for the year ended 31 December 2021 to approximately RMB35.2 million for the year ended 31 December 2022, mainly due to the decrease in fair value changes of external investments, and the decrease in foreign exchange gain.

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 decreased by approximately 10.7% from approximately RMB17.9 million for the year ended 31 December 2021 to approximately RMB16.0 million for the year ended 31 December 2022, which was mainly due to the closure of part of the K12 business.

4.6 Administrative Expenses

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

Administrative expenses decreased by approximately 0.6% from approximately RMB71.2 million for the year ended 31 December 2021 to approximately RMB70.8 million for the year ended 31 December 2022, mainly due to the decrease in cost of share-based payment which led to a decrease in administrative expenses.

4.7 Other Expenses

Other expenses for the year ended 31 December 2022 mainly consisted of foreign exchange loss and the impairment of goodwill arising from the acquisition of Xin Tian Di Xian.

Other expenses decreased by approximately 25.2% to approximately RMB31.8 million for the year ended 31 December 2022 from approximately RMB42.5 million for the year ended 31 December 2021, mainly due to (1) the impairment of goodwill arising from the acquisition of Xin Tian Di Xian amounted to RMB8.6 million, which was due to the significant decline in the company's operating results for the year ended 31 December 2022 as a result of shrinking demand; (2) exchange losses amounted to RMB17.4 million for an offshore RMB deposit which is settled in Hong Kong dollar, where there was a decrease in the exchange rate of RMB to Hong Kong dollar as at 31 December 2022 as compared with the beginning of the year; and (3) decrease in loss arising from fair value change of financial instruments amounted to RMB19.1 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 33.8% from approximately RMB26.6 million for the year ended 31 December 2021 to approximately RMB35.6 million for the year ended 31 December 2022, mainly due to the increasing amounts of loans from financial institutions.

4.9 Taxation

Income tax increased to tax expense of RMB0.7 million for the year ended 31 December 2022 from tax credit of RMB0.3 million for the year ended 31 December 2021, mainly due to the income tax expense of Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學), resulting from its profit since the acquisition date.

4.10 Profit for the Year

Due to the above factors, the Company's profit for the year decreased from approximately RMB28.7 million for the year ended 31 December 2021 to approximately RMB26.7 million for the year ended 31 December 2022.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 31 December 2022, net current liabilities of the Company were approximately RMB56.3 million, which mainly consisted of other payables and accruals, contract liabilities and interest-bearing bank and other borrowings.

As at 31 December 2022, current assets decreased from approximately RMB699.4 million as at 31 December 2021 to approximately RMB503.3 million. The decrease in current assets was mainly due to the decrease in cash and bank balances and financial assets at fair value through profit or loss.

As at 31 December 2022, current liabilities increased from approximately RMB553.3 million as at 31 December 2021 to approximately RMB559.6 million. The increase in current liabilities was mainly due to the increase in other payables and accruals, contract liabilities, and lease liabilities, which was offset by the decrease in short-term interest-bearing bank and borrowings.

The net current liabilities generated were mainly due to the substantial capital expenditure incurred for the construction of the new campus of Shijiazhuang Institute of Technology for the year ended 31 December 2022. In view of the net current liabilities position, the Group has carefully considered the future operating performance, available financial resources and future cash flow position to improve the net current liabilities position through foreseeable measures such as (1) increase in student numbers; (2) net cash flow from operating activities and available credit of bank borrowings; and (3) desirable profitability.

As at 31 December 2022, current ratio of the Company (current assets divided by current liabilities) was 89.9%, as compared with 126.4% as at 31 December 2021. The decline in current ratio was mainly due to the decrease in cash and bank balance and financial assets at fair value through profit or loss, resulting in a decrease in total current assets.

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 2022.

4.12 Gearing Ratio

As at 31 December 2022, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 62.9%, representing an increase of 12.8% from approximately 50.1% as at 31 December 2021, 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

During the period from March to July 2022, Shijiazhuang Zerui Education Technology Co., Ltd.* (石家莊澤瑞教育科技有限公司) ("**Shijiazhuang Zerui**"), an indirect wholly-owned subsidiary of the Company, entered into a contract for the grant of the land use right of a state-owned construction land with the Natural Resources and Planning Bureau of Gaoyi County through an open bidding process, pursuant to which it acquired the land use right for educational purposes with an aggregated area of 279,577.48 sq.m. (approximately 419.37 mu.) at a total consideration of RMB207.77 million. In August 2022, Shijiazhuang Zerui Commercial Development Co., Ltd.* (石家莊澤瑞商業發展有限公司) ("**Shijiazhuang Zerui Commercial**"), an indirect wholly-owned subsidiary of the Company, entered into a contract for the grant of the land use right of a state-owned construction land with the Natural Resources and Planning Bureau of Gaoyi County through an open bidding process, pursuant to which it acquired the land use right for commercial purposes with an area of 46,269.12 sq.m. (approximately 69.40 mu.) at a total consideration of RMB56.08 million.

Details of the contract for the grant of the land use right of a state-owned construction land entered into between Shijiazhuang Zerui and Shijiazhuang Zerui Commercial, respectively, and the Natural Resources and Planning Bureau of Gaoyi County during the year ended 31 December 2022 are as follows:

	Address	Date of Contract	Site area (sq.m.)	GFA (sq.m.)	Usage type	Status
1.	a land parcel located at the southeast of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	7 March 2022	74,254.99	51,978.49	Educational	Under construction
2.	a land parcel located at the southeast of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	28 April 2022	48,564.44	77,703.10	Educational	Under construction
3.	a land parcel located at the south of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	14 July 2022	153,502.86	245,604.57	Educational	No construction plan as at the date of this annual report
4.	a land parcel located at the south of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	14 July 2022	3,255.19	5,208.30	Educational	No construction plan as at the date of this annual report
5.	a land parcel located at Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	1 August 2022	46,269.12	92,538.24	Commercial	No construction plan as at the date of this annual report

For details, please refer to the announcements of the Company dated 7 March 2022, 28 April 2022, 21 June 2022 and 23 June 2022, respectively, and the circular dated 26 June 2022.

As at 31 December 2022, construction work had commenced on 122,819.43 sq.m. of the land for the construction of a comprehensive teaching building, canteens, dormitory buildings, campus environment and related ancillary facilities of the new campus of Shijiazhuang Institute of Technology, which is expected to be completed in July 2023. The new campus is expected to be put into use and welcome its first batch of students in September 2023. For details, please refer to the announcements of the Company dated 24 March 2022 and 8 August 2022, respectively, and the circular dated 31 August 2022.

4.15 Contingent Liabilities

As at 31 December 2022, 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 2021: Nil).

4.16 Future Plans for Material Investment or Capital Assets

Saved as disclosed in this annual report, the Directors confirmed that as at the date of this annual report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of provision of private education service.

4.17 Foreign Exchange Risk

As at 31 December 2022, 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.

4.18 Pledge of Asset

For the year ended 31 December 2022, the Group pledged bank deposits of RMB176.0 million (31 December 2021: RMB187.0 million) for obtaining two bank facilities, of which RMB110.0 million (31 December 2021: RMB110.0 million) was unutilised as at 31 December 2022.

4.19 Human Resources

As at 31 December 2022, the Group had approximately 1,202 employees (31 December 2021: 1,330 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.

4.20 Events after the Reporting Period

There were no material events undertaken by the Group subsequent to 31 December 2022 and up to the date of this report.

V. DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Yunong (李雨濃) (formerly known as Li Desong (李德頌)), aged 58, 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 the chairman 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 24 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) 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 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 40, 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 strategy and daily management of the Group. Ms. Liu has more than 12 years of experience in the education industry and more than 18 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 Hebei Lionful Education Investment Co., Ltd* (河北廿一世紀教育投資有限公司) ("**Lionful Education**"), successively. From January 2017 to January 2019, she served as the executive president of the Company. She is currently a member of The China Association for Non-Government Education, the vice chairman of Shijiazhuang Association for Non-Government Education and a member of the Shijiazhuang Qiaoxi District CPPCC.

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 46, was appointed as an executive Director in January 2017, mainly responsible for researching the marketing strategies of the Group. Mr. Ren has more than 18 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 served as 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 served as an executive vice president and the president of vocational education segment of the Company from January 2017 to October 2022.

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.

Ms. Yang Li (楊莉), aged 51, 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 18 years of experience in the education industry and more than 18 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 27, was appointed as an executive Director in March 2021, is responsible for promoting the implementation of major events of the Group in line with its business strategy. 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. He also graduated from the Cornell-Tsinghua Dual Degree Finance MBA program jointly offered by PBC School of Finance, Tsinghua University and S.C. Johnson Graduate School of Management, Cornell University, with an MBA degree in October 2022. 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 72, 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 52, 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 50, 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 24 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 Forgame 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 43, was appointed as an executive vice president of the Company in November 2020, primarily responsible for the investment, merger and acquisition and capital operation of the Group. Ms. Liu has over 18 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.

Ms. Wang Lijing (王利靜), aged 42, was appointed as the executive vice president of the Company in January 2017, primarily responsible for the overall operation and daily management of high school and New Gaokao* (新高考) education of the Group. Ms. Wang has over 19 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). 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 53, was appointed as an executive vice president and chief financial officer of the Company in August 2022, primarily responsible for the financial management and fund planning of the Group. Mr. Wang has over 29 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.* (石家莊化工化纖有限公司). 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. From November 2015 to August 2022, Mr. Wang served as the vice president and chief financial officer of the Company.

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.

V. DIRECTORS AND SENIOR MANAGEMENT

Mr. Wei Lei (魏雷), aged 42, 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 15 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.

Ms. Li Xingli (李杏麗), aged 49, was appointed as an assistant to the president of the Company in January 2023, and is also the president of the college and supply chain segment and the executive dean of Shijiazhuang Institute of Technology. She is mainly responsible for the overall operation and daily management of the vocational education of the Group, and the overall talent training, operation and management, quality enhancement and excellence and internal construction of Shijiazhuang Institute of Technology. She is also responsible for the business of industry-education integration. Ms. Li has more than 20 years of experience in corporate management and financial management.

From July 1995 to April 2010, Ms. Li has successively served as the accountant of the Financial Division of CSR Shijiazhuang Rolling Stock Works (now known as CRRC Shijiazhuang Industrial Company Ltd.) and the deputy general manager of Hebei Copper Casting Company Ltd. (河北石銅鑄造有限公司), a subsidiary of CSR Shijiazhuang Rolling Stock Works. From April 2010 to December 2022, she has successively served as the finance director, the assistant to the dean, the vice dean, the executive vice dean and the executive dean of Shijiazhuang Institute of Technology.

Ms. Li graduated from Shijiazhuang University of Economics (now known as Hebei University of Geosciences) in June 1995 majoring in foreign economic management and obtained a master's degree in tourism management from Guangxi Normal University. She is now a doctoral student at Xi'an Jiaotong University. Ms. Li was qualified as a senior accountant by the Hebei Title Reform Office in December 2019 and obtained the title of professor granted by the Hebei Title Reform Office in December 2022.

Mr. Yang Yang (楊洋), aged 39, was appointed as a joint company secretary of the Company in October 2021 and appointed as an assistant to the president of the Company in January 2023, primarily responsible for the corporate governance, compliance disclosure, investor relations and public relations management of the Group. Mr. Yang has over 17 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 listed on Singapore Exchange (stock code: U9E.SG), currently known as the China Everbright Water Limited). 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.

Mr. Mao Lei (毛磊), aged 66, 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 34 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, as at the date of this annual report, 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.

VI. REPORT OF THE DIRECTORS

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, the high school students in our high schools 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 2022 annual results of the Company and the Group and their financial position as at 31 December 2022 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 127 and the audited consolidated statement of financial position on pages 128 to 129, 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 25 of this report for details of the 2022 business conditions and the 2023 outlook of the Company and the Group.

In 2022, 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. 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 85 to 120 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 2022 are set out in note 13 to the audited consolidated financial statements.

• SHARE CAPITAL

As at 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 at the issue date of this report, the Company had 1,161,204,000 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 29 to the consolidated financial statements in this annual report.

• TAXATION

The information on the taxation of the Company and the Group in 2022 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 4.20 to the section headed "Management Discussion and Analysis" of this annual report.

• DISTRIBUTABLE RESERVE

Details of the changes in the reserve of the Company and the Group in 2022 are set out in note 40 to the consolidated financial statements and the audited consolidated statement of changes in equity on pages 130 to 131. The reserve distributable to the Shareholders amounted to approximately RMB184 million as at 31 December 2022.

• PROFIT DISTRIBUTION

The Board recommends a final dividend of HK$0.80 cents per Share for the year ended 31 December 2022. Subject to approval by the Shareholders at the AGM to be held on 30 June 2023, the final dividend will be paid on 31 July 2023 to the Shareholders whose names appear on the register of members of the Company on 24 July 2023.

• ANNUAL GENERAL MEETING

The Company will hold the AGM on Friday, 30 June 2023. 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 Tuesday, 27 June 2023 to Friday, 30 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 26 June 2023.

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 Monday, 17 July 2023 to Monday, 24 July 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 14 July 2023.

• 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**"), and the net proceeds from the initial public offering have been fully utilised.

Set out below is the use of net proceeds from the initial public offering for the year ended 31 December 2022 and as at the date of the Announcement:

	Original use of net proceeds[1] (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)	Actual use of net proceeds from the date of the Announcement up to 31 December 2022 (HK$ million)	Remaining balance up to 31 December 2022 (HK$ million)	Expected timeline of full utilization of the remaining balance
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	—	—	—	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	—	—	—	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	163.2	163.2	163.2	—	Fully utilized
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	—	—	—	Fully utilized
Establish the Group's presence overseas and obtain experience in operating schools abroad	43.3	—	—	—	—	Not applicable
Fund working capital and general corporate purposes	43.3	37.2	—	—	—	Fully utilized
Total	**433.0**	**433.0**	**163.2**	**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.

• 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 10.4% of the Group's operating revenue in 2022. Our largest customer during the track record period was Lionful Education, a related party of the Group, which accounted for approximately 7.2% of our total revenue for the year ended 31 December 2022.

Our suppliers primarily comprise food, utilities and property service providers. For the year ended 31 December 2022, the purchases from our five largest suppliers as recorded in the cost of sales account constituted approximately 8.3% of our cost of sales. The transaction amount with the single largest supplier of the Group accounted for approximately 3.2% 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% of the Company's share capital) had any interest in the top five suppliers of the Group in 2022.

• BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group as at 31 December 2022 are set out in note 26 to the audited consolidated financial statements.

• DONATIONS

In 2022, 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, development strategy and daily management of the Group	nil
Mr. Ren Caiyin	Executive Director	Research on marketing strategies 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

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. Li Yunong, Mr. Li Yasheng and Mr. Guo Litian 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 28 April 2023.

(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 high school and New Gaokao* (新高考) education of the Group
Mr. Wang Yongsheng	Executive 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
Ms. Li Xingli	Assistant to the president and president of the college and supply chain segment	Overall operation and daily management of the vocational education of the Group
Mr. Yang Yang	Joint company secretary and assistant to the president	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

Ms. Wong Sau Ping ceased to be the joint company secretary of the Company and the agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**") with effect from 26 May 2022.

Mr. Leung Chi Kit has been appointed as the joint company secretary and the Process Agent with effect from 26 May 2022.

Mr. Wang Yongsheng ceased to be the vice president and chief financial officer of the Company, and has been appointed as the executive vice president and chief financial officer of the Company with effect from 31 August 2022.

Mr. Ren Caiyin, an executive Director, ceased to be the executive vice president and the president of vocational education segment of the Company with effect from 10 October 2022.

Ms. Li Xingli was re-designated as the assistant to the president with effect from 10 January 2023; Ms. Li Xingli was appointed as the president of the college and supply chain segment of the Company with effect from 13 January 2023.

Mr. Yang Yang has been appointed as an assistant to the president of the Company with effect from 10 January 2023.

Mr. Sun Peng resigned as the vice president of the Company with effect from 18 January 2023.

Save as disclosed above, the Company did not appoint or dismiss any Director or senior management member during the reporting period. As at 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 26 to 31 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 2022 and up to the date of this annual report.

• DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin 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 2022.

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

Save as disclosed in note 36 "Related Party Transactions" to the consolidated financial statements and the sections headed "Related Party Transactions" and "Non-exempt Continuing 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 2022 or as at the end of 31 December 2022 and was significant to the business of the Group.

Save as disclosed in note 36 "Related Party Transactions" to the consolidated financial statements and the sections headed "Non-exempt Connected Transactions" and "Non-exempt Continuing Connected Transactions" in this annual report, at no time during the year ended 31 December 2022 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 8 November 2022, the Company renewed the Entrustment Agreement (the "**New Entrustment Agreement**") entered into between Shijiazhuang Institute of Technology and Lionful Education on 27 May 2020. For details, please refer to the announcement of the Company dated 8 November 2022. 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). 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 Shijiazhung Peisen Education Technology Co., Ltd.* by Lionful Education to commence the kindergarten business. Save as disclosed above and for the year ended 31 December 2022, the Directors were not aware that any of them or any of their respective close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

• DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the reporting period, the Company or any of its subsidiaries did not enter into any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

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

As at 31 December 2022, 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]	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)	64.98%
	Beneficial owner	1,902,000 (L)	0.16%
	Beneficial owner	666,000 (L)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	888,000 (L)	0.08%
Ms. Liu Hongwei[2]	Beneficial owner	2,061,000 (L)	0.18%
	Beneficial owner	666,000 (L)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	888,000 (L)	0.08%
Mr. Ren Caiyin[3]	Beneficial owner	951,000 (L)	0.08%
	Beneficial owner	887,400 (L)	0.08%
	Beneficiary of a trust (other than a discretionary interest)	591,600 (L)	0.05%
Ms. Yang Li[4]	Beneficial owner	951,000 (L)	0.08%
	Beneficial owner	443,700 (L)	0.04%
	Beneficiary of a trust (other than a discretionary interest)	591,600 (L)	0.05%
Mr. Li Yasheng[5]	Beneficial owner	633,000 (L)	0.05%
	Beneficial owner	296,100 (L)	0.03%
	Beneficiary of a trust (other than a discretionary interest)	394,800 (L)	0.03%

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. On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan, of which (i) 666,000 award shares had vested on 29 December 2021; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares were unvested. 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 Ms. Liu Hongwei pursuant to the Share Award Plan, of which (i) 666,000 award shares had vested on 29 December 2021; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares were unvested.

(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 (i) 443,700 award shares had vested on 29 December 2021; (ii) 443,700 award shares had vested on 29 December 2022; and (iii) 591,600 award shares were unvested.

(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 (i) 443,700 award shares had vested on 29 December 2021; (ii) 443,700 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 591,600 award shares were unvested.

(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 (i) 296,100 award shares had vested on 29 December 2021; (ii) 296,100 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 394,800 award shares were unvested.

(6) The letter (L) denotes a long position in such securities.

(7) As at 31 December 2022, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 31 December 2022, 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 2022, 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	758,046,000 (L)	65.28%
Sainange Holdings	Beneficial owner	754,590,000 (L)	64.98%
Leonus[1]	Interest in a controlled corporation	754,590,000 (L)	64.98%
HSBC International Trustee Limited[1]	Trustee	754,590,000 (L)	64.98%
Ms. Luo Xinlan[2]	Interest in a controlled corporation	92,736,000 (L)	7.99%
Mr. Cao Jide[4]	Spouse interest	92,736,000 (L)	7.99%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.99%

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 758,046,000 Shares in total.

(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 2022, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 31 December 2022, 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 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 on-going 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 full-time 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 share option schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit represented 120,000,000 Shares, representing approximately 10.33% of the issued shares as at the date of this 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 at 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.

The number of options available for grant under the Share Option Scheme was 104,163,000 as at 1 January 2022 and 104,163,000 as at 31 December 2022, respectively. As at 31 December 2022, the total number of Shares which had been granted and remained outstanding under the Share Option Scheme was 13,779,000 Shares, representing approximately 1.19% of the Shares in issue as at the date of this annual report. As at 31 December 2022, the total number of Shares available for issue under the Share Option Scheme was 112,752,000 Shares, representing approximately 9.71% of the Shares in issue as at the date of this annual report.

(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. The remaining life of the Share Option Scheme is 5 years and 1 months.

(7) Exercise Price

The exercise 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

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.

Below sets out the details of the changes in the Options under the Share Option Scheme for the year ended 31 December 2022 and the Options outstanding during the year:

		Number of Options									
Name of grantee	Date of grant	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2022	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
Directors											
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 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	3,168,000 (Note 1)	—	—	—	—	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	3,321,000 (Note 1)	—	—	—	—	3,321,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for a 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		13,779,000	—	—	—	—	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 ("**Mr. Liu**") was executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu is currently a director of the Company's subsidiaries.

(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.

• SHARE AWARD PLAN

A share award scheme was adopted by the Board on 14 October 2020 (the "**Adoption Date**"), the details of which are set out as follows:

(1) Purpose

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) Grant Price of Award Shares

The grant price in respect of any Award Shares shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Award Share(s), and shall be stated in the grant notice containing the offer of the grant of the Award Share(s). The grant price of the Award Shares under the Share Award Plan is HK$0.243 per Share, which shall be payable upon vesting of the relevant Award Shares. No acceptance price of Award Shares will be payable on the acceptance of the award of the Award Shares.

(10) 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. The Share Award Plan has a remaining validity period of 7 years and 6 months.

(11) 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 10% limit represents 116,721,600 Shares, accounting for approximately 10.05% of the issued Shares as at the date of this annual report). 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 Awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

As at the date of this report, the remaining number of Shares which may be purchased by the Trustee pursuant to the Share Award Plan was 88,722,600 Shares, representing approximately 7.64% of the issued shares of the Company as at the date of this report. As at 31 December 2022, the total number of Shares available for being further awarded under the Share Award Plan was 89,001,600 Shares, accounting for approximately 7.66% of the issued Shares as at the date of this annual report. During the year ended 31 December 2022, 812,700 Award Shares have vested, 6,320,700 Award Shares have lapsed and 258,300 Award Shares have cancelled. Save as disclosed above, no Award Shares have been granted 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 2022 are as follows:

					Number of Award Shares					
Name of awardee	Date of grant	Grant price payable per Award Share (HK$)(1)	Number of Award Share	Vesting period(2)	Granted but unvested as at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Granted but unvested as at 31 December 2022
Directors										
Mr. Li Yunong	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	1,554,000	—	—	666,000	—	888,000
Ms. Liu Hongwei	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	1,554,000	—	—	666,000	—	888,000
Mr. Ren Caiyin	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	1,035,300	—	443,700(5)	—	—	591,600
Ms. Yang Li	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	1,035,300	—	—	443,700	—	591,600
Mr. Li Yasheng(3)	29 December 2020	0.243	987,000	29 December 2021 to 29 December 2023	690,900	—	—	296,100	—	394,800
Employees	29 December 2020	0.243	17,610,000	29 December 2021 to 29 December 2023	9,825,900	—	369,000(5)	3,731,400	258,300	5,467,200
Connected person(4)	29 December 2020	0.243	1,233,000	29 December 2021 to 29 December 2023	863,100	—	—	369,900	—	493,200
One highest paid employee (excluding Directors)(6)	29 December 2020	0.243	492,000	29 December 2021 to 29 December 2023	344,400	—	—	147,600	—	196,800
Total			27,720,000		16,902,900	—	812,700	6,320,700	258,300	9,511,200

Notes:

(1) The grant price shall be payable upon the vesting of the relevant Award Shares.

(2) 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.

(3) Mr. Li Yasheng is the son of Mr. Li Yunong.

(4) Mr. Liu was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu is currently a director of the Company's subsidiaries.

(5) The weighted average closing price of the shares of the Company immediately before 29 December 2022, being the date of vesting of the Award Shares, was HK$0.325.

(6) Two of the five highest paid employees were the Directors, whose interest in the Award Shares is disclosed under the "Directors" section of the above table. No Award Shares were granted to two of the five highest paid employees under the Share Award Plan.

• BONDS ISSUED

The Company did not have any bonds in issue or existence for the year ended 31 December 2022.

• SHARE-LINKED AGREEMENT

For the year ended 31 December 2022, the Company did not enter into or have any share-linked agreement in existence, 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 OF THE COMPANY

For the year ended 31 December 2022, the Company repurchased an aggregate of 6,012,000 Shares on the Stock Exchange at a total repurchase price (before expenses) of HK$2,769,120. The reason for such share repurchases was that the Board believed the trading level of the Shares had significantly underestimated the performance and related value of the Company, and the Board is committed to managing the capital of the Company actively, therefore, such share repurchases would create capital management benefits for the Shareholders. All the repurchased shares aforesaid were cancelled by the Company on 30 March and 22 June 2022. Details of such share repurchases are set out below:

Month of repurchase	Number of Shares repurchased	Maximum price per Share paid (HK$)	Minimum price per Share paid (HK$)	Total repurchase price (HK$)
January	2,334,000	0.51	0.48	1,173,195
June	3,678,000	0.45	0.40	1,595,925
Total	**6,012,000**			**2,769,120**

• 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 2022, 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 70 to 84 in this report.

• AUDIT COMMITTEE

For the year ended 31 December 2022, 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 (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 2022 have been reviewed by the Audit Committee.

• AUDITOR

Ernst & Young was appointed as the auditor of the Company for the year ended 31 December 2022. 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.

The auditor of the Company has not changed in the past three years.

• 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 2022 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 2022. 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.

• SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best 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 2022, 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 2022, 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 2022.

1. General Construction Contract for Dormitory Buildings

On 8 August 2022, Shijiazhuang Zerui and Hebei Chaoxing Construction and Installation Engineering Co., Ltd.* (河北朝興建築安裝工程有限公司) ("**Hebei Chaoxing**") entered into the general construction contract for dormitory buildings of Shijiazhuang Institute of Technology (New Campus) Phase II for a consideration of RMB94,800,000 ("**General Construction Contract for Dormitory Buildings**"). Pursuant to the General Construction Contract for Dormitory Buildings, Hebei Chaoxing provides construction work in relation to the dormitory buildings of Shijiazhuang Institute of Technology (New Campus) Phase II at a consideration of RMB94,800,000.

For further details, please refer to the announcement of the Company dated 8 August 2022 and the circular of the Company dated 31 August 2022, respectively.

• NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2022, 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 2022.

1. Entrustment Agreement

As set out in note 36(d)(1) to the consolidated financial statements, on 27 May 2020, Shijiazhuang Institute of Technology entered into the New 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 west campus of Sifang College and the yearly entrusted management fee is 65% of the tuition fees generated by west campus of Sifang College. Such rate represents the amount of revenue generated from the tuition fees of west campus of Sifang College 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 west campus of Sifang College for its operations. The term of the New Entrustment Agreement is three years commenced on 1 January 2020 and ended on 31 December 2022 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 80.625% and 19.375%, 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.

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. During the period from 1 January 2022 to 31 December 2022, the entrustment fee received by Shijiazhuang Institute of Technology were RMB22.1 million.

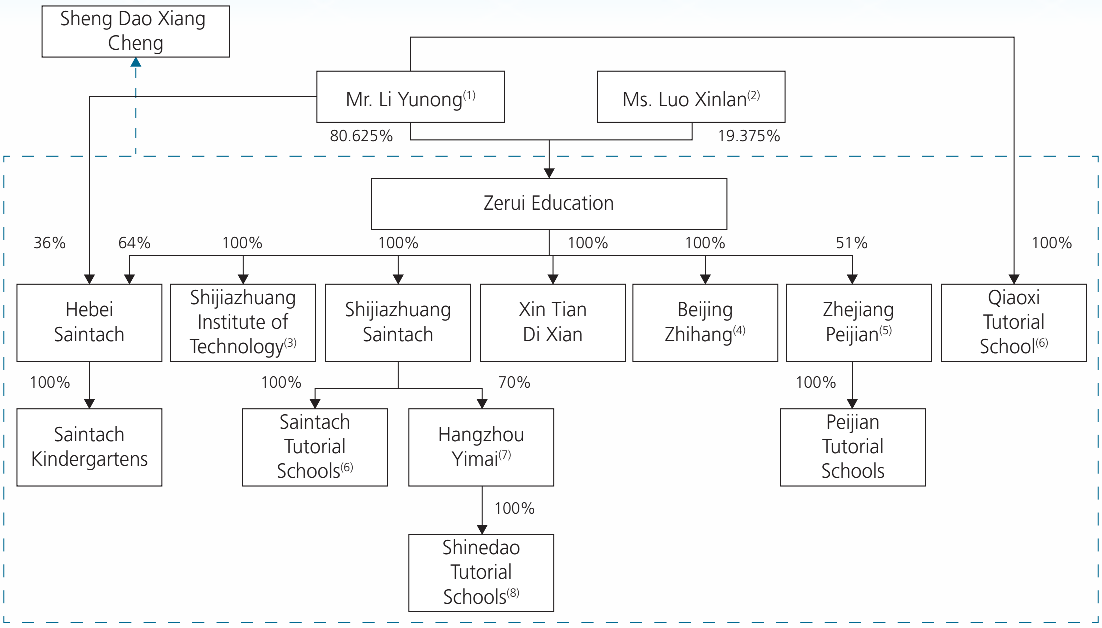
As the New Entrustment Agreement was due to expire on 31 December 2022, Shijiazhuang Institute of Technology entered into a new entrustment agreement (the "**2023 Entrustment Agreement**") on 8 November 2022. More details are set forth in the sub-paragraph headed "3. Renewal of the New Entrustment Agreement" 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.

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 is 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 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 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 Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), 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 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 (the "**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.

(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 2022	Net profit for the year ended 31 December 2022	Total assets as at 31 December 2022
PRC Operating Entities	100%	162%	79%

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 2022, 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	311,908	1,546,447

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 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 our 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 our 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 our 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.

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 2022) (外商投資電信企業管理規定(2022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. 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 is only a foreign investor investing in telecommunications business and has no experience in operating value-added telecommunications business outside the PRC, and is unable to provide proof of the Company's experience in operating telecommunications business in accordance with the requirements of the Guidance Memorandum, so the Company's application as a foreign investor to hold no more than 50% of the equity of Xin Tian Di Xian will not be approved. 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 our 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 above, the Company and the Board, after consulting our 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. Applications for value-added telecommunications business submitted by enterprises that fail to provide proof of foreign investors' experience in operating telecommunications business in accordance with the requirements of the Guidance Memorandum will not be approved.

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.

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 at 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 at the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed "Structured Contracts — 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 New Entrustment Agreement

On 8 November 2022, Shijiazhuang Institute of Technology entered into the 2023 Entrustment Agreement with Lionful Education. For further details, please refer to the sub-paragraph headed "1. Entrustment Agreement" above.

As the New Entrustment Agreement was due to expire on 31 December 2022, Shijiazhuang Institute of Technology entered into the 2023 Entrustment Agreement with Lionful Education on 8 November 2022 in light of the business needs and benefits of the transactions thereunder.

Pursuant to the 2023 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 west campus of Sifang College. The principal terms of which are summarized as follows:

1. Lionful Education entrusts Shijiazhuang Institute of Technology to implement the teaching and operation of west campus of Sifang College under the joint schooling arrangement, and pays Shijiazhuang Institute of Technology the entrustment fee, and Shijiazhuang Institute of Technology guarantees the normal operation of west campus of Sifang College.

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 west campus of Sifang College. Such rate represents the amount of revenue generated from west campus of Sifang College's tuition to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement.

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

The 2023 Entrustment Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 23 December 2022. For further details, please refer to the announcement of the Company dated 8 November 2022 and the circular of the Company dated 6 December 2022.

For each of the three years ending 31 December 2025, the annual caps of the 2023 Entrustment Agreement are no more than RMB27.0 million, RMB27.0 million and RMB27.0 million, respectively.

The proposed annual caps were determined with reference to (i) the historical amounts of the revenue generated from tuition from west campus of Sifang College; (ii) the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to west campus of Sifang College for its operations; and (iii) the expected growth in number of students and tuition of west campus of Sifang College.

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 2022 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 2022 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 2022, 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.

The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2022.

• RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2022 are set out in note 36 to the consolidated financial statements.

The transaction with Lionful Education as set out under note 36(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 New Entrustment Agreement" above, the announcement of the Company dated 8 November 2022 and the circular of the Company dated 6 December 2022, 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 2022 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.

• 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 2022.

By order of the Board
Li Yunong
Chairman

Hong Kong, 30 March 2023

VII. CORPORATE GOVERNANCE REPORT

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 2022.

• 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 2022, the Company has complied with all applicable code provisions under Part 2 of 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 2022, the Board comprised five executive Directors and three independent non-executive Directors detailed as follows:

Executive Directors:
Mr. Li Yunong (Chairman)
Ms. Liu Hongwei
Mr. Ren Caiyin
Ms. Yang Li
Mr. Li Yasheng

Independent non-executive Directors:
Mr. Guo Litian
Mr. Yao Zhijun
Mr. Wan Joseph Jason

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 2022, 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. The independent non-executive Directors are responsible for maintaining high standards of supervision of the Company, balancing the powers of the Board and exercising effective and independent judgement on company actions and operations. The Company has developed a mechanism to ensure that independent views and opinions are available to the Board. All independent non-executive Directors have devoted sufficient time to attend all the Board meetings and all the Board Committee meetings which he/she is a member and have shared their views and opinions through the meetings. Chairman of the Board also had a private meeting with independent non-executive Directors without the presence of other Directors to listen the independent views on issues concerning the Group during the reporting period. Upon reasonable request, independent professional advice would be provided to the independent non-executive Directors to assist them to perform their duties to the Company. The Board has confirmed that the implementation and effectiveness of the independent non-executive Directors in providing independent opinions and advice to the Board for the year ended 31 December 2022.

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 2022 according to the information provided by the Directors is as follows:

Name of Director	Nature of continuous professional development program[1]
Executive Directors:	
Mr. Li Yunong	A/B/C/D
Ms. Liu Hongwei	A/B/C/D
Mr. Ren Caiyin	A/B/C/D
Ms. Yang Li	A/B/C/D
Mr. Li Yasheng	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

Note:

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.

• CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision C.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 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).

• 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 2022, the Company held 12 Board meetings, one annual general meeting and two extraordinary general meetings. 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 annual general meeting/ Number of required attendance at annual general meeting	Number of actual attendance at extraordinary general meetings/ Number of required attendance at extraordinary general meetings
Executive Directors:			
Mr. Li Yunong	12/12	1/1	2/2
Ms. Liu Hongwei	12/12	1/1	2/2
Mr. Ren Caiyin	12/12	1/1	2/2
Ms. Yang Li	12/12	1/1	2/2
Mr. Li Yasheng	12/12	1/1	2/2
Independent non-executive Directors:			
Mr. Guo Litian	12/12	1/1	2/2
Mr. Yao Zhijun	12/12	1/1	2/2
Mr. Wan Joseph Jason	12/12	1/1	2/2

• 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 2022.

For the year ended 31 December 2022, 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 its whistleblowing policy.

• BOARD COMMITTEES

• Audit Committee

For the year ended 31 December 2022, 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 2022, the Audit Committee held 2 meetings. A summary of work performed by the Audit Committee is as follows:

- reviewed 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;

- reviewed the interim results of the Company and its subsidiaries for the six months ended 30 June 2022; and

- reviewed 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, the re-appointment of the External Auditor, and the effectiveness of internal audit. 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 meetings
Mr. Yao Zhijun	2/2
Mr. Guo Litian	2/2
Mr. Wan Joseph Jason	2/2

- **Nomination Committee**

For the year ended 31 December 2022, 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 2022, 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 Nomination Committee also reviewed the Board Diversity Policy and considered the re-election of the retiring Directors.

  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;

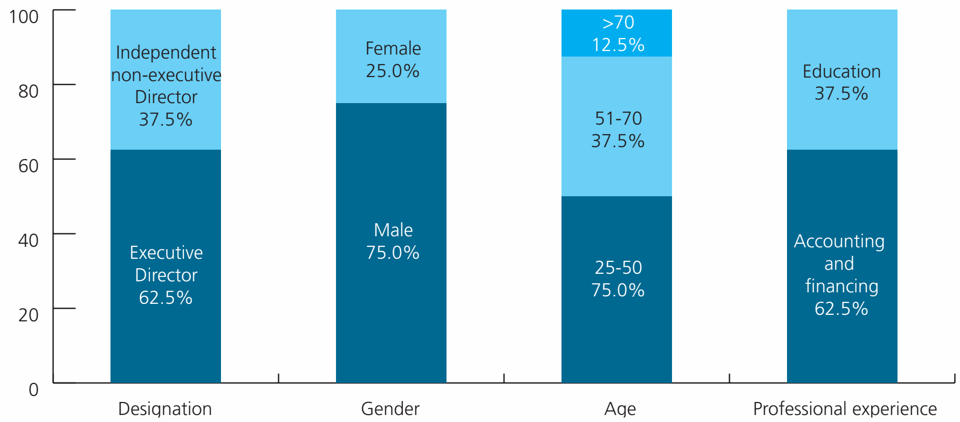
(2) to devise criteria for performance evaluation of the independent non-executive Directors and the Board as a whole; and

(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 measurable objective is to have at least one female Director on 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.

The following chart shows the diversity profile of the Board as at the date of this annual report:



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation. As at the date of this annual report, the Board comprises 2 female Directors and 6 male Directors. The Board considers that the gender diversity in respect of the Board is satisfactory and will continue to maintain a diverse Board. As at 31 December 2022, the ratio of women to men in the workforce (excluding Directors) was 7:3. For details of gender diversity at the workforce level, please refer to the "Environmental, Social and Governance Report" section of this annual report. The Board considers that the gender diversity at workforce level is satisfactory and will continue to maintain it, by taking into account gender diversity factors during the recruitment process. If additional or replacement Director is required, the Nomination Committee will select appropriate candidates through multiple channels and make recommendation to the Board based on the Company's Board diversity policy and nomination policy.

The Company will strive to enhance female representation and achieve an appropriate balance of gender diversity. The Company will also ensure that there is gender diversity when recruiting staff and provide more suitable on-job training to them, so that we will have a pipeline of female senior management and potential successors to our Board in near future.

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 2022, 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.

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;

(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; and

(11) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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 2022, 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 executive Directors' and the senior management's remuneration structure and independent non-executive Director's remuneration, and make recommendations to the Board on such matters.

  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. Li Yasheng	1/1

• REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company for the year ended 31 December 2022 falls under the following bands:

Band of remuneration (RMB'000)	Number of individuals
Above 200	9
100–200	2
Below 100	4

• 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 124 of this annual report, which give a true and fair view of the consolidated financial position and consolidated cash flows of the Group.

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 Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's capability to continue its business as a going concern. For further details, please refer to note 2.1 to the consolidated financial statements.

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 124 to 125 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 2022, 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.

• 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 2022, 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 2022 is as follows:

Type of services	Amount (RMB'000)
Annual audit	1,780
Special audit	534
Agreed-upon procedures	350
Other non-audit services	300
Total	2,964

• JOINT COMPANY SECRETARIES

Mr. Yang Yang ("**Mr. Yang**") was appointed as a joint company secretary of the Company with effect from 25 October 2021. 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 engages Mr. Leung Chi Kit ("**Mr. Leung**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), as its joint company secretary of the Company on 26 May 2022 to replace Ms. Wong Sau Ping, an associate director of the Listing Services Department of TMF Hong Kong Limited who resigned on the same date, to assist Mr. Yang to discharge his duties as joint company secretary of the Company. Mr. Yang is the primary contact person of Mr. Leung at the Company.

For the year ended 31 December 2022, Mr. Yang and Mr. Leung 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. The Company has adopted a Shareholders' communication policy and will review the implementation and effectiveness of the Shareholders' communication policy at least once in a financial year.

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.

Immediately following the publication of the annual and interim results announcements, the Company arranged telephone conferences for investors and analysts with the Chief Executive Officer, chief financial officer and other senior management as well as the investor relations team to present the Group's operating results and developments, and to answer questions from investors and analysts. In addition to investor relations activities immediately following the publication of the annual and interim results announcements, the Company also held face-to-face and virtual meetings from time to time during the financial year, including in-person telephone conferences with investors and analysts, investor telephone conferences with investor groups, roadshows and media interviews, organising or participating in industry-specific forums, and issuing press releases and corporate communications.

To promote effective communication and establish a two-way relationship and communication between the Company and its Shareholders, the Company maintains a website at www.21centuryedu.com and enquiry channels for investors (telephone: +86 10 65924695; 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.

The Board has reviewed the Group's communication with Shareholders during the year ended 31 December 2022 and is satisfied with the implementation and effectiveness of the Shareholders' communication policy.

• 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 2022, the Articles of Association have not been amended and restated.

VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

China 21st Century Education Group Limited ("**21st Century Education**" or the "**Company**") and its subsidiaries (the "**Group**" or "**We**") are pleased to present the Environmental, Social and Governance Report ("**ESG Report**" or "**this Report**") for the year, which summarises our initiatives, strategies and objectives relating to environmental, social and governance (or "**ESG**") issues, and describes our vision and commitment to the fulfillment of sustainable development philosophy, as well as our corporate social responsibilities.

Reporting Standards

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The contents covered herein are in compliance with the mandatory disclosure requirements, "comply or explain" provision required in the Guide and the requirements of the four reporting principles (materiality, quantitative, balance and consistency). An index of the Guide prepared in accordance with the contents of this Report is inserted in the last chapter of this Report for readers' easy reference. You should read this Report together with the section headed "Corporate Governance Report" in this annual report to have a comprehensive understanding of the Group's ESG performance.

Materiality	In accordance with the requirements of the principle of materiality of the Stock Exchange, this Report has identified and disclosed the process of significant environmental, social and governance factors and the criteria for their selection, the process of identifying material issues and the matrix of material issues, as well as the description of significant stakeholders and the process and results of stakeholder engagement.
Quantitative	The statistical criteria, methods, assumptions and/or calculation tools used in this Report for reporting emissions/energy consumption (where applicable), and the sources of conversion factors are defined in this Report.
Balance	This 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 statistical methods used to disclose data in this Report are consistent. If there is any change, it will be clearly stated in this Report.

Reporting Scope

This Report describes the sustainable development related to core businesses and the overall performance of performing corporate social responsibility from 1 January 2022 to 31 December 2022 (the "**Year**" or "**Reporting Period**"). Unless otherwise specified, this Report covers the businesses directly controlled by 21st Century Education, and the data collection of the Environmental KPIs covers the related businesses of Shijiazhuang Institute of Technology and Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學).

Reporting Language

This Report is published in both Traditional Chinese and English. If there is any discrepancy, the Traditional Chinese version shall prevail.

Approval of this Report

This Report was approved by the board of directors of the Company (the "**Board**") on 30 March 2023 after being confirmed by the management.

Feedback on this Report

We highly value your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us through the following channels:

Telephone:	010-65924695
Email:	ir@21stedu.com
Company address:	15th Floor, South Tower, Zhonghai Plaza, 8 Guanghua Dongli, Chaoyang District, Beijing, the PRC

2. ABOUT 21ST CENTURY EDUCATION

21st Century Education is the first private education group in the Beijing-Tianjin-Hebei region listed in Hong Kong Stock Exchange. The Group is committed to becoming a first-class provider of integrated education services. With a focus on integrating quality education resources, the Group strives to provide the best education for students by building a comprehensive education industry chain based on physical schools. With the continuous development of the education industry, the Group will continue to focus on new vocational education, and provide students with more friendly and convenient education services through its own innovative education system and standardised management, so as to further promote social equality.

Creating equality through education

Promoting the progress of civilization with contents and technologies

For staff
- Providing an employment platform where the staff can achieve sustainable growth, work with dignity and have a proud career

For clients
- Providing customized services and solutions based on individual demand to make education more friendly; and making education more convenient through the innovation driven by content + technology

For industry
- Pushing forward resource sharing and building an open platform; promoting the localization of education and the values with a global perspective

For society
- Providing effective means contributive to the whole life, promoting the balanced social development by education, and practicing love by education

Values

Partner
- We accept unprofessional staff, accept the price, but we reject the uncooperative attitude; the spirit of partnership keeps us united and work together

Sharing
- We are a group. Material and spiritual wealth could be continuously magnied due to shareing and individual value would be the value of all

Self-strengthening
- Believe that we are irreplaceable because believing means seeing and having a future

Virtue
- Being comes from not-being. We are a company with a soul and willing to assume responsibility; the morality and health of each ensure that we can pursue profits with integrity

Service philosophy

Starts with love

Ends at the best

Talent concept

Passion

Sincerity

Willingness to win

3. SUSTAINABILITY GOVERNANCE

3.1 Statement of the Board

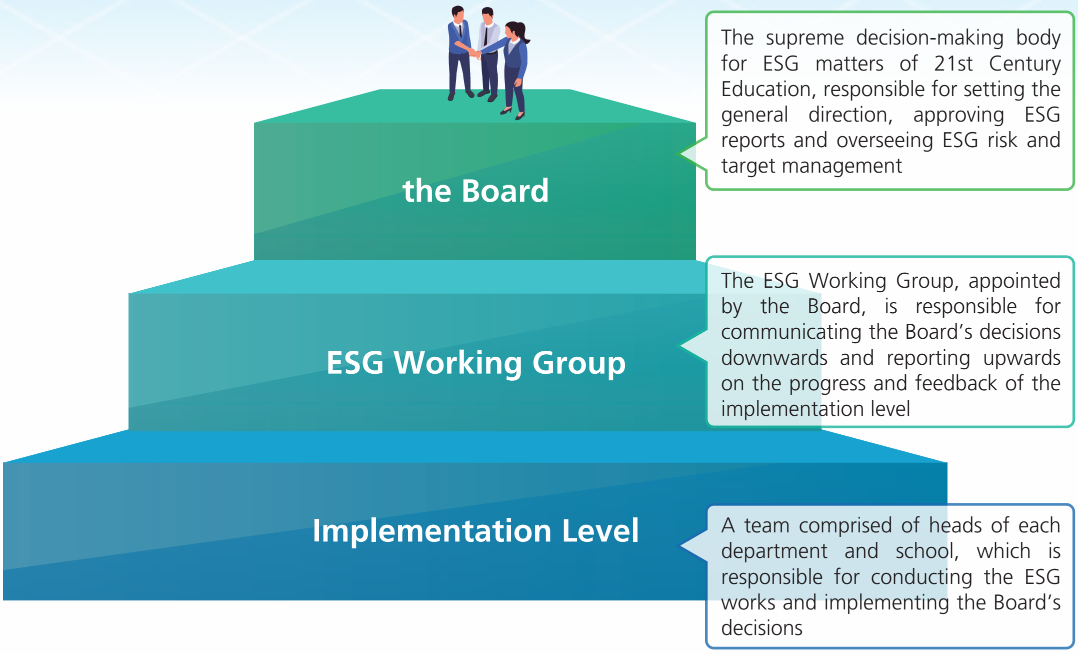
The Board recognises the importance of ESG governance to the success of the Group and the enhancement of value for stakeholders. In this regard, the Board has authorised the establishment of an ESG Working Group to oversee and promote the implementation of ESG matters. The Board has overall responsibility for ESG matters, including developing the Group's ESG strategy and understanding the associated risks. An effective and sustainable governance framework has been established to review the environmental, social and governance performance of the Group. The Board has reviewed and confirmed the results of the materiality assessment and has identified the key issues to be included in the Group's overall strategic plan. The Board identifies the Group's ESG management policies, strategies, priorities and objectives, taking into account stakeholders' concerns and requirements, and oversees the management and performance of these issues. During the Year, the Group has set up environmental-related targets. The Board will continue to review the ESG-related performance and review the progress based on the ESG-related targets in the future, so as to supervise and improve sustainability efforts.

3.2 Sustainability Governance Structure

21st Century Education's ESG structure is designed to ensure that our ESG policies and practices are implemented and monitored in an effective manner. The Board is the supreme decision-making body for ESG matters. The Board is responsible for setting the overall direction of our ESG strategy, approving ESG reports, assessing ESG performance on a regular basis, prioritising ESG matters, managing potential operational impacts, overseeing ESG risk and target management, as well as reviewing progress against environmental targets and determining their setting, and initiating internal audit to ensure the quality of the ESG Report.

The ESG Working Group is appointed by the Board and is responsible for implementing the ESG strategy and ensuring that the Board's decisions are effectively implemented throughout the organization. The working group consists of a group of core members from each department to collect information and data by surveys and interviews and to compile the ESG Report. They also supervise and evaluate the effectiveness of our ESG risk management and internal control mechanisms, and report regularly to the Board.

Finally, the implementation level is made up of the heads of each department and school who are responsible for putting the Board's decisions and the working group's recommendations into practice. They strive to ensure that our ESG policies and practices are integrated into our day-to-day operations and realize our ESG objectives. This ESG structure allows for a top-down approach to ESG management, assuring that our commitment to sustainable development is embedded within the Group.



ESG Governance Structure

3.3 Communication with Stakeholders

21st Century Education attaches great importance to the communication and interaction with stakeholders, and we understand that the sustainable development of the Company is closely related to the expectations and suggestions of all parties. To this end, we have established diversified communication channels and actively engaged in long-term and effective communication with relevant parties such as investors, government and regulatory authorities, students and parents, so as to understand their specific needs and expectations. Such effective communication and interaction supports us in formulating our sustainability strategies and managing the ESG issues. Therefore, we have been collecting feedback from all parties and taking corresponding measures based on the feedback, hoping to grow together with all our stakeholders and achieving sustainable development.

Major stakeholders and communication and response

Stakeholders	Major issues concerned	Major communication and response	Communication frequency
Investors/Shareholders	• Latest operational information • Results performance	• Meetings for operational information • Investor meetings • Annual general meeting • Extraordinary general meeting • Interim report and annual report • Corporate communications, such as letters/circulars to shareholders and meeting notices • Senior management meetings	• From time to time • From time to time • Regularly • From time to time • Regularly • Regularly • From time to time
Teachers/Other faculty	• Employment management • Staff training and development • Comfortable and healthy working environment • Good development platform • Health and safety of staff	• Staff discussions • Staff appraisals • Work meetings • Training courses • Business briefing • Conference/workshops/seminars • Training and other activities • Employee communication meetings • Annual meetings and carnival activities	• From time to time • Regularly (monthly appraisal) • Regularly (weekly, monthly, quarterly) • Regularly (weekly) • From time to time • From time to time • From time to time • From time to time • Regularly (at the end of the year)
Students/Parents	• Latest operational information • Teachers' qualification and ethics • Advanced educational philosophy, models and goals • Students' core values and their sense of identity with the school • Safe and healthy educational environment for students • Evaluation and improvement of teaching quality	• Questionnaire survey • Holding parent conferences • Public service seminar • Daily activities • Telephone	• From time to time • Regularly (per semester) • From time to time • From time to time • From time to time
Graduates	• The development of the school • The platform that the school can provide	• Media information • School website • Graduated student reunions • Graduate activities organized by the school	• From time to time • From time to time • From time to time • From time to time

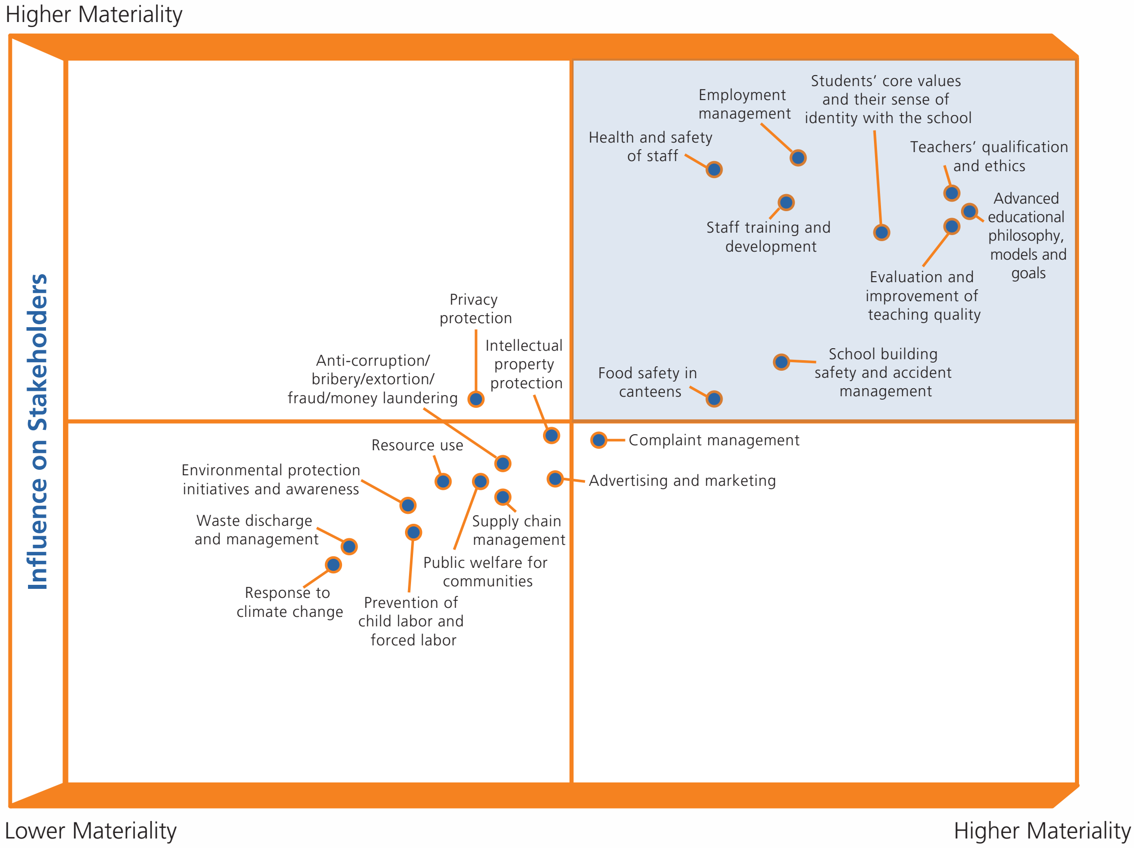
Stakeholders	Major issues concerned	Major communication and response	Communication frequency
Government/ Regulatory authorities	• Safe and compliant operation • Food safety in canteens	• Consultation • Accepting supervision • Information disclosure meetings • Organizing business activities	• From time to time • Regularly • From time to time • From time to time
Suppliers	• Fair and unbiased procurement • Business growth • Investment return	• Supplier management procedures • Supplier/contractor evaluation system • On-site visits	• Regularly • Regularly • From time to time
Business partners	• Corporate governance • Investment return • Business growth	• Strategic partnership projects • Meetings	• From time to time • Regularly
Community/Non-governmental organizations	• Promotion of community development • Participation in social benefit activities	• Meetings • Donations • Volunteer activities	• From time to time • From time to time • From time to time
Public	• Information transparency • Education services quality assurance • Sound operation	• Media information • School website • Activities organized by the school	• From time to time • From time to time • From time to time
Media	• Food safety in canteens • Environmental protection	• Press release • Result announcements	• From time to time • Regularly
Industry association	• Promotion of sound development of the industry • Contribution to economic and social development	• Holding the post of the president of the association • Attending activities and meetings hosted by association • Exchange of corporate culture	• Regularly • From time to time • From time to time

3.4 Materiality Assessment

In 2021, we have invited internal and external stakeholders to conduct materiality issues assessment. Firstly, we selected the key stakeholders for filling in the questionnaire based on the analysis of "the influence by the enterprise" and "the influence on the enterprise". Secondly, we updated the database of 21st Century Education's ESG issues for 2021 based on the ESG Guidelines, industry issues and enterprise characteristics, and selected the potential materiality issues with high relevance to the Company. We also prepared a questionnaire to make materiality judgments, which would be confirmed by the Board to finally determine the material issues in 2021 of 21st Century Education. As the management of the Group considers that there have been no significant changes in the business and operating environment for the current year and that the results of materiality assessment for 2021 can still respond to the expectations of stakeholders, the results of materiality assessment for 2021 are confirmed to remain applicable to the situation for the current year. The results of materiality assessment are as follows:

The following results of ESG materiality issues have been approved and confirmed by the Board.

Materiality Matrix Analysis of 21st Century Education



Influence on 21st Century Education

Based on the results of materiality matrix, we identified 9 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 constantly review 21st Century Education's approach to sustainability governance, take the views of stakeholders and incorporate such views into the Group's management policies or strategic planning, so as to continuously improve our services.

Issues of high materiality	Corresponding section
1. Teachers' qualification and ethics	High quality teaching services
2. Advanced educational philosophy, models and goals	High quality teaching services
3. Employment management rules	Care for employee development
4. Evaluation and improvement of teaching quality	High quality teaching services
5. Students' core values and their sense of identity with the school	High quality teaching services
6. Staff training and development	Care for employee development
7. Health and safety assurance of staff	Care for employee development
8. School building safety and accident management	Sound business operation
9. Food safety in canteens	Sound business operation

4. HIGH QUALITY TEACHING SERVICES

As our commitment to the community, the Group strives to provide excellent teaching quality. We continue to optimize our education system and deepen our teaching research. Strictly abiding by the teaching standards, we attach importance to the development of teacher ethics and improvement of teaching quality of the college. Meanwhile, we give priority to the physical and mental health as well as safety of all our teachers and students.

The 7th Selection Event of Golden Hong Kong Stock Listed Companies: We won the "Best Small and Mid-Cap Companies (最佳中小市值公司)" award. The value of 21st Century Education has been recognized by third-party professional institutions and investment banks, with its own solid strengths being further demonstrated. With its potential growth of performance and the long-term positive prospect of the industry, the Company is expecting a promising future.

4.1 Good Ethics and Teaching Styles of Teachers

The team of teachers is our key resource and the cornerstone for achieving long-term development in all aspects. In order to establish an excellent learning style, we strictly control the construction of the ethics and teaching styles of teachers, standardize the professional ethics of all teachers and staff. Over the years, the Group has emphasized teachers' professional ethics in recruitment, teaching and other stages, strictly controlled the construction of the ethics and teaching styles of teachers, and laid great stress on the improvement of education and teaching quality. We pay attention to the cultivation of students' hands-on and practical ability, especially the cultivation of students' healthy personality. In addition, the excellent morality and teaching quality of the teacher team are the foundation of the Group's establishment. We have set up the Signed Document of Teacher Morality and Teacher Style (《師德師風簽署文件》) and 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》) to further improve the management methods of each position in the teaching system. We cultivate a team of high-quality professional teachers with noble morality, professional skills, reasonable structure and vitality.

4.2 Innovative Teaching Model

The quality of teaching is an important indicator of the college's standard of operation and is the foundation of the Group's development. 21st Century Education focuses on strengthening teaching and assessment through in-depth examination in the classroom, invests resources to improve teaching and learning research, and continues to test new educational models. Through our efforts, we improved the level and quality of teaching, which plays a vital role in the overall success and competitiveness of the school. To provide first-class education and teaching quality is the Group's top priority with the goal of making education more accessible and user-friendly. By integrating technology and content, we hope to provide students with more convenient educational experience.

In order to stimulate the learning and growth of teachers, promote the improvement of the teaching staff, and establish advanced models, Saintach Kindergartens has formulated the Management Measures for Famous Teachers and Star Teachers (《知名教師和明星教師管理辦法》).

Teachers' rank	Academic qualification	Teaching age	Vocational qualification
Star teacher	Junior college or above	Over 1 year	Teacher qualification
Renowned teacher	Undergraduate		Teacher qualification
Excellent teacher	Undergraduate	Over 5 years	Teacher qualification, director qualification/family education instructor qualification and other related professional qualifications

We evaluate and assess teachers, including classroom effectiveness, teaching effectiveness, work attitude, parent satisfaction, etc. The teacher's level will have a progressive benefit to encourage them to learn and grow when promoted to a higher teacher level.

Online Teaching

We dynamically adjust the teaching plan according to the actual situation and strengthen teaching supervision to effectively ensure the orderly development of online teaching. In order to fully implement the deployment and requirements of epidemic prevention and control, Shijiazhuang Institute of Technology has steadily promoted online teaching in the new semester and accurately implements all teaching tasks. For the purpose of ensuring the quality of online teaching, the Institute has established a three-level supervision mechanism, implementing multiple teaching management paths such as leadership listening to and evaluating classes, leadership team inspections, online inspections by the supervision team, and spot checks for secondary college. The Office of Teaching and Research arranges special personnel to track lectures in groups, inspect the quality of lectures, and provide timely feedback on outstanding problems and typical experience in online teaching.

Since the commencement of online teaching, teachers of Shijiazhuang Institute of Technology have used a variety of teaching platforms to carry out online teaching tasks to ensure the normal progress of teaching. In order to ensure the effect of online teaching, while doing a good job in online teaching, the professional teaching and research offices of Shijiazhuang Institute of Technology actively carry out online teaching and research activities, conduct teaching seminars, design teaching methods, and apply the obtained results to the online teaching process. We dynamically adjust the teaching plan according to the actual situation and strengthen teaching supervision to effectively ensure the orderly development of online teaching.

Online Teaching

In order to promote the construction of modern apprenticeship system and improve the quality of education, Shijiazhuang Institute of Technology has organized online training for the construction of modern apprenticeship system. The Group integrates the successful experience and typical cases of the existing modern apprenticeship pilot, and strives to excavate the characteristics of the Institute to implement the modern apprenticeship system of dual-subject education of enterprises and schools.

Case: The Institute organized online training for the specialized construction of modern apprenticeship system

"Classroom Revolution" Typical Case Selection Meeting

During the year, Shijiazhuang Institute of Technology held a selection meeting for typical cases of "Classroom Revolution", insisting on the concept of strengthening moral education to cultivate talents and promoting the reform of curriculum teaching in the college. With main focus on the background of the case, the reform goal, the implementation process, the effectiveness of the implementation, and the reflection of the case, etc, the report on the development of the typical case of "Classroom Revolution" was presented, and the reflection was combined with the actual work. During the conference, the judges evaluated the on-site performance of the teachers and scored them according to the "Classroom Revolution" typical cases. After the teachers' presentations, the judges made pertinent comments and suggestions to such teachers. It is hoped that the teachers will continue to carry out in-depth teaching reforms based on the students' learning situation and the needs of enterprises in the industry for talents in light of the social development.

The faculty members' ability to summarize and organize materials has been greatly improved through the training of several competitions. Teachers have explored new ideas to enrich the teaching content. The Institute strives to improve the quality of education and teaching, so as to cultivate more high-quality technical and skilled talents with all-round development in ethics, intellect, physique, aesthetics and hardwork for the society.

4.3 Optimizing Teaching Resources

21st Century Education strictly abides by the requirements of relevant laws and regulations on private education, and has established a series of standardized and normalized educational strategies and policies. These strategies and policies include 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**"). These systems and manuals provide clear guidelines and norms for the Group's education quality and teaching process, ensuring the stability and sustainability of our education service quality.

In order to support students' development in all aspects and to integrate the knowledge gained in the classroom with practical applications, Shijiazhuang Institute of Technology participated in 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)), and is the unit for the construction of the plan, with four key constructions in intelligent manufacturing, Internet +, modern logistics management, and pre-school education. We have actively implemented 21st Century Education's development vision of "promoting the progress of civilization with contents and technologies". As an education practitioner, we abide by the requirements of China Education Modernization 2035, and continuously improve the conditions for school operation by utilising cloud computing, big data, Internet of Things, mobile Internet, artificial intelligence and other technologies, so as to promote the deep integration and innovative application of information technology and personnel training, cultural inheritance and innovation, improve the quality of education and teaching, and cultivate high-quality technical and skilled talents with innovative spirit and practical skills. We have implemented the "Smart Campus" project management system to manage various campus measures, such as campus broadcasting, dormitory face recognition, standardized examination venue monitoring, network infrastructure, servers, and other software systems of ZFSOFT, so as to better serve student management, teaching management and campus security. In addition, we have also set up different practical training programmes in campus according to the needs of different professions. For example, the Geely Automobile Industry College of Shijiazhuang Institute of Technology was established with an aim of deepening the integration of industry and education and further enhancing and cultivating the application-oriented and compound talents for enterprises.

Our Saintach Kindergartens has a comprehensive curriculum, such as Montessori activities which allowed children to experience science while enhancing their confidence and concentration through experiential teaching assisted by Montessori teaching tools, multimedia video teaching, and diverse, intelligent and creative curriculum and experimental teaching, thus laying a solid foundation for future's quality cultivation. We also provided Orff music programme, which is a professional music education programme designed for children in the kindergarten and can provide a balanced development of children in physical functions, thinking, interpersonal relationships, self-awareness and spatial development through various musical elements.

Standardization system

In order to ensure that we conduct teaching activities in accordance with the corresponding regulations in all educational procedures, and abide by 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, the Group has established the Saintach Pre-school Education Teaching Inspection Standards — Teaching Quality Requirements and the Standardization of Teacher Team Building, so as to implement teaching quality monitoring and build a self-improvement and self-discipline teaching quality assurance system. We have developed the Standardization of Teacher Team Building and the Saintach Preschool Education Teaching Inspection Standards-Teaching Quality Requirements to ensure the quality of our education and teaching and improve our teaching standards.

- Teaching quality standard system
- Teaching quality monitoring and organization system
- Supervision for the operating system
- Teaching quality monitoring information system
- Teaching quality evaluation system

Standardization System

- Formulation of teaching standards
- Classroom management system
- Tests for teachers' professional skills
- Attendance and review system
- Writing standards for teaching plans

Standardization Process

- Establishing the review and analysis system
- Setting up discussion groups for the plans
- Implementing new Standardization System
- Establishing inspection mechanism

Standardization Update

We believe that the management of teachers' instructional quality is essential to the effectiveness of student learning. We have introduced a number of systems, policies and activities in different schools to improve the quality of teaching services:

Institute	System
Saintach Kindergartens	Management Measures for Well-known Teachers and Star Teachers of the Shijiazhuang Regional Company of the Pre-school Education Division: To stimulate the learning and growth of teachers, promote the improvement of the teaching team, establish advanced models, and establish a standard framework for excellent teachers in pre-school education, the Management Measures for Well-known Teachers and Star Teachers have been formulated.
Shijiazhuang Institute of Technology	Shijiazhuang Institute of Technology attaches great importance to teaching quality and has established a relatively complete teaching quality control mechanism to ensure the improvement of teaching quality. We highly value the teaching process. According to the Teaching Quality Control Measures of Shijiazhuang Institute of Technology, we adopt the method of the leadership listening to lessons in classrooms, with our leaders, department heads and the teaching supervision committee conducting on-site teaching supervision and listening to lessons in conjunction with teaching supervision, including evaluating teaching effect, so as to understand the teaching quality situation, identify and resolve teaching issues, and guarantee the teaching effect.
Shijiazhuang Yuying Experimental High School	The Teachers' Class Fee Assessment Rules of Shijiazhuang Yuying Experimental High School: These rules are developed to build a team of teachers with high morals and exceptional skills, inspire teachers with excellent teaching performance, mobilize teachers' enthusiasm for teaching, standardize teaching behavior, ensure teaching effects, and improve teaching quality in an all-round way.

4.4 Passing on the Philosophy of Campus Governance

We have always attached great importance to the quality education of our students and are committed to cultivating students with all-round development, innovative spirit and practical skills. To this end, we adhere to the student-oriented educational philosophy, pay attention to cultivating students' comprehensive and humanistic qualities, and promote the overall growth and development of students. We promote the all-round development of students through various methods such as activity organization and education management, cultivate students' critical thinking, creative thinking and practical skills, encourage them to explore and practice, and improve their independent learning and self-management abilities, in a bid to make positive contributions to the cultivation of talents with high quality and innovative abilities for our country and society.

Singing "Patriotic Songs" to Welcome the National Day: we expressed our love for our country, our praise for the Communist Party of China and the People's Liberation Army, and our commemoration of China's reforms. Students and teachers embodied the spirit of solidarity and patriotism, while creating a joyful and warm atmosphere for celebrating the National Day.

4.5 Improving Complaint Channels

For better learning outcomes, we must pay attention to the expectations of students and parents on the home-school relationship. In order to strengthen the connection between families, students and schools, we have formulated the Parents and Students Complaint Handling System and Implementation Measures (《家長及學生投訴處理制度及實施辦法》), further improving the work style, smoothing the complaint channels, effectively grasping the hot and difficult issues reported by parents and students and enhancing investigation and punishment, so as to actively improve school work. We have established a clear complaint handling mechanism, 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》). Staff take complaints and turn issues into constructive suggestions. Next, the college should conduct an investigation to fully understand the situation, then the management should come up with solutions with all parties involved, the staff should have the right attitude when handling complaints and finally keep detailed complaint records, the college should provide staff with the training to handle complaints effectively, so as to effectively address parents' concerns, implement measures to improve the quality of teaching in the future, and prevent similar complaints from occurring in the future.

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

5. CARING FOR EMPLOYEE DEVELOPMENT

5.1 Optimizing Employment Management

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 Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), 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 the Regulations on School Health Work (《學校衛生工作條例》). We take education as our mission and recruit talents according to the standards of both ability and integrity.

Adhering to the principles of diversity, equality and fairness, the Group actively creates an equal and transparent working environment, builds a diverse and inclusive faculty and staff team, and establishes talent introduction management regulations, mainly including employment principles, manpower demand application, recruitment, interview, approval of entry, assessment and regularization. The main purpose of the talent introduction management regulations is to ensure that the employment is fair, scientific and standardized, so as to select talents who can do the work, improve the enthusiasm of employees, and develop a solid talent base. We implement the principle of open recruitment and merit-based recruitment, and the human resources department of each unit formulates selection criteria and submits them to relevant departments for review and approval. Internal recruitment is carried out by various departments through the system to post job vacancies, and existing employees can submit resumes according to their career aspirations. School employees enjoy equal opportunities for recruitment and promotion, and will not be treated differently based on ethnicity, race, age, gender, etc., as well as religion. In terms of prohibition of child labor, 21st Century Education closely observes such laws and regulations as 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》), and 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》), so as to prevent child labor. Once a minor is identified during the recruitment process, we will absolutely refuse acceptance.

Employee Holidays and Benefits

We standardize employee attendance and leave, and clarify employee benefits. Employees enjoy the system of 5-day working day per week with 8 hours a day. Employees enjoy statutory holidays in accordance with the national system, and school employees have paid holidays. In addition, employees are entitled to maternity or paternity leave, sick leave, marriage (funeral) leave, and winter leave in accordance with the law. We adhere to employment rules and strictly prohibit forced overtime. Employees who work overtime on rest days or national holidays will receive leave compensation and will never be forced to perform work outside of their normal job responsibilities. Overtime work can only be carried out if the employee logs on to the OA system to fill in an overtime request and obtain management's approval. In addition to providing basic benefits as stipulated by national laws for our employees, we also provide assistance to senior management in transportation, medical treatment, and education. We provide various benefits such as holiday subsidies, tourism, and team building for all employees. To strengthen the construction of talent echelons, promote the identification, selection, appointment, and development of talents, and achieve synchronous development of employees with the Company, we have established a fair, reasonable, and transparent performance evaluation mechanism. The composition of the compensation system mainly considers job value evaluation and performance-based compensation management to match changes in business performance and job content. The regulations also define salary as the monetary payment directly paid by the Company to employees for labor, including personal income tax.

Promotion Opportunities

We are committed to establishing a fair and transparent system for the career development and promotion of employees. Our job promotion and promotion policy aim to encourage continuous learning and professional development, while providing equal can make an application, which should be subject to the review by relevant departments. Successful applicants will receive promotions and salary increases accordingly. In addition, employees who perform well found in the annual evaluation process will be prioritized for promotion and career development opportunities.

Resignation management

The resignation of faculty and staff is a loss of our resources. In order to attract and retain outstanding faculty and staff, we have clear employee resignation procedures initiated by employees or companies to end employment relationships. Employees must provide advance notice and follow procedures for leaving work appropriately, and failure to do so may result in consequences. The Company may terminate employment under several circumstances, including failure to meet requirements during the probationary period, violation of the Company's rules, providing false information or causing harm to the group. In case of resignation compensation, it must be implemented in accordance with relevant laws and regulations and the results of negotiations between the employee and the Company.

During the Reporting Period, the Group was not aware of any case of non-compliance in relation to employment, child labor or forced labor.

During the Reporting Period, we attached great importance to employee participation and development. We improved employee skills and knowledge through by various activities and initiatives, and promoted collaboration and friendship among colleagues in the team building activities.

Annual employee team building activities of New Gaokao business institution in 2022

New Gaokao business institution held employee team building activities to enhance team cohesion and promote exchanges and cooperation among employees. The content of the activities included outward training, natural landscape appreciation, etc., which stimulated the teamwork spirit of employees and to further promote employees communication and collaboration between each other through a variety of activities.

5.2 Employee Training and Development

We are responsible to provide on-going training and development opportunity for employee. We have established clear guidelines to continuously improve the overall quality of employees, including the standards for employee promotion qualifications. We have formulated training programs according to different schools, such as the "Notice on Organizing the 6th Advanced Training Camp for Main Class Teachers" for Saintach Kindergartens, to ensure that our employees are equipped with the required skills and knowledge for success of their positions and career development. We have provided a range of training programs and workshops, which covers a variety of topics including time management, effective communication and leadership skills. We also encouraged our employees to receive external training and educational opportunities to assist them in developing skills and expertise. We were committed to ensuring that all of our employees receive equal opportunities for promotion. Our employees were able to reach their full potential and contribute to our continued success through by our employee training and development programs. We were believed that it will contribute to our sustainable growth.

	Employee vocational training
Shijiazhuang Yuying Experimental High School	Shijiazhuang Yuying Experimental High School has established a standardized training platform, and the training outline targets the backbone employees and topic leaders as the main users to meet the professional development needs of teachers. We have established a system of teacher training courses, which are categorized as "three types of courses" (morality and ethics, knowledge and skills, and practical and experience). We will improve their knowledge and skills in the humanities, sciences, and physical and mental health through providing monthly training sessions on morality and ethics for teachers.
New Gaokao business institution	New Gaokao business institution has established corresponding training systems for employees at different levels, such as the "New Team Training System" for new employees, the "Training System for School Principal" for campus management, and the "Hero Lion Team Training System" for talent development.
Shijiazhuang Institute of Technology	Shijiazhuang Institute of Technology has taken measures to strengthen the professional skills of new employees and help them adapt to jobs faster. We have hold two longer-duration intensive training sessions, with a training program covering a range of topics, including executive sessions and practice exercises.
Saintach Kindergartens	Kindergartens has set up advanced training camps for major class teachers to meet the needs of teachers in the new semester and to solve the problem of teacher succession, therefore forming a sound talent supply and realizing echelon organization. According to the Company's business plan and core staff training mechanism, we has set up rookie training camps, which provided strong support for the sustainable development of the Company, and accelerated the growth of management staff and backup personnel of the kindergartens.

Staff training information

Shijiazhuang Institute of Technology	Male	Female	High level	Middle level	Basic level
Proportion of trainees[1]	42.7%	57.3%	1.4%	5.8%	92.8%
Average training time (hours)[2]	120	125	95	87	92

New Gaokao business institution	Male	Female	Management	Business and function position	Teacher
Proportion of trainees	49.0%	51.0 %	15.6%	80.2%	4.2%
Average training time (hours)	0.8	0.7	2.4	0.5	9.1

Saintach Kindergartens	Male	Female	Management	Business and function position	Teacher
Proportion of trainees	3.5%	96.5%	9.8%	36.3%	53.9%
Average training time (hours)	8.8	7.8	6	2	12

Shijiazhuang Yuying Experimental High School	Male	Female	Management	Business and function position	Teacher
Proportion of trainees	18.8%	81.2%	1.6%	14.7%	83.8%
Average training time (hours)	46	48	20	22	54

5.3 Employee Health and Safety

21st Century Education attaches great importance to the health and safety of employees. According to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業疾病預防和控制法》) 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》) and related laws and regulation, we have formulated various policies and measures, which includes the Safety Inspection Plan and Protective Measures (《安全檢查計劃和預防措施》), the Emergency Response Plan (《緊急響應計劃》) and the complete Safety Management System Compendium (安全管理系統匯編) that are developed internally, so as to prevent and control occupational disease hazards and to meet the specific needs of employees. We also arranged employees to participate in the health and safety training activities on a regular basis to cultivate their safety awareness and protect their occupational safety.

Saintach Kindergartens has developed Safety Management Systems of Saintach Kindergartens (《新天際幼兒園安全管理制度》) and Standardization Manual for Sanitation, Disinfection, and Epidemic Prevention of Saintach Kindergartens (《新天際幼兒園衛生消毒防疫標準化手冊》), and standardized the safety management in Saintach Kindergartens , so as to protect the personal and property safety of all kindergarten children and staff. Our purpose in establishing such systems is to identify potential safety issues and ensure compliance with our safety policies and procedures. If any safety issues are found, we will immediately resolve them and take corrective measures if necessary. The new college entrance examination business segment provides safety training for employees to ensure they have the knowledge and skills required to identify and manage safety risks. We are committed to maintaining a safe and healthy work environment and will continue to prioritize employee health and safety in all our operations.

1 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.

2 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.

In respect of COVID-19 health training, our professional teachers obtain training at the Group on how to prevent infection with COVID-19 and how to strengthen autoimmunity.

Campus Safety Management

Campus safety is the precondition and foundation of smooth school education work. We pay high attention to campus safety management. To constantly instill safety awareness and related crisis response methods to students and faculties, 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 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 improve the safety management system, and pay close attention to the implementation of safety management, supervision and education in personal safety, fire protection, transportation and epidemic through regular education, training and drills on epidemic prevention and firefighting safety.

During the Reporting Period, no major safety incidents occurred in any campus of the Group.

Implementing Campus Safety

Shijiazhuang Yuying Experimental High School has established the Fire Emergency Evacuation Drill Program of Shijiazhuang Yuying Experimental High School (《石家莊育英實驗中學火災應急疏散演練方案》) to conduct fire emergency evacuation drills, aiming to improve the school's organization and management level in fire emergency evacuation, strengthen the safety awareness and emergency evacuation ability of teachers and students, and cultivate students with emergency behavior habits that benefit their whole lives. The drill scenario is set as an emergency evacuation drill for teachers and students in case of a fire in the teaching building during class time. Through drills, schools can promptly identify and solve problems in emergency evacuation, improve the capability of faculty and students to respond to emergencies, and prepare adequately for future safety incidents such as fires.

In order to practically carry out prevention and control of COVID-19 epidemic, further upgrade our school's awareness of COVID-19 prevention and emergency responses and get familiar with the emergency treatment process, Shijiazhuang Yuying Experimental High School developed the Emergency Evacuation Drill Program for Prevention and Control of COVID-19 Epidemic of Shijiazhuang Yuying Experimental High School (《石家莊育英實驗中學疫情防控應急演練方案》). This program outlines the duties and responsibilities of each team and team members, including an emergency response team consisting of 8 teams and each team member. This program provides a clear structure for emergency response and enable schools to prepare better for and deal with COVID-19, thereby protecting students and staff. Employees of the new college entrance examination business organization enter the school every morning, and the front desk first registers, takes temperature measurements, and checks health codes. We will regularly disinfect the school premises and inspect the environment.

Shijiazhuang Institute of Technology has formulated the Safety Emergency Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院安全應急預案》) emphasizing the importance of prioritizing the safety of students and employees. The plan follows the principle of "prevention first, proactive response" to eliminate or reduce any potential security risks on campus. We have established a security emergency team led by the chairman of the Institute, which is responsible for campus security. The members include the Academic Affairs Office, Student Affairs Office, School of Medicine and Nursing, Business Operation Office, Logistics Management Office and Security Office. The purpose is to raise awareness of safety responsibilities among all members and enhance their ability to protect themselves. The plan also includes improving security regulations, establishing a network accountability system, and creating prompt and effective emergency mechanisms to ensure the campus.

The Fire Safety Emergency Plan of Shijiazhuang Institute of Technology outlines the roles and responsibilities of the fire safety emergency team, including the dean of the institute, executive vice president, and others. The institute establishes a medical rescue team to assist and transfer injured people to the hospital. In addition, fire safety education must be conducted and all classrooms must have accessible and orderly evacuation exits. Finally, leaders of the Institute should investigate the cause of the fire and record the damage in writing.

In order to effectively build the prevention and control line of COVID-19, guard the life safety and physical and mental health of children, and ensure the smooth operation of education, teaching, management and other work in the kindergarten, Saintach Kindergartens requires employees to sign up an off campus safety prevention and control commitment to ensure their own and others' safety, and provide them with training on COVID-19 prevention and control disinfection technology. We have formulated the Manual for Disinfection and Epidemic Prevention (《衛生消毒防疫標準化手冊》), delegated a responsible person for epidemic prevention work in kindergartens, standardized the epidemic prevention work process in kindergartens, and continuously improved the safety management of the epidemic.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety-related laws. Neither were there any cases of death due to work during the past three years.

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

Food Safety Management

Adhering to the guidance of food safety, we earnestly fulfill the responsibility of protecting healthy growth of each student. We strictly abide by the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) and the Regulations on School Food Safety and Nutritional Health Management (《學校食品安全與營養健康管理規定》) to create a healthy and safe food environment. Shijiazhuang Institute of Technology and Saintach Kindergartens provide dining service during the teaching service process. In order to ensure the safety of food for the whole school, we have adopted the following measures.

Shijiazhuang Institute of Technology has set up a food safety emergency team, composing with the dean of the institute as the leader, the executive vice president and the vice president as deputy leaders, and members of each department. It has formulated the Safety Emergency Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院安全應急預案》), which summarizes the steps to be taken in case of food poisoning incident, including reporting to local health authority, providing medical care for affected individuals, securing food supply and conducting investigations. It also emphasises the importance of keeping calm of and providing psychological support for affected individuals, and shall communicate with related departments and personnel. In addition, it specifies actions to maintain order and smoothly take patients to hospital. After taking patients to hospital, the leaders and relevant staff shall visit and comfort them. In addition, Shijiazhuang 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》) and the Management System for Canteen Cold Chain Food (《食堂冷鏈食品管理制度》) to make best efforts to create a healthy and safe food environment.

Saintach Kindergartens developed the Safety Management Standardization Manual (《安全管理標準化手冊》), which contains risks in the diet and sleep of children and precautions, and describes the risks, precautions and requirements and response in detail. For example, teachers should be aware of the allergy history of children and symptoms after intaking allergic foods in advance before enrollment. If children intake allergic foods, the kindergarten shall notify health care personnel for inspection as soon as possible, and send them to the hospital if necessary, so as to reduce the risk of sudden food safety accidents. In terms of procurement, staff should buy meat, eggs and milk in regular supermarkets or regular markets, verify relevant certificates and ask for invoices. If any quality problems found, staff shall retain and report to the management of the kindergartens to preserve evidence.

During the Reporting Period, 21st Century Education and its subordinate schools did no aware of any food safety risks or any food safety accidents occurred.

6. STABLE BUSINESS OPERATION

6.1 Supply Chain Management

The Group has clarifies the approaches and duties of procurement management in 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價與管理辦法》) and other documents. Such management measures define procurement methods, procurement procedures, supplier classification and rating 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, such as the credibility of qualifications and influence.

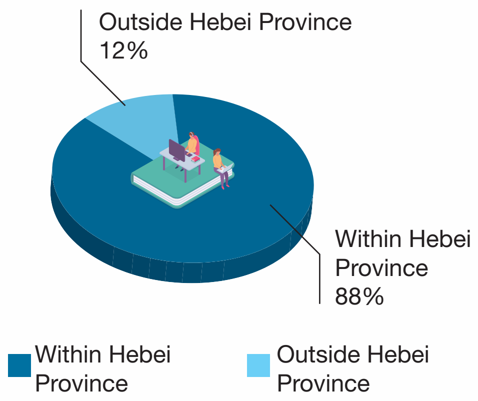
We attach importance to quality of suppliers. For example, Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學), our affiliate, gives priority to companies with ISO9001 : 2008 certification in selecting suppliers. The implementation of the certification standard can help enterprises to establish a scientific quality management system, reflecting the importance we attach to quality control and supply chain management.

Furthermore, suppliers who provide false information will be suffer severe disciplinary measures such as blacklisting and ceasing all future collaborations, which is favorable to the improvement of our operation efficiency and prevent losses result from problems relating to suppliers. We prioritise transparency and accountability in our procurement management measures, which enable us to assess all suppliers in a fair and objective manner. We believe that maintaining a responsible and ethical supply chain can contribute to our sustainable development. Our procurement management measures are designed to ensure that all suppliers are assessed based on objective criteria, and social risks are identified and assessed. We have zero tolerance for suppliers who provide false information and have established strict blacklist management procedures. Through responsible and ethical supply chain practices, we strive to create value for our stakeholders and contribute to our sustainable development. If the procurement process involves situations such as non-conformity of specification, the handling of such situations is collectively referred as the return and exchange process. Compensation or claims shall be made in accordance with the terms of the purchase contract. In the event of non-conformity of specification or quality problems, suppliers shall replace or repair the goods on request, and the cost shall be borne by the suppliers.

We should take into account the social and environmental risks and the importance of promoting more use of environmentally friendly products and services by suppliers in the course of procurement. We also require suppliers to sign the Integrity Cooperation Agreement (《廉潔合作協議書》), which is a formal document entered into both parties to ensure ethical and transparent commercial practices. As a key measure to ensure a responsible and sustainable supply chain, the Integrity Cooperation Agreement summarizes the responsibilities of both parties to maintain a fair and justice business relationship and prevent any action that may damage interests of parties. By promoting ethical practices and anti-corruption, the agreement is beneficial to reduce the social risks related to supply chain operation. We have developed the Green Procurement System and Measures (《綠色採購制度及措施》) to implement green procurement, including taking into account the balance of economic and environmental benefits, building a green supply chain and selection criteria of green suppliers. In order to build a resource-saving and environment-friendly society, we will actively optimise and improve the supplier management system, while also increase the adoption rate of environmentally friendly products and services in line with the actual business situation, in bid to achieve the goal of sustainable development.

During the Reporting Period, we established partnerships with 100 suppliers in total, of which 12 suppliers were from Hebei Province and the remaining 88 suppliers were from outside Hebei Province.

By region



6.2 Responsible Marketing

In formulating its marketing strategy, 21st Century Education strictly complies with regulations, including 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》), to ensure that all marketing practices are in compliance with the law. We promise that all the publicity 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 regulations, and did not violate any regulations.

6.3 Integrity and Honesty

21st Century Education insists integrity and compliant operating. We strictly comply with the Self-discipline Guidelines of the Communist Party of PRC (《中國共產黨廉政自律準則》), the Disciplinary Regulations of the Communist Party of PRC (《中國共產黨紀律處分條例》), the Anti-Corruption and Bribery Law of the People's Republic of China (《中華人民共和國反貪污賄賂法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and other regulations relating to anti-corruption, and we are determined to eliminate any corrupt practices such embezzlement and bribery. We promote a corporate culture of honesty and integrity, create a corporate culture environment of anti-fraud, anti-corruption and anti-money laundering, assess the risks of fraud, corruption and money laundering, and establish specific control procedures and mechanisms to reduce the chances of fraud, corruption and money laundering. We have established the Anti-Fraud, Anti-Corruption and Anti-Money Laundering Management System (《反舞弊、反貪污及反洗錢管理制度》), a policy to prevent employee fraud, corruption and money laundering that covers a range of topics, including the leadership and training in promoting ethical behavior, encouraging employee compliance with laws and regulations, implementing effective unethical behavior reporting mechanisms, and the importance of assessing and controlling risks associated with fraud and money laundering.

We set up reporting channel for reporting any ethical violations, suspected fraud, embezzlement and money laundering within the Company. The reporting channel is managed by the head of legal compliance department. The Group receives, retains and processes anonymous or real name reports and maintains written records. Procedures are established for investigations involving senior management and non-senior management. We may also engage external specialists to assist in investigations and request recommendations for improvements to affected operations.

The reporting channels are as follows:
Reporting telephone: +86-010-85950790
Email: jubao@21stedu.com
Online system: https://www.21centuryedu.com/report/online
Mailing address for receipt of whistleblowing materials: 15/F, South Tower, Zhonghai Plaza, 8 Guanghua Dongli, Chaoyang District, Beijing, the PRC

When an employee involved with fraud, corruption or money laundering, we will take remedial action including written reporting to assess and improve internal controls. We take appropriate action against violators and, when necessary, notify internal and necessary external third parties of the action results. We require employees to sign the Integrity Cooperation Agreement to maintain normal business interactions and to prevent actions that would be detrimental to the interests of both parties. If an employee violates the Company's integrity management system and the provisions of such agreement, the Group will impose administrative and financial penalties on the responsible personnel depending on the severity and impact of the situation, or refer to judicial authorities if suspected of violating the law or committing a crime.

During the Reporting Period, we provided anti-corruption training to our directors and staff to raise their awareness of bribery, extortion, fraud and money laundering, as well as to provide positive guidance to directors, senior management and key staff of the Group to establish correct values. The total participants were 1,202 and the total training hours amounted to 2,404.

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

We have conducted a series of trainings to enhance employees' awareness of bribery, extortion, fraud and money laundering, and to provide positive guidance to establish correct values.

6.4 Protecting 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. In order to regulate the use of trademarks, protect the exclusive rights of registered trademarks and safeguard the legitimate rights of enterprises, 21st Century Education has established management systems such as 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》). All employees are required to comply with the relevant management rules and to enhance their awareness of trademark legal protection. We are committed to safeguarding intellectual property rights, and we have implemented policies and procedures to protect our intellectual property rights, including regular audits for identifying and resolving any potential infringement issues. We safeguard the legitimate rights and interests of the enterprise. The Maintenance Management Department is responsible for supervising and inspecting the use of trademarks in each business unit. The Human Resources and Administration Department serves as the Company's trademark usage management department, and members of the decision-making team is responsible for the management of the Group's trademark usage.

The Group provides patents protection for our students to safeguard their legal rights and strengthens the protection of the Group's curriculum and other creative achievements to improve the intellectual property system. We are dedicated to protecting the Group's intellectual property rights, including but not limited to trade names, trademarks (logos), copyrights and confidential data (including different curricula and teaching materials).

As of 31 December 2022, the Group maintained 48 registered patents and added 7 new patents.

6.5 Protection of Information Security

We strictly complied with the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and other laws and regulations. The Group continuously improves its privacy protection system to ensure the personal information security of all employees, students, and parents. The Group has established an information security management system to carry out and control the management and implementation of information security within the system. We formulate 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》) and the Use Specifications for the Information Management System (《信息管理系統使用規範》) and other regulations. Information management systems can improve efficiency, reduce errors, and enhance security. We require all personnel to comply with the regulations, provided that the new information system must be approved by the Institute's Information Technology Center. User management, process management, data information and system security are specified in the Use Specifications for the Information Management System (《信息管理系統使用規範》). Each department of the college is responsible for complying with the guidelines, and failure to comply will result in warnings or penalties. We emphasize the importance of following the guidelines to improve the college's information system services and reduce risks.

In the era of highly developed information digitization, network security is more important. Shijiazhuang Institute of Technology has established the Management Measures for Network Security and Informatization Construction (《網絡安全和信息化建設管理辦法》), which stipulates the duties of the network security and informatization leadership group, information technology center, as well as the leaders and information officers in charge of each department; it also clarified the management duties of the Information Technology Center, including but not limited to the formulation of plans, standards and specifications, funding budgets, as well as the review, guidance and support of information system projects; it also emphasizes the importance of information standards and coding, and stipulates unified information coding standards to ensure interoperability and data security of information systems of all departments. At the same time, campus network users should comply with the relevant national laws and regulations, they must not use the campus network to engage in activities violating national laws and regulations and the rules and regulations of the college. They should properly keep their unified identity authentication account and online account to avoid personal information leakage.

Saintach Kindergarten formulated the Management Measures for Early Childhood Education Information System for Saintach Kindergarten (《新天際幼兒教育信息系統管理辦法》), which further strengthened the management of the Company's computer software and hardware, office network, office system and server system. We require that employees' computer operating systems must be installed with genuine authorized operating system security packages. Each department must conduct a quarterly self inspection on the virus protection of the computer operating system, and feedback the results of the self-inspection to the information system administrator. The information system administrator assesses the employees' computer operating system virus protection of the Company according to the self-inspection, and fills in the Software Security Assessment and Password Setting Checklist (《軟件安全評估及密碼設置檢查表》).

The Group standardizes the management of information system licenses, maintains the security of information systems, guarantees the information security of users while using information systems and ensures the normal and stable operation of information systems.

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

7. ADHERE TO LOW-CARBON DEVELOPMENT

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》), Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and other laws and regulations, and spare no effort to create a green campus environment. We integrate the concept of green development into school operations by promoting green office, emission reduction and resource conservation and energy conservation, so as to work together with all the teachers and students to protect the green home.

7.1 Mitigating Climate Change

According to our assessment on physical climate risks, physical risk refers to the potential consequences associated with extreme weather events such as urban floods, water scarcity, and extreme high temperatures. These risks pose direct damage and impact to our infrastructure and facilities, and may disrupt our operations that heavily rely on electricity as our primary energy source. In addition, the continuous rise in temperature may lead to an increase in resource and energy usage, thereby increasing our operating costs. To mitigate these risks, we have taken measures to develop a disaster response plan and provided training and evacuation drills for our employees. We understand the importance of addressing physical climate risks and are committed to ensuring the safety and sustainability of our campuses. We have released the 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》), which formulates measures to reduce the impact of adverse weather conditions on the health of students and teachers, such as identifying catastrophic weather conditions. If there is a warning or severe weather occurs, the head of the Public Education Department or the head of the Sports Teaching and Research Office should notify relevant teachers before sports activities or classes. Then relevant teachers would notify their students. Relevant teachers should carefully follow the arrangements for adjusting or canceling physical education classes to properly handle all matters related to these changes and ensure the safety of students and teachers.

We have identified transformation risks that we may face potential consequences such as reputation damage and loss of competitive advantage, and increased costs due to more necessary resources investment in new teaching models when China's carbon neutral policy becomes more stringent. Therefore, we have implemented the current countermeasures to mitigate risks and made public disclosure of the Company's greenhouse gas emissions data and efforts in low-carbon operations in the ESG Report to actively maintain the corporate image.

Review of environmental targets

During the Reporting Period, we reviewed our environmental targets in terms of air pollutant emissions, energy, and water efficiency, and concluded that the targets were progressing well.

Environmental	Targets	Saved Energy during the year
Air pollutants	Stop heat supply during the winter holidays to reduce natural gas consumption	90,000 m^3 of natural gas
	Maintain boilers to improve thermal efficiency	30,000 m^3 of natural gas
Energy efficiency	Renovate the electrical control of the student dormitory Replace street lighting with radar-sensitive	18,000 kWh of electricity
Water efficiency	Replace certain leaking valves	500 m^3 of water
	Repair fire protection pipes	400 m^3 of water
	Recycle drinking waste water	900 m^3 of water

7.2 Reasonable Use of Natural Resources

Water management

We effectively carry out water-saving management in three aspects: water management from the source, water conservation from the process, and wastewater discharge control. We actively respond to the policy guidelines of the regulatory authorities, and strictly implement the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and relevant environmental laws and regulations in our operating location to promote sustainability of water by reducing the water consumption of schools, the environmental pressure caused by sewage discharge, and cultivating students' awareness of conservation and environmental protection. 21st Century Education and its affiliated schools use water from the municipal pipelines and have no difficulty in obtaining water resources.

We have adopted the following measures for water management:

- Post water-saving labels in every toilet
- Inspect facilities and repair dripping faucets
- Use faucets and appliances with water-saving labels

Waste Management

The waste generated during the operations of the Group mainly includes domestic waste such as office paper, light tubes, toner cartridges, and other non-recyclable waste from our daily operation of the office, which it will be collected and transported to the waste sorting center for recycling and disposal by the qualified suppliers. We strictly abide by the rules and regulations such as the Solid Waste Pollution Prevention and Control Law of the PRC (《中華人民共和國固體廢棄物污染環境防治法》) and the Administrative Measures for Municipal Solid Waste (《城市生活垃圾管理辦法》), and Shijiazhuang Institute of Technology has formulated the Regulations on Resource Utilization Management (《資源使用管理規定》) to actively implement waste treatment and disposal. We will properly store hazardous waste and hand it over to a qualified third party for disposal.

We have adopted the following measures for non-hazardous waste[3]:

- Use waste classification recycle bins or other suitable devices to recycle papers, metals and plastic
- Reuse envelopes, folders, file cards and other stationeries
- Use changeable pen refills to reuse pen barrels to avoid abandoning the entire pen
- Try to use rechargeable batteries to replace disposable batteries
- Try to use recyclable toner/ink cartridges

3 Mainly including household waste such as kitchen waste, waste paper, plastic bottles, leaves and other non-recyclable waste

During the Reporting Period, a breakdown of waste generated by us are as follows:

Statistical item	2022	Unit
Total hazardous waste		
Waste fluorescent tube	150	kg
Computer	20	set
Battery	80	pieces
Waste ink box, waste toner box	60	pieces
Hazardous waste intensity		
Waste fluorescent tube generation intensity	6.4E-03	kg/person
Computer generation intensity	8.6E-04	set/person
Battery generation intensity	3.4E-03	pieces/person
Waste ink box, waste toner box generation intensity	2.6E-03	pieces/person
Total non-hazardous waste	5,995.2	tonnes
Non-hazardous waste intensity	0.3	tonnes/person

Energy Management

We strive to minimize the impact on the environment and natural resources in our daily operations. We try to optimize energy use and strictly implement relevant laws and regulations such as the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》). Energy consumption and efficiency are the key areas we concern about. Over the past year, we have implemented several initiatives to reduce energy consumption and improve energy efficiency including upgrading the heating and cooling systems of the Shijiazhuang Institute of Technology buildings to a more energy-efficient mode, installing motion sensors and timers on lighting fixtures to reduce unnecessary energy consumption, and implementing policies to encourage our employees to use public transportation, which have significantly reduced our overall energy consumption and related carbon emissions. Looking forward, we will remain committed to further reducing energy consumption and emissions through our continuous improvement of our facilities and processes.

We have adopted the following measures for energy management:

- Implementing policies to encourage our employees to use public transportation
- Adopting energy-saving technologies such as LED lighting to reduce energy consumption
- Dividing the office into several lighting areas and installing automatic lighting control in different zones
- Formulation of 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

During the Reporting Period, a breakdown of our resource utilization are as follows:

Statistical item	2022	Unit
Total direct energy consumption	3,856.2	mWh
Diesel consumption	3.4	mWh
Diesel consumption intensity	0.14	kWh/person
Natural gas consumption	3,852.9	mWh
Natural gas consumption intensity	0.2	mWh/person
Total indirect energy consumption	7,077.8	mWh
Purchased electricity consumption	7,077.8	mWh
Purchased electricity consumption intensity	0.3	mWh/person
Total energy consumption	10,934.0	mWh
Total energy consumption intensity	0.5	mWh/person
Use of water resources		
Water consumption	432,284	ton
Water consumption intensity	18.5	ton/person
Reclaimed water	30,824	ton

Emission management

The Group has been striving for better environmental protection, implementing the concept of sustainable development. The Group has always strictly complied with Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations. In the operation process, the exhaust gas emission is mainly generated from the natural gas consumed by the heating and canteen operation of our campus, and the greenhouse gas emission mainly comes from the natural gas consumption (Scope 1) and the purchased electricity (Scope 2) in the operation process. During the Reporting Period, we had no emissions from vehicles.

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

Statistical item	2022	Unit
Air pollutants emission		
Nitrogen oxides emission[4]	3,431.96	kg
Sulphur oxides emission	142.99	kg
Greenhouse gas		
Scope 1 emissions	1,568.8	ton (carbon dioxide)
Scope 2 emissions	4,112.2	ton (carbon dioxide)
Tree planting reducing emissions[5]	55.8	ton (carbon dioxide)
Comprehensive emissions	5,625.2	ton (carbon dioxide)
Comprehensive emission intensity[6]	0.2	ton (carbon dioxide)/person

4 The air pollutant emission factors of the 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.

5 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》).

6 The denominator used herein and subsequence in the calculation of the intensity is the sum of the number of students and staffs in Shijiazhuang Institute of Technology and Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學).

8. ENTHUSIASTIC IN PUBLIC WELFARE

Community Charity and Investment

We give back to the community where we operate. As a part of our commitment to community service, we have implemented multiple initiatives to support and improve the lives of local people. We have established stronger relationships with local communities, demonstrated our commitment to social responsibility, and contributed to creating a more sustainable and equitable future for all.

Volunteers went into communities to promote drowning prevention: Volunteers went into communities to promote activities of drowning prevention. In this activity, volunteers popularized knowledge about water safety to community residents, especially how to prevent drowning accidents, and improved residents' safety awareness. Volunteers used a variety of publicity methods, such as distributing leaflets, posting posters and on-site publicity and explanation, to attract more residents to participate in and pay attention to the issues.

"Drowning Prevention" Promotion Activity in the Community

APPENDIX I: SUSTAINABILITY DATA SUMMARY

Social Aspect [7]	Unit	2022
Total number of employees	Persons	1,489
Total number of employees (By gender)		
Female	Persons	1,049
Male	Persons	440
Total number of employees (By type of employment)	Persons	1,202
Full time	Persons	287
Part time		
Total number of employees (By age group)		
Below 30	Persons	531
30 to 50	Persons	855
Above 50	Persons	103
Total number of employees (By region)		
Within Hebei Province	Persons	1,364
Outside Hebei Province	Persons	125
Turnover rate[8]		
Turnover rate of work force	%	20.1
Employee turnover rate (By gender)		
Female	%	19.1
Male	%	22.5
Employee turnover rate (By age group)		
Below 30	%	33.3
30 to 50	%	11.2
Above 50	%	25.2
Employee turnover rate (By region)		
Within Hebei Province	%	13.6
Outside Hebei Province	%	90.4
Occupational Health and Safety — Work-related deaths of direct employed employees		
Number of work-related fatalities occurred in each of the past three years including the reporting year	Persons	0
Rate of work-related fatalities occurred in each of the past three years including the reporting year	%	0
Lost days due to work injury	Days	0

7 Social aspect collection scope covered the Group entirely

8 Turnover rate =number of employees turnover÷annual number of employees×100%

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Index content			Relevant sections
A. Environment			
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 nonhazardous waste.	7. Adhere to Low-carbon Development
	A1.1	The types of emissions and respective emissions data.	7.2 Reasonable Use of Natural Resources
	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).	7.2 Reasonable Use of Natural Resources
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Reasonable Use of Natural Resources
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Reasonable Use of Natural Resources
	A1.5	Description of emission target(s) set and steps taken to achieve them.	7.1 Mitigating climate change
	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.	7.2 Reasonable Use of Natural Resources
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Reasonable Use of Natural Resources
	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).	7.2 Reasonable Use of Natural Resources
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Reasonable Use of Natural Resources
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2 Reasonable Use of Natural Resources
	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.	7.2 Reasonable Use of Natural Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to our Group's business.

Index content			Relevant sections
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	7.2 Reasonable Use of Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2 Reasonable Use of Natural Resources
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.	7.1 Mitigating Climate Change
	A4.1	Description of major climate events which have and may have an impact on the issuer and how they are dealt with.	7.1 Mitigating Climate Change
B. Environment			
B1: Employment	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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Optimizing Employment Management
	B1.1	Total workforce by gender, employment type (e. full-time or part-time), age group and geographical region.	Appendix I: SUSTAINABILITY DATA SUMMARY
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: SUSTAINABILITY DATA SUMMARY
B2: Health and Safety	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 providing a safe working environment and protecting employees from occupational hazards.	5.3 Employees' Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Employee Health and Safety
	B2.2	Lost days due to work injury.	5.3 Employee Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3 Employee Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.2 Employee Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	5.2 Employee Training and Development

Index content			Relevant sections
B4: Labour Standards	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 preventing child and forced labour.	5.1 Optimizing Employment Management
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Optimizing Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Optimizing Employment Management 21st Century Education has eliminated all possibility of child labour and forced labour at the recruitment and day-to-day employment stages, thus no irregularities occurred
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	6.1 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.1 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.1 Supply Chain Management

Index content			Relevant sections
B6: Product Responsibility	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 health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	6.2 Responsible Marketing
	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
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.5 Improving Complaint Channels
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.4 Protecting Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group's operations
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.5 Protection of Information Security
B7: Anti-corruption	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 bribery, extortion, fraud and money laundering.	6.3 Integrity and Honesty
	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.	6.3 Integrity and Honesty
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.3 Integrity and Honesty
	B7.3	Description of anti-corruption training provided to directors and staff.	6.3 Integrity and Honesty
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.	8. Enthusiastic in Public Welfare
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Enthusiastic in Public Welfare
	B8.2	Resources contributed (e.g. money or time) to the focus area.	8. Enthusiastic in Public Welfare

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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 127 to 208, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
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. 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.	As to our audit procedures, we: • 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; and • evaluated the adequacy of the Group's disclosures regarding revenue in the financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Income tax As set out in note 10 to the 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. As of 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. 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's schools. Relevant disclosures are included in notes 2.4, 3 and 10 to the financial statements.	As to our audit procedures, we: • 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 of the Group's schools and assessing the adequacy of the tax provisions; and • evaluated the adequacy of the Group's disclosures regarding income tax in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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
30 March 2023

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

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**311,908**	308,767
Cost of sales		**(165,524)**	(181,942)
Gross profit		**146,384**	126,825
Other income and gains, net	5	**35,186**	59,779
Selling and distribution expenses		**(16,007)**	(17,921)
Administrative expenses		**(70,758)**	(71,176)
Other expenses		**(31,766)**	(42,480)
Finance costs	7	**(35,625)**	(26,633)
PROFIT BEFORE TAX	6	**27,414**	28,394
Income tax expense	10	**(696)**	346
PROFIT FOR THE YEAR		**26,718**	28,740
Attributable to:			
Owners of the Company		**27,300**	29,180
Non-controlling interests		**(582)**	(440)
		26,718	28,740
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
— For profit for the year		**RMB2.39 cents**	RMB2.56 cents
Diluted			
— For profit for the year		**RMB2.39 cents**	RMB2.56 cents
PROFIT FOR THE YEAR		**26,718**	28,740
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**19,469**	(7,139)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**19,469**	(7,139)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**46,187**	21,601
Attributable to:			
Owners of the Company		**46,769**	22,041
Non-controlling interests		**(582)**	(440)
		46,187	21,601

XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**641,915**	251,954
Right-of-use assets	14(a)	**533,517**	125,168
Goodwill	15	**89,507**	54,370
Other intangible assets	16	**45,770**	18,462
Prepayment to a related party	36(b)	**—**	155,000
Financial assets at fair value through profit or loss	18	**1,041**	927
Pledged deposits	23	**66,000**	—
Deferred tax assets	27	**8,475**	—
Other non-current assets	19	**65,953**	68,776
Total non-current assets		**1,452,178**	674,657
CURRENT ASSETS			
Trade receivables	20	**11,590**	10,997
Contract costs	21	**4,059**	4,125
Prepayments, other receivables and other assets	22	**45,428**	54,371
Amounts due from related parties	36(b)	**12,787**	11,034
Financial assets at fair value through profit or loss	18	**5,449**	22,552
Term deposits	23	**90,000**	40,000
Pledged deposits	23	**110,000**	187,000
Cash and bank balances	23	**212,583**	334,332
Other current assets	19	**11,388**	35,015
Total current assets		**503,284**	699,426
CURRENT LIABILITIES			
Other payables and accruals	24	**146,523**	96,605
Contract liabilities	25	**143,025**	101,301
Interest-bearing bank and other borrowings	26	**233,702**	335,802
Lease liabilities	14(b)	**31,634**	16,292
Amounts due to related parties	36(b)	**882**	253
Tax payable		**2,142**	2,138
Other current liabilities		**1,671**	863
Total current liabilities		**559,579**	553,254

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(56,295)**	146,172
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,395,883**	820,829
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**459,681**	110,666
Lease liabilities	14(b)	**36,976**	20,657
Deferred tax liabilities	27	**7,365**	741
Deferred income	28	**166,000**	—
Other non-current liabilities		**—**	2,978
Total non-current liabilities		**670,022**	135,042
Net assets		**725,861**	685,787
EQUITY			
Share capital	29	**9,750**	9,801
Treasury shares	29	**(169)**	(176)
Reserves	31	**708,917**	668,217
		718,498	677,842
Non-controlling interests		**7,363**	7,945
Total equity		**725,861**	685,787

LI YUNONG
Director

LIU HONGWEI
Director

XII. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company														
	Share capital RMB'000 (note 29)	Treasury shares^ RMB'000 (note 29)	Share premium* RMB'000 (note 31)	Capital reserve* RMB'000 (note 31)	Capital redemption reserve* RMB'000 (note 31)	Statutory surplus reserve* RMB'000 (note 31)	Share-based payment reserve* RMB'000 (note 30)	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 31)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	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
Profit for the year	—	—	—	—	—	—	—	—	—	—	27,300	27,300	(582)	26,718
Exchange differences related to foreign operations	—	—	—	—	—	—	—	—	19,469	—	—	19,469	—	19,469
Total comprehensive income for the year	—	—	—	—	—	—	—	—	19,469	—	27,300	46,769	(582)	46,187
Final 2021 dividend declared	—	—	(7,324)	—	—	—	—	—	—	—	—	(7,324)	—	(7,324)
Shares repurchased	(51)	—	(2,293)	—	51	—	—	—	—	—	(51)	(2,344)	—	(2,344)
Exercise of share awards under the restricted share unit scheme	—	7	3,421	—	—	—	(3,251)	—	—	—	—	177	—	177
Equity-settled share option arrangements	—	—	—	—	—	—	3,378	—	—	—	—	3,378	—	3,378
Profit appropriation to reserves	—	—	—	—	—	19,928	—	—	—	—	(19,928)	—	—	—
At 31 December 2022	9,750	(169)	230,949	54,796	671	162,825	5,971	(2,000)	29,686	1,631	224,388	718,498	7,363	725,861

	Attributable to owners of the Company													
	Share capital RMB'000 (note 29)	Treasury shares^ RMB'000 (note 29)	Share premium* RMB'000 (note 31)	Capital reserve* RMB'000 (note 31)	Capital redemption reserve* RMB'000 (note 31)	Statutory surplus reserve* RMB'000 (note 31)	Share-based payment reserve* RMB'000 (note 30)	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 31)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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

^ During the year ended 31 December 2022, the Company repurchased 6,012,000 (2021: Nil) of its shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Upon completion of the repurchase, the number of the then total repurchased shares was 26,767,000, out of which 6,012,000 were subsequently cancelled.

During the year ended 31 December 2022,813,000 (2021: 7,244,000) of its repurchased shares were exercised under the restricted share unit scheme. Upon completion of the exercise, the remaining 19,942,000 (2021: 20,755,000) repurchased shares were presented as treasury shares amounting to RMB169,000 (2021: RMB176,000) as at 31 December 2022.

* These reserve accounts comprise the consolidated reserves of RMB708,719,000 in the consolidated statement of financial position as at 31 December 2022 (2021: RMB668,217,000).

XIII. CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**27,414**	28,394
Adjustments for:			
Finance costs	7	**35,625**	26,633
Interest income	5	**(14,146)**	(12,555)
Investment income	5	**(5,368)**	(4,616)
Changes in fair value of financial assets/liabilities at fair value through profit or loss	6	**688**	8,383
Recognition of certain donated property, plant and equipment		**(8,244)**	(10,571)
Covid-19-related VAT exemptions	5	**(217)**	(550)
Change in the non-cancellable period of a lease		**(153)**	267
Depreciation of property, plant and equipment	6	**25,705**	24,215
Depreciation of right-of-use assets	6	**26,051**	20,677
Amortisation of intangible assets	6	**4,658**	2,634
Share-based payment expenses		**3,378**	6,784
Provision/(reversal of provision) for expected credit losses on trade receivables and other receivables	6, 20	**2,145**	(621)
Impairment of goodwill	15	**8,629**	13,637
impairment of intangible assets	16	**—**	3,171
Loss on disposal of items of property, plant and equipment, and intangible assets	6	**115**	1,169
		106,280	107,051
Decrease/(increase) in prepayments, other receivables and other assets		**2,027**	(2,805)
Increase in trade receivables		**(798)**	(4,757)
Increase in contract costs		**(3,814)**	(940)
Increase in amounts due from related parties		**(1,753)**	(5,799)
Increase in other payables and accruals		**15,992**	2,533
Increase/(decrease) in amounts due to related parties		**464**	(22)
Increase/(decrease) in contract liabilities		**4,319**	(7,194)
Cash generated from operations		**122,717**	88,067
Interest received		**6,115**	4,053
Corporate income tax paid		**(380)**	(1,211)
Net cash flows from operating activities		**128,452**	90,909

	Notes	**2022 RMB'000**	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**11,036**	3,292
Investment income received		**20,074**	3,922
Purchases for items of property, plant and equipment		**(348,006)**	(152,434)
Addition to land lease payments		**(236,229)**	(102,661)
Purchases for intangible assets		**(3,400)**	(4,073)
Net cash inflow in respect of acquisition of a subsidiary	32	**6,858**	—
Settlement of the remaining consideration in respect of acquisition of a subsidiary in prior years		**—**	(11,583)
Proceeds from disposal of items of property, plant and equipment, and intangible assets		**251**	516
Receipt of government grants for property, plant and equipment		**166,000**	—
Net cash outflow in respect of balances with various third parties		**(32,095)**	(21,580)
Decrease in pledged deposits		**11,000**	—
Increase in non-pledged term deposits with original maturity of more than three months		**(50,000)**	—
Net cash flows used in investing activities		**(454,511)**	(284,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**576,086**	413,759
Repayment of bank and other borrowings		**(329,171)**	(181,252)
Principal portion of lease payments		**(14,581)**	(16,736)
Dividends paid		**(7,324)**	(14,545)
Interest paid		**(35,625)**	(26,634)
Capital contribution from the non-controlling shareholder to a subsidiary		**—**	492
Exercise of share awards under the restricted share unit scheme		**177**	1,508
Repurchases of shares		**(2,344)**	—
Net cash flows from financing activities		**187,218**	176,592
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(138,841)**	(17,100)
Cash and cash equivalents at beginning of year		**334,332**	357,700
Effect of foreign exchange rate changes, net		**17,092**	(6,268)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**212,583**	334,332
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	23	**212,583**	334,332

XIV. NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 Sainange 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 of incorporation/ registration and business	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	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	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	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	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	RMB40,000,000	—	100	Investment holding
石家莊理工職業學院 Shijiazhuang Institute of Technology*#	PRC/Mainland China	RMB 5,000,000	—	100	Provision of university education services and relevant management services

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
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	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	RMB 900,000	—	100	Provision of kindergarten education service
正定縣新天際幼兒園 Zhengding County Saintach Kindergarten*# ("Zhengding")	PRC/Mainland China	RMB 500,000	—	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	RMB 500,000	—	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	RMB 500,000	—	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	RMB 500,000	—	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	RMB 100,000	—	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	RMB 500,000	—	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	RMB 500,000	—	100	Provision of kindergarten education service

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
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	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	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	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	RMB200,000	—	100	Dormant
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	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	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	RMB 500,000	—	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	RMB 3,157,900	—	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	RMB 3,000,000	—	100	Provision of technical service

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
上海志宇教育科技有限公司 Shanghai Zhiyu Education Technology Co., Ltd.* ("Shanghai Zhiyu")	PRC/Mainland China	RMB 5,000,000	—	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	RMB10,000,000	—	51	Investment holding and provision of after-school tutoring service
重慶培尖科技有限公司 Chongqing Peijian Technology Co., Ltd.*# ("Chongqing Peijian")	PRC/Mainland China	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	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	RMB1,250,000	—	70	Investment holding
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	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	RMB1,000,000	—	100	Sale of books
石家莊澤瑞教育科技有限公司 Shijiazhuang Zerui Education Technology Co., Ltd.*# ("Shijiazhuang Zerui")	PRC/Mainland China	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	US$ 1,000,000	—	100	Provision of technical service

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
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	RMB5,000,000	—	100	Provision of educational counselling service
舟山市學鼎托管服務有限公司 Zhoushan Shinedao Xueding trusteeship service Co., Ltd.*# ("Xueding Tuoguan")	PRC/Mainland China	RMB300,000	—	70	Provision of after-school childcare service
石家莊澤瑞商業發展有限公司 Shijiazhuang Zerui Education Technology Co., Ltd. *# ("Shijiazhuang Zerui Shangye")	PRC/Mainland China	RMB20,000,000	—	100	Provision of real estate service
石家莊育英實驗中學 Shijiazhuang Yuying Experimental High School *# ("Shijiazhuang Yuying")	PRC/Mainland China	RMB500,000	—	100	Provision of senior high school education services

* 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.

Except for Sheng Dao Xiang Cheng and Beijing Hexian, which were established as wholly-foreign-invested enterprises, all the above PRC companies were established as domestic-invested enterprises.

During the year, the Group completed the deregistration of Chongqing Peijian Tutorial School Ltd. (重慶培尖課外培訓學校有限公司) and Chongqing Zeji Culture Communication Co., Ltd. (重慶澤際文化傳播有限公司).

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.

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.

The Group had net current liabilities of approximately RMB56,295,000 as at 31 December 2022 which was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2022. In view of the net current liabilities position, the Directors have given careful consideration of the Group's operating performance, the availability of sources of financing and the future cash flows in assessing the Group's capability to continue its business as a going concern. Taking into consideration the increase in the number of students intake, the cash flows from operation and bank facilities, and the positive operating results, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

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.

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 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised IFRSs that are applicable to the Group are described below: (Continued)

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to *IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

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.

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	2.38% to 19.00%
Leasehold improvements	19.00% to 47.50%
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, copyrights and student resources that are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives ranging from 1.86 to 10 years.

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	28 to 50 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.

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.

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.

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 that there has been a significant increase in credit risk when contractual payments are more than three months past due.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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.

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 in exchange 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 30 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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.

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 2022, there was no forfeited contributions under the defined contribution scheme above which may be used by the Group to reduce the contribution payable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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.

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 2022, the carrying amount of goodwill was RMB89,507,000 (2021: RMB54,370,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases — Estimating the incremental borrowing rate

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

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 income and expenses are excluded from such measurement.

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.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022	Vocational education RMB'000	Non-vocational education RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	223,641	88,267	311,908
Other revenue	17,798	2,492	20,290
Revenue	241,439	90,759	332,198
Segment results	109,415	1,096	110,511
Reconciliation			
Finance costs (other than interest on lease liabilities)			(33,763)
Interest income			14,146
Unallocated income and expenses, net			(63,480)
Profit before tax			27,414
Segment assets	735,609	151,097	886,706
Reconciliation			
Term deposits			90,000
Pledged deposits			176,000
Cash and bank balances			212,583
Financial assets at fair value through profit or loss			6,490
Unallocated head office and corporate assets			583,683
Total assets			1,955,462
Segment liabilities	(198,576)	(120,971)	(319,547)
Reconciliation			
Interest-bearing bank and other borrowings			(693,383)
Tax payable			(2,142)
Unallocated head office and corporate liabilities			(214,529)
Total liabilities			(1,229,601)
Other segment information:			
Depreciation and amortisation	37,113	19,301	56,414
Capital expenditure^	615,696	271,219	886,915
Impairment loss on goodwill and other intangible assets	—	8,629	8,629
Loss on disposal of items of property, plant and equipment	59	56	115

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2021	Vocational education RMB'000	Non-vocational 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
Reconciliation			
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
Reconciliation			
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)
Reconciliation			
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

^ Capital expenditure consists of additions in right-of-use assets, property, plant and equipment, and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

During the years ended 31 December 2022 and 2021, 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 2022 and 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Notes	**2022 RMB'000**	2021 RMB'000
Revenue from contracts with customers			
Vocational education			
Tuition fees		**166,349**	128,841
Boarding fees		**20,927**	16,780
College operation service income	(a)	**25,418**	23,414
Others	(b)	**11,012**	16,546
		223,706	185,581
Non-vocational education			
Tutoring fees		**34,068**	88,695
Tuition fees		**50,893**	30,948
Boarding Fee		**1,847**	—
Consultation fees		**1,394**	3,543
		88,202	123,186
		311,908	308,767

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.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Education related services transferred over time	**308,192**	301,566
Other services recognised at a point of time	**3,716**	7,201
	311,908	308,767

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.

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	**77,197**	90,775
Boarding fees	**14,728**	10,637
Others	**9,376**	7,083
	101,301	108,495

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.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Other services (Continued)

An analysis of other income and gains is as follows:

	Notes	2022 RMB'000	2021 RMB'000
Other income and gains, net			
Interest income		**14,146**	12,555
Investment income		**5,368**	4,616
Sale of education materials and living goods		**3,828**	5,480
Site use fees	(a)	**1,880**	2,158
Government grants	(b)	**750**	2,545
Covid–19-related VAT exemptions		**217**	550
Fair value gain on financial assets at fair value through profit or loss		**—**	11,410
Foreign exchange gain		**—**	9,223
Others		**8,997**	11,242
		35,186	59,779

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.

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided		**165,524**	181,942
Depreciation of property, plant and equipment	13	**25,705**	24,215
Depreciation of right-of-use assets	14(a)	**26,051**	20,677
Amortisation of intangible assets*	16	**4,658**	2,634
Lease payments not included in the measurement of lease liabilities	14(c)	**1,003**	2,501
Employee benefit expense (excluding directors' remuneration (note (8)):			
Wages and salaries		**86,068**	101,554
Pension scheme contributions (defined contribution scheme)		**8,961**	11,852
Equity-settled compensation expenses		**2,200**	3,622
		97,229	117,028
Auditor's remuneration:			
Annual audit		**1,780**	1,930
Agreed-upon procedures		**350**	—
		2,130	1,930
Foreign exchange differences, net		**17,385**	(9,223)
Impairment of/(reversal of impairment) trade receivables	20	**205**	(621)
Impairment of goodwill**	15	**8,629**	13,637
Impairment of other intangible assets**	16	**—**	3,171
Impairment of other receivable	22	**1,940**	—
Changes in fair value of financial assets/liabilities at fair value through profit or loss		**780**	8,383
Loss on disposal of items of property, plant and equipment		**115**	1,169

* 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

	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings	**44,039**	24,187
Less: Interest capitalised	**(10,635)**	—
	33,404	24,187
Interest on lease liabilities (note 14(c))	**1,862**	1,877
Financing consultancy service charges^	**359**	569
	35,625	26,633

^ Financing consultancy service charges represented service charges paid by the Group in respect of certain bank and other borrowings obtained.

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:

	2022 RMB'000	2021 RMB'000
Fees	**222**	192
Other emoluments:		
Salaries, allowances and benefits in kind	**1,307**	1,444
Equity-settled share option expense	**1,178**	3,162
Pension scheme contributions	**338**	396
	2,823	5,002
	3,045	5,194

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Mr. Guo Litian	**70**	60
Mr. Yao Zhijun	**70**	60
Mr. Wan Joseph Jason	**82**	72
	222	192

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

Year ended 31 December 2022	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	**232**	**86**	**370**	**688**
Mr. Liu Hongwei	**154**	**58**	**377**	**589**
Mr. Ren Caiyin	**127**	**54**	**230**	**411**
Ms. Yang Li	**72**	**27**	**47**	**146**
Mr. Li Yasheng	**722**	**113**	**154**	**989**
	1,307	**338**	**1,178**	**2,823**

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,369**	1,694
Pension scheme contributions	**321**	374
Equity-settled share option expense	**61**	91
	1,751	2,159

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

	2022	2021
Nil to HK$1,000,000	**3**	3

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% (2021 15%).

Certain subsidiaries were certified as small and micro-sized enterprises ("SMEs") in 2022. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% (2021: 20%).

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2021: 25%).

10. INCOME TAX (Continued)

PRC CIT (Continued)

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.

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 2022 (2021: Nil).

10. INCOME TAX (Continued)

PRC CIT (Continued)

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

	2022 RMB'000	2021 RMB'000
Current — Mainland China		
Charge for the year	412	463
Overprovision in prior years	(28)	(28)
Deferred (note 27)	312	(781)
	696	(346)

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:

	2022 RMB'000	2021 RMB'000
Profit before tax	27,414	28,394
Tax at the statutory tax rate	6,853	7,099
Profit arising from schools not subject to tax	(40,764)	(34,055)
Effect of different tax rates for certain group entities	(854)	(2,598)
Expenses not deductible for tax	3,460	1,585
Adjustments in respect of current tax of previous periods	(28)	(28)
Tax losses utilised from previous periods	(1,087)	(1,092)
Tax losses not recognised	33,116	28,743
	696	(346)

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.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2021: 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 RMB218,517,000 at 31 December 2022 (2021: RMB191,445,000).

10. INCOME TAX (Continued)

PRC CIT (Continued)

As at 31 December 2022, the Group had tax losses arising in Mainland China of RMB89,441,000 (2021: RMB67,365,000) 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

	2022 RMB'000	2021 RMB'000
Proposed final — HK0.80 cents (2021: HK0.63 cents) per ordinary share	**8,152**	5,964

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 1,142,214,364 (2021: 1,139,256,694) in issue during the year.

The calculation of the diluted earnings per share amount for the years ended 31 December 2022 and 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.

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**27,300**	29,180

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	**1,162,964,811**	1,167,216,000
Weighted average number of shares held for the RSU Scheme	**(20,750,447)**	(27,959,306)
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**1,142,214,364**	1,139,256,694
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	**1,142,214,364**	1,140,307,446

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022	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 2021 and 1 January 2022:							
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
At 1 January 2022, net of accumulated depreciation	195,673	23,491	23,179	5,270	304	4,037	251,954
Additions	5	10,983	9,485	1,242	—	188,497	210,212
Acquisition of a subsidiary (note 32)	—	3,159	1,389	1,039	—	—	5,587
Purchases from a related party	193,987	6,013	—	—	—	—	200,000
Disposals	—	—	(53)	(80)	—	—	(133)
Depreciation provided during the year (note 6)	(6,826)	(9,730)	(7,557)	(1,517)	(75)	—	(25,705)
At 31 December 2022, net of accumulated depreciation	382,839	33,916	26,443	5,954	229	192,534	641,915
At 31 December 2022:							
Cost	413,471	86,549	65,177	23,989	372	192,534	782,092
Accumulated depreciation	(30,632)	(52,633)	(38,734)	(18,035)	(143)	—	(140,177)
Net carrying amount	382,839	33,916	26,443	5,954	229	192,534	641,915

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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.

(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 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 and 1 January 2022	90,228	34,940	125,168
Additions	384,890	19,428	404,318
Additions as a result of acquisition of a subsidiary (note 32)	—	34,599	34,599
Depreciation charge	(6,011)	(21,062)	(27,073)
Decreases due to terminations	—	(3,495)	(3,495)
As at 31 December 2022	**469,107**	**64,410**	**533,517**

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**36,949**	39,153
New leases	**19,428**	33,402
Additions as a result of acquisition of a subsidiary (note 32)	**30,462**	—
Accretion of interest recognised during the year	**1,862**	1,877
Payments	**(16,443)**	(18,613)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**—**	(11,456)
Decreases due to terminations	**(3,648)**	(7,414)
Carrying amount at 31 December	**68,610**	36,949
Analysed into:	**—**	
Current portion	**31,634**	16,292
Non-current portion	**36,976**	20,657

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

During the years ended 31 December 2022, 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 RMB1,850,000 (2021: RMB3,983,000).

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**1,862**	1,877
Depreciation charge of right-of-use assets	**27,073**	20,677
Expense relating to short-term leases (included in cost of sales)*	**944**	2,133
Expense relating to leases of low-value assets (included in administrative expenses)*	**59**	368
Total amount recognised in profit or loss	**29,938**	25,055

* Lease expenses not included in the measurement of lease liabilities in aggregate amounted to RMB1,003,000 (2021: RMB2,501,000).

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2021	
Cost:	68,007
Accumulated impairment	(13,637)
Cost and net carrying amount at 31 December 2021	54,370
At 1 January 2022	
Cost:	68,007
Acquisition of a subsidiary (note 32)	43,766
Impairment during the year	(8,629)
Cost at 31 December 2022	103,144
At 31 December 2022	
Cost	111,773
Accumulated impairment	(22,266)
Net carrying amount	89,507

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Zhejiang Peijian
- Xin Tian Di Xian
- Aidiou Education
- Shijiazhuang Yuying

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2022 **RMB'000**	2021 RMB'000
Zhejiang Peijian	**16,633**	16,633
Xin Tian Di Xian	**8,492**	17,121
Aidiou Education	**20,616**	20,616
Shijiazhuang Yuying	**43,766**	—
	89,507	54,370

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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	
	2022	2021	2022	2021
Zhejiang Peijian*	**20%**	23%	**2.3%**	3.0%
Xin Tian Di Xian^	**21%**	22%	**2.3%**	3.0%
Aidiou Education*	**24%**	26%	**2.3%**	3.0%
Shijiazhuang Yuying*	**19%**	N/A	**2.3%**	N/A

^ Cash-generating unit of Xin Tian Di Xian

As at 31 December 2022, the recoverable amounts of the cash-generating unit of Xin Tian Di Xian was RMB8,349,000. According to the assessment of the recoverable amounts of the cash-generating unit, an amount of impairment loss of RMB8,629,000 were provided for the pertaining goodwill, and were included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

* Cash-generating units of Zhejiang Peijian, Aidiou Education, and Shijiazhuang Yuying

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.

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 2022				
Cost at 1 January 2022, net of accumulated amortisation	**4,926**	**10,773**	**2,763**	**18,462**
Additions	**3,400**	**—**	**—**	**3,400**
Acquisition of a subsidiary (note 32)	**99**	**24,000**	**4,700**	**28,799**
Disposals	**(233)**	**—**	**—**	**(233)**
Amortisation provided during the year (note 6)	**(727)**	**(2,570)**	**(1,361)**	**(4,658)**
At 31 December 2022, net of accumulated amortisation	**7,465**	**32,203**	**6,102**	**45,770**
At 31 December 2022:				
Cost	**9,727**	**38,529**	**8,486**	**56,742**
Accumulated amortisation and impairment	**(2,262)**	**(6,326)**	**(2,384)**	**(10,972)**
Net carrying amount	**7,465**	**32,203**	**6,102**	**45,770**

	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

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The investment is Zerui Education's equity investment in Beijing Ying Yu New Media Interaction Technology Co., Ltd. ("Ying Yu New Media"), which is irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

Since Ying Yu New Media had ceased business, management considers the fair value to be nil (2021: Nil).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2022 RMB'000**	2021 RMB'000
A listed equity investment, at fair value	(i)	**5,449**	7,734
Other unlisted investment, at fair value			
Wealth capital management products	(ii)	**—**	14,818
Life insurance policy	(iii)	**1,041**	927
		6,490	23,479
Analysed into:			
Current portion		**5,449**	22,552
Non-current portion		**1,041**	927

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 2022. 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 2022, 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.

19. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Other unlisted investments, at amortised cost	(i)	**65,628**	65,130
Deposit for a parcel of land	(ii)	**—**	38,661
Deposit and other assets	(iii)	**5,656**	—
Input VAT to be claimed	(iv)	**6,057**	—
		77,341	103,791
Analysed into:			
Current portion		**11,388**	35,015
Non-current portion		**65,953**	68,776

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 2022, the loss allowance was assessed to be minimal.

(ii) The balance as at 31 December 2021 represented a deposit for a parcel of land reserved for educational use with a term of 50 years. The parcel of land was acquired by the Group subsequently in March 2022 and the deposit was included as part of the consideration.

(iii) The balance as at 31 December 2022 represented deposit made for procurement of certain teaching equipment and deferred expenses as the costs to obtain contracts.

(iv) The balance mainly represents deductible input VAT generated from the Group's procurement of construction related services during the year (2021: Nil).

20. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Tuition receivables	**12,997**	12,406
Impairment	**(1,407)**	(1,409)
	11,590	10,997

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.

20. TRADE RECEIVABLES (Continued)

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:

	2022 RMB'000	2021 RMB'000
Within one year	**9,148**	7,622
One to two years	**2,242**	2,511
Two to three years	**200**	864
	11,590	10,997

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**1,409**	2,430
Impairment losses/(reversal of impairment losses) (note 6)	**205**	(621)
Write-off	**(207)**	(400)
At end of year	**1,407**	1,409

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 2022

		Past due		
	Current	Less than 183 days	Over 183 days	Total
Expected credit loss rate	4%	21%	82%	11%
Gross carrying amount (RMB'000)	10,049	2,363	585	12,997
Expected credit losses (RMB'000)	423	505	479	1,407

As at 31 December 2021

		Past due		
	Current	Less than 183 days	Over 183 days	Total
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

21. CONTRACT COSTS

Contract costs capitalised as at 31 December 2022 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 2022 was RMB2,856,000 (2021: RMB4,795,000). There was no impairment in relation to the costs capitalised as at 31 December 2022.

The contract costs are amortised over the duration of the education programmes ranging from 1 to 3 years.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	**5,843**	5,524
Deposits	**10,301**	10,509
Other receivables	**31,224**	38,338
	47,368	54,371
Impairment allowance	**(1,940)**	—
	45,428	54,371

As at 31 December 2022, the loss allowance was RMB1,940,000 (2021:nil).

23. CASH AND BANK BALANCES, TERM DEPOSITS AND PLEDGED DEPOSITS

	Note	2022 RMB'000	2021 RMB'000
Cash and bank balances		**212,583**	334,332
Pledged deposits		**176,000**	187,000
Term deposits		**90,000**	40,000
		478,583	561,332
Less: Pledged deposits for bank facilities	(i)	**(176,000)**	(187,000)
Term deposits with original maturity over three months		**(90,000)**	(40,000)
		212,583	334,332
Cash and cash equivalents			
Denominated in:			
RMB		**472,380**	548,460
HK$		**1,108**	6,971
US dollars (US$)		**5,095**	5,901
		478,583	561,332

Note:

(i) As at 31 December 2022, the Group's deposit pledged for banking facilities amounted to RMB176,000,000 (2021: RMB187,000,000), out of which, an amount of RMB66,000,000 was classified as a long term pledged deposit as it was pledged for a long term bank loan (note 26(iii)). The remaining deposit of RMB110,000,000 pertaining to a bank facility with equivalent amount which was yet to be utilised at end of the reporting period.

23. CASH AND BANK BALANCES, TERM DEPOSITS AND PLEDGED DEPOSITS (Continued)

As at 31 December 2022, the Group's cash and bank balances, term deposits and pledged deposits denominated in RMB amounted to RMB472,380,000 (2021: RMB548,460,000). 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.

24. OTHER PAYABLES AND ACCRUALS

	2022 **RMB'000**	2021 RMB'000
Salary and welfare payables	**32,864**	30,594
Miscellaneous advances from students*	**29,941**	25,486
Other tax payables	**4,488**	4,546
Payables for purchases of property, plant and equipment	**30,678**	13,862
Deposits	**6,005**	2,644
Scholarships	**1,610**	651
Other payables	**32,957**	18,822
Remaining consideration payable for acquisition of a subsidiary (note 32)	**7,980**	—
	146,523	96,605

* 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:

	2022 **RMB'000**	2021 RMB'000
Tuition fees	**115,745**	99,952
Boarding fees	**19,286**	1,199
Others	**7,994**	150
Total contract liabilities	**143,025**	101,301

25. CONTRACT LIABILITIES (Continued)

Contract liabilities (Continued)

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 2022 and 2021 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.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2022			2021		
	Notes	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Short term bank loan — secured	(i)	**6.80%**	**2023**	**50,000**	—	—	—
Short term bank loan — unsecured	(ii)	**3.70%–8.30%**	**2023**	**51,933**	3.82%–8.30%	2022	177,717
Current portion of long term bank loan — secured	(iii)	**1.51%–7.00%**	**2023**	**29,850**	1.51%–7.00%	2022	82,832
Current portion of long term bank loan — unsecured	(iv)	**2.50%–6.00%**	**2023**	**10,977**	—	—	—
Current portion of other borrowing — secured	(v)	**8.47%–10.44%**	**2023**	**74,475**	7.25%–10.55%	2022	59,488
Current portion of other borrowing — unsecured	(vi)	**8.32%**	**2023**	**16,467**	8.32%	2022	15,765
				233,702			335,802
Non-current							
Long term bank loan — secured	(iii)	**1.51%–7.00%**	**2024–2027**	**205,516**	1.51%–7.00%	2023–2027	27,184
Long term bank loan — unsecured	(iv)	**2.50%-6.00%**	**2024–2025**	**214,308**	—	—	—
Other borrowing — secured	(v)	**8.47%–10.44%**	**2024–2025**	**37,579**	7.25%–10.55%	2023–2024	65,880
Other borrowing — unsecured	(vi)	**8.32%**	**2024**	**2,278**	8.32%	2024	17,602
				459,681			110,666
				693,383			446,468

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**142,760**	260,549
In the second year	**112,631**	13,444
In the third to fifth years, inclusive	**307,193**	13,740
	562,584	287,733
Other borrowings repayable:		
Within one year or on demand	**90,942**	75,253
In the second year	**32,798**	67,436
In the third to fifth years, inclusive	**7,059**	16,046
	130,799	158,735
	693,383	446,468

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 2022, a bank borrowing of RMB 50,000,000 was guaranteed by Mr. Li Yunong and Ms. Cao Yang, with the pledge of charging right of Shijiazhuang Institute of Technology.

(ii) As at 31 December 2022, a bank borrowing of RMB13,000,000 (2021: RMB13,000,000) was guaranteed by an independent financing guarantee company.

As at 31 December 2022, a bank borrowing of RMB30,000,000 (2021: RMB150,000,000) was guaranteed by Mr. Li Yunong .

As at 31 December 2022, a bank borrowing of HK$10,000,000 (equivalent to RMB8,933,000) (2021: HK$18,000,000 (equivalent to RMB14,717,000)) was unsecured.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(iii) As at 31 December 2022, a bank borrowing of US$81,000 (equivalent to RMB555,000) (2021: US$97,000 (equivalent to RMB616,000)) was secured by a director's life insurance policy (note 18(iii)).

As at 31 December 2022, out of the Group's total pledged deposits of RMB176,000,000, an amount of RMB66,000,000 (2021: RMB77,000,000) was pledged for a bank borrowing of RMB59,800,000 (2021: RMB69,400,0000). And the remaining deposit of RMB110,000,000 (2021: RMB110,000,000) was pledged to the bank for additional banking facility which had not been utilised by the end of the reporting period.

As at 31 December 2022, a bank borrowing of RMB26,670,000 (2021: RMB40,000,000), was guaranteed by Mr. Li Yunong, Ms. Cao Yang and Hebei Zerui, with the pledge of a certain building of Shijiazhuang Institute of Technology.

As at 31 December 2022, a bank borrowing of RMB48,341,000 was guaranteed by Mr. Li Yunong and Hebei Zerui, with the pledge of land use rights of Shijiazhuang Zerui and the charging right of Shijiazhuang Institute of Technology.

As at 31 December 2022, a bank borrowing of RMB100,000,000 was guaranteed by Mr. Li Yunong, Ms. Cao Yang and Shijiazhuang Zerui, with the pledge of a parcel of land of Shijiazhuang Zerui, and the charging right of Shijiazhuang Institute of Technology.

(iv) As at 31 December 2022, a bank borrowing of RMB30,285,000 was unsecured.

As at 31 December 2022, a bank borrowing of RMB195,000,000 was guaranteed by Mr. Li Yunong and Ms. Cao Yang.

(v) As at 31 December 2022, other borrowing of RMB37,300,000 (2021: RMB31,633,000) was secured by the Group's deposits amounting to RMB1,500,000 (2021: RMB900,000)and guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2022, other borrowing of RMB24,632,000 (2021: 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 2022, other borrowing of RMB18,576,000 (2021: 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 2022, other borrowing of RMB9,635,000 (2021: 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 2022, other borrowing of RMB21,911,000 was secured by the Group's deposits amounting to RMB600,000 and guaranteed by Sheng Dao Xiang Cheng and Zerui Education.

(vi) As at 31 December 2022, other borrowing of RMB18,745,000 (2021: RMB33,367,000) was guaranteed by Mr. Li Yunong and Sheng Dao Xiang Cheng and Zerui Education.

27. DEFERRED TAX

Deferred tax assets

	2022 Deductible loss RMB'000
At 1 January 2022	—
Acquisition of a subsidiary (note 32)	**9,338**
Deferred tax charged to profit or loss during the year	**(863)**
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2022	**8,475**

Deferred tax liabilities

	2022 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2022	**741**
Acquisition of a subsidiary (note 32)	**7,175**
Deferred tax credited to profit or loss during the year	**(551)**
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2022	**7,365**

	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

28. DEFERRED INCOME

The Group received certain government grants in respect of the new campus of Shijiazhuang Institute of Technology under construction during the current year. Upon completion of the construction, the deferred income will be released to profit or loss over the expected useful lives of the relevant assets.

29. SHARE CAPITAL

	2022 **RMB'000**	2021 RMB'000
Authorised: 3,000,000,000 ordinary shares of HK$0.01 each as at 31 December 2022	**25,293**	25,293
Issued and fully paid: 1,161,204,000 (2021: 1,167,216,000) of ordinary shares	**9,750**	9,801

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

	Number of shares in issue	**Share capital** RMB'000
At 31 December 2021 and 1 January 2022	1,167,216,000	9,801
Shares repurchased (note)	(6,012,000)	(51)
At 31 December 2022	1,161,204,000	9,750

Note:

During the year ended 31 December 2022 , the Company repurchased 6,012,000 (2021: Nil) of its shares on the Stock Exchange. Upon completion of the repurchase, the number of the then total repurchased shares was 26,767,000, out of which 6,012,000 were subsequently cancelled.

During the year ended 31 December 2022, 813,000 (2021: 7,244,000) of the Company's repurchased shares were exercised under the restricted share unit scheme. Upon completion of the exercise, the remaining 19,942,000 (2021: 20,755,000) repurchased shares were presented as treasury shares amounting to RMB169,000 (2021: RMB176,000) as at 31 December 2022.

Share-based payment

Details of the Company's share option scheme and RSU Scheme are included in note 30 to the financial statements.

30. 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.

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

31 December 2022

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.630**	**13,779**
Forfeited during the year		—
At 31 December		**13,779**

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

No share options were exercised during the year (2021: Nil).

30. 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 2022 Number of options '000	31 December 2021 Number of options '000	Exercise price HK$ per share	Exercise period
4,134	4,134	0.635	5 November 2021 to 4 November 2030
4,134	4,134	0.635	5 November 2022 to 4 November 2030
5,511	5,511	0.635	5 November 2023 to 4 November 2030
13,779	13,779		

There were no share options granted during the year. Share option expenses recognised by the Group during the year was RMB637,000 (2021: RMB1,303,000) 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.

(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.

30. SHARE-BASED PAYMENT (Continued)

(b) Restricted Share Unit Scheme (Continued)

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.

The movements of the Company's shares held for the RSU Scheme during the year ended 31 December 2022 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 and 1 January 2022	20,755	16,543
Exercise of share awards	(813)	(177)
As at 31 December 2022	19,942	16,366

A summary of the particulars of the RSUs granted under the Plan during the year is as follows:

				Number of Awarded Shares			
Date of grant	Number of outstanding RSUs granted as at 31 December 2021 '000	Exercise price per share HK$	Vesting date	Vested during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding RSUs granted as at 31 December 2022 '000
29 December 2020	—	HKD 0.243	29 December 2021	—	—	—	—
29 December 2020	7,244	HKD 0.243	29 December 2022	813	111	6,320	—
29 December 2020	9,659	HKD 0.243	29 December 2023	—	148	—	9,511
	16,903			813	259	6,320	9,511

There were no RSU granted during the year (2021: Nil). Share-based payment expenses recognised by the Group during the year was RMB2,741,000 (2021: RMB5,481,000) due to the amortisation of the cost related to certain RSU granted in prior year.

31. 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 130 to 131 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.

32. BUSINESS COMBINATIONS

Year ended 31 December 2022

On 31 August 2022, Shijiazhuang Saintach, a subsidiary of the Group, acquired 100% of equity interests of Shijiazhuang Yuying for a total consideration of RMB24,800,000. Shijiazhuang Yuying has been accounted for as a wholly-owned subsidiary of the Group since the acquisition date. The acquisition was made as part of the Group's strategy to expand its presence in the market of senior secondary education.

The fair values of the identifiable assets and liabilities of Shijiazhuang Yuying as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	5,587
Other intangible assets	16	28,799
Right-of-use assets	14(a)	34,599
Deferred tax assets	27	9,338
Prepayments, deposits and other receivables		384
Cash and bank balances		12,398
Other payables and accruals		(35,029)
Contract liabilities		(37,405)
Deferred tax liability	27	(7,175)
Lease liabilities	14(b)	(30,462)
Total identifiable net liabilities at fair value		(18,966)
Goodwill on acquisition	15	43,766
Total purchase consideration		24,800
— Cash paid in prior year regarded as part of purchase consideration		11,280
— Cash paid in the current year		5,540
— Cash payable		7,980

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:

	RMB'000
Cash consideration paid	(5,540)
Cash and bank balances acquired	12,398
Net inflow of cash and cash balances included in cash flows from investing activities	6,858

Since the acquisition, Shijiazhuang Yuying contributed RMB21,546,000 to the Group's revenue and RMB2,590,000 to the consolidated profit for the year ended 31 December 2022.

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 2022 would have been approximately RMB344,579,000 and RMB15,627,000 respectively.

33. 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 RMB19,428,000 (2021: RMB33,402,000) and RMB19,428,000 (2021: RMB33,402,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2022	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 2022	251	446,468	36,949	483,668
Changes from financing cash flows	(44,398)	246,915	(16,443)	186,074
New leases	—	—	19,428	19,428
Interest expenses in profit or loss	33,763	—	1,862	35,625
Interest capitalised before netting with interest income	10,635	—	—	10,635
Decreases due to terminations	—	—	(3,648)	(3,648)
Increase arising from acquisition of a subsidiary (note 32)	—	—	30,462	30,462
At 31 December 2022	251	693,383	68,610	762,244

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 leases		—	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

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

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,003**	2,501
Within financing activities	**16,443**	18,613
	17,446	21,114

34. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: nil).

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Land use right and buildings	**116,484**	162,717

36. 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 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* ("Hebei Ansince 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
河北朝興建築安裝工程有限公司 Hebei Chaoxing Construction and Installation Engineering Co., Ltd.* ("Heibei Chaoxing")	A company controlled by Lionful Investment Holdings
河北新天際建築設計有限公司 Hebei New Tianji Architectural Design Co., Ltd.* ("Hebei New Tianji Architectural Design")	A company controlled by Hebei Ansince Shijiazhuang Branch
新聯合投資控股有限公司 Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by the controlling shareholders

* 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.

36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

Prepayment to a related party

	2022 RMB'000	2021 RMB'000
Lionful Education	—	155,000

As at 31 December 2021, 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.

Amounts due from related parties

	2022 RMB'000	2021 RMB'000
Lionful Education	10,160	10,534
Meijia Youbao	—	500
Lionful Investment Holdings.	2,627	—
	12,787	11,034

Other than the balance with Lionful Investment Holdings, which was unsecured, interest bearing at 10% per annum,and repayable on demand, the remaining balances due from related parties were generated from the transactions with trade in nature and would be settled with the related parties on the terms agreed mutually.

Interest income from Lionful Investment Holdings was RMB 127,000 during the year (2021: Nil).

Amounts due to related parties

	Note	2022 RMB'000	2021 RMB'000
Ningbo Tianzuo	(i)	25	198
Youlian Hengmei	(i)	42	55
Hebei Chaoxing	(i)	800	—
Hebei New Tianji Architectural Design	(i)	15	—
		882	253

Balances due to the related parties are unsecured, interest free and mainly generated from the transactions with trade in nature. These balances would be settled with the related parties based on the terms agreed mutually.

36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Transactions with related parties

Purchases of services from related parties

	Notes	**2022 RMB'000**	2021 RMB'000
Hebei Ansince Shijiazhuang Branch	(i)	**158**	153
Youlian Hengmei	(ii)	**13**	704
Ningbo Tianzuo	(iii)	**173**	—
Hebei Chaoxing	(iii)	**10,125**	—
Hebei New Tianji Architectural Design	(iii)	**451**	—
		10,920	857

Notes:

(i) Details of the property management services provided by Hebei Ansince Shijiazhuang Branch are set out as follows:

	2022 RMB'000	2021 RMB'000
Property management services	**158**	153

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.

(iii) Balances with these related parties were related to the construction services provided to the Group which was trade in nature and on a term agreed mutually.

Purchases of land and buildings from a related party

	2022 RMB'000	2021 RMB'000
Lionful Education	**310,000**	105,000

As at 31 December 2022 and 2021, the Group acquired certain properties from Lionful Education based on an asset restructuring agreement which was entered into between the Group and Lionful Education.

36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(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:

	2022 RMB'000	2021 RMB'000
College operation service income	**22,052**	20,868

(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:

	2022 RMB'000	2021 RMB'000
Student accommodation service income^	**3,366**	2,546

^ 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, 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:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,081**	1,398
Pension scheme contributions	**197**	409
Equity-settled compensation expense	**722**	1,248
	2,000	3,055

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	11,590	11,590
Amounts due from related parties	—	12,787	12,787
Financial assets included in prepayments, other receivables and other assets	—	39,585	39,585
Financial assets at fair value through profit or loss	6,490	—	6,490
Other non-current assets	—	65,953	65,953
Cash and bank balances	—	212,583	212,583
Term deposits	—	90,000	90,000
Pledged deposits	—	176,000	176,000
Other current assets	—	11,388	11,388
	6,490	619,886	626,376

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Other current liabilities	1,671	—	1,671
Financial liabilities included in other payables and accruals	—	109,171	109,171
Amounts due to related parties	—	882	882
Interest-bearing bank and other borrowings	—	693,383	693,383
	1,671	803,436	805,107

37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	10,997	10,997
Amounts due from related parties	—	166,034	166,034
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	891,001	914,480

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total 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

38. 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**6,490**	23,479	**6,490**	23,479
Other non-current assets	**131,953**	68,776	**131,953**	68,776
	138,443	92,255	**138,443**	92,255
Financial liabilities				
Other current liabilities	**1,671**	863	**1,671**	863
Other non-current liabilities	**—**	2,978	**—**	2,978
Interest-bearing bank and other borrowings — non current	**459,681**	110,666	**459,681**	110,666
	461,352	114,507	**461,352**	114,507

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 2022 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.

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.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss	Discounted cash flow method	Discount rate	6.32%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB1,000/ RMB1,000

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.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	5,449	—	1,041	6,490
Consideration payable for business combination included in other current liabilities and other non-current liabilities	—	—	1,671	1,671
Interest-bearing bank and other borrowings	—	693,383	—	693,383
	5,449	693,383	2,712	701,544

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	7,734	—	15,745	23,479
Consideration payable for business combination included in other current liabilities and 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

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**23,479**	40,893
Disposals	**(17,257)**	—
Total loss recognised in the profit or loss included in other expenses	**(2,858)**	(16,491)
Exchange reserve	**3,126**	(923)
At 31 December	**6,490**	23,479

	2022 RMB'000	2021 RMB'000
Consideration payable for business combination included in other current liabilities and other non-current liabilities:		
At 1 January	**3,841**	17,964
Satisfied by cash	**—**	(6,015)
Total gain recognised in the consolidated statement of profit or loss included in other income	**(2,170)**	(8,108)
At 31 December	**1,671**	3,841

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 (2021: Nil).

39. 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 2022, approximately 1% of the Group's borrowings bore floating rates (31 December 2021: 3%).

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 2022	**Increase/(decrease) in basis points**	**Increase/(decrease) in profit before tax and equity RMB'000**
Hong Kong dollar	**50**	**40**
Hong Kong dollar	**(50)**	**(40)**

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)

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.

39. 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 2022				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Other current liabilities	—	1,671	—	1,671	1,671
Financial liabilities included in other payables and accruals	—	109,171	—	109,171	109,171
Amounts due to related parties	882	—	—	882	882
Lease liabilities	—	32,997	43,311	76,308	68,610
Interest-bearing bank and other borrowings	—	249,156	474,875	724,031	693,383
	882	392,995	518,186	912,063	873,717

	As at 31 December 2021				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount 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

39. 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 2022 and 2021.

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:

	2022 **RMB'000**	2021 RMB'000
Total liabilities	**1,229,601**	688,296
Total assets	**1,955,462**	1,374,083
Debt-to-asset ratio	**63%**	50%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	12,243	8,866
Financial assets at fair value through profit or loss	1,041	927
Total non-current assets	13,284	9,793
CURRENT ASSETS		
Due from subsidiaries	179,140	173,474
Prepayments, other receivables and other assets	31,867	15,594
Financial assets at fair value through profit or loss	5,449	22,552
Cash and bank balances	5,813	12,037
Other current assets	5,331	4,879
Total current assets	227,600	228,536
Total assets	240,884	238,329
CURRENT LIABILITIES		
Other payables and accruals	893	2,474
Interest-bearing bank and other borrowings	9,053	14,816
Amount due to a related party	978	896
Total current liabilities	10,924	18,186
NET CURRENT ASSETS	216,676	210,350
TOTAL ASSETS LESS CURRENT LIABILITIES	229,960	220,143
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	435	517
Total non-current liabilities	435	517
Net assets	229,525	219,626
EQUITY		
Share capital	9,750	9,801
Treasury shares	(169)	(176)
Reserves (note)	219,944	210,001
	229,525	219,626

40. 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 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 and 1 January 2022	237,145	620	5,844	(42,240)	8,632	210,001
Loss for the year	—	—	—	(4,943)	—	(4,943)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	—	20,955	20,955
Total comprehensive income for the year	—	—	—	(4,943)	20,955	16,012
Final 2021 dividend declared	(7,324)	—	—	—	—	(7,324)
Share repurchased	(2,293)	51	—	(51)	—	(2,293)
Exercise of share awards under the restricted share unit scheme	3,421	—	(3,251)	—	—	170
Recognition of share-based payment expenses	—	—	3,378	—	—	3,378
At 31 December 2022	230,949	671	5,971	(47,234)	29,587	219,944

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

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" 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
"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, and one of the PRC Operating Entities

XV. DEFINITIONS

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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%
"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 New Gaokao* (新高考) Business"	college entrance examination channel services business conducted through Zhejiang Peijian
"PRC" or "China"	the People's Republic of China, for the purpose of this report, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"PRC Operating Entities"	Zerui Education, Shijiazhuang Institute of Technology, Hebei Saintach, Shijiazhuang Saintach, Saintach Kindergarten(s), Hangzhou Yimai and Zhejiang Peijian
"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
"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 High-tech 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 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 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 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 powers 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
"Share Award Plan"	the share award scheme adopted by the Company on 14 October 2020
"Share Option Scheme"	the share option scheme adopted by the Company on 4 May 2018
"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

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"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 full-time institution of higher learning 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"	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), one of our PRC Operating Entities
"Sifang College"	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
"sq.m."	square meter
"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
"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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