





# CONTENTS

I. Corporate Information	2
II. Chairman's Statement	3
III. Financial and Operating Highlights	5
IV. Management Discussion and Analysis	7
V. Directors and Senior Management	23
VI. Report of the Directors	28
VII. Corporate Governance Report	62
VIII. Environmental, Social and Governance Report	79
IX. Independent Auditor's Report	133
X. Consolidated Statement of Profit or Loss and Other Comprehensive Income	137
XI. Consolidated Statement of Financial Position	138
XII. Consolidated Statement of Changes in Equity	140
XIII. Consolidated Statement of Cash Flows	142
XIV. Notes to the Consolidated Financial Statements	144
XV. Definitions	221



# I. CORPORATE INFORMATION

## 1. BOARD OF DIRECTORS

### 1.1 Non-executive Director

Mr. Li Yasheng (李亞晟)  
(*chairman*)<sup>1</sup>

### 1.2 Executive Directors

Mr. Li Yunong (李雨濃)<sup>2</sup>  
Ms. Liu Hongwei (劉宏煒)  
Mr. Ren Caiyin (任彩銀)  
Ms. Yang Li (楊莉)

### 1.3 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 Yasheng (李亞晟)  
(*chairman*)<sup>3</sup>  
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)  
Mr. Leung Chi Kit (梁志傑)

## 7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

## 8. AUDITOR

ZHONGHUI ANDA CPA  
Limited<sup>4</sup>  
Certified Public Accountants  
Registered Public Interest  
Entity Auditor

## 9. REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. 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](http://www.21centuryedu.com)

## 16. STOCK CODE

1598

Notes:

<sup>1</sup> Redesignated from executive Director to non-executive Director on 30 June 2023

<sup>2</sup> Retired on 30 June 2023

<sup>3</sup> Appointed on 30 June 2023

<sup>4</sup> Ernst & Young resigned as auditor of the Company and ZHONGHUI ANDA CPA Limited was appointed as auditor of the Company with effect from 23 November 2023



## 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 2023 annual report for the year ended 31 December 2023.

In recent years, the PRC's vocational education has been deepening its reform. In order to optimize the structure of talent supply, academic vocational education has entered a high-speed track of development, and the industry-education integration has become an inevitable path for the development of vocational education. The Skills China Action Implementation Plan (《技能中國行動實施方案》) issued by the Ministry of Human Resources and Social Security clearly requires that the number of skilled talents should be increased during the 14th Five-Year Plan period. Along with the upgrading of industrial structure, the PRC's demand for talents in technology-intensive fields such as new-generation information technology and new materials is increasing. However, the growth rate of labor-intensive industries is slowing down, industry practitioners are in urgent need of upgrading their vocational skills, and vocational education is facing a huge market demand. Under this environment, the Group has clearly defined its development strategy with new vocational education as the main line of development, and has also launched the businesses of high school education, New Gaokao\* (新高考) and preschool education.

### OPERATING HIGHLIGHTS

As at 31 December 2023, the Group owned 11 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)), 1 New Gaokao\* (新高考) Business institution and 8 Saintach Kindergartens under non-vocational education segment. The Group had 27,662 full-time students, representing an increase of 15.8% as compared to 23,888 students in the corresponding period in 2022. 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 2023, 23,494 full-time students were enrolled under the vocational education segment, which represented an increase of 18.6% from 19,809 students for the corresponding period in 2022. In addition, the Group provided the west campus of Sifang College with entrusted operation service for 3,906 students. The Group kept strengthening the "organic development", Phase I and Phase II of the new campus of Shijiazhuang Institute of Technology were put into use in September 2023, with the subsequent construction proceeding in an orderly manner, and the Group also actively promoted 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)", which resulted in a continued improvement in its quality for running schools. In addition, the Group conducted governmental vocational education and social training for 13,739 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. The Group insists on long-term cooperation between government, industry, enterprises and schools, and has established 13 industrial colleges. The pattern of industry-education integration has shifted from "alternation of working and learning 1.0" to "industry-education symbiosis 5.0", and has evolved from the joint cultivation of talents by industry and education to the joint participation in industry-end business.

The Group has also launched its high school education business and New Gaokao\* (新高考) Business with a commitment to provide quality curriculum teaching and enrollment services for high school students. As at 31 December 2023, there were 2,549 students enrolled in our high schools, representing an increase of 8.0% as compared to the corresponding period in 2022. In line with the national concept of education equality, New Gaokao\* (新高考) Business has focused its services on the college entrance examination channel services. As at 31 December 2023, it has served 119 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 nearly 8,000 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.



## II. CHAIRMAN'S STATEMENT

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 2023 remained stable, with the student enrollment reaching 1,619 as at 31 December 2023. In terms of product development, we optimized our research and learning products and continued to provide extended teaching services for young children to improve the richness of our services.

### DIVIDEND DISTRIBUTION

The Company will make further announcement in relation to the declaration of dividend for the year ended 31 December 2023, if any, and such declaration of dividend shall be subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

### FUTURE STRATEGIES

As a comprehensive private education service provider, we have kept upholding the development vision 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.

### ACKNOWLEDGEMENT

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

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

**Li Yasheng**

*Chairman of the Board*

28 March 2024

### III. FINANCIAL AND OPERATING HIGHLIGHTS

#### 1. RESULTS

	For the year ended 31 December				
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
Revenue	<b>420,028</b>	311,908	308,767	253,802	234,242
Cost of sales	<b>(255,069)</b>	(165,524)	(181,942)	(131,517)	(112,934)
Gross profit	<b>164,959</b>	146,384	126,825	122,285	121,308
Gross profit margin	<b>39.3%</b>	46.9%	41.1%	48.2%	51.8%
Profit before tax	<b>39,160</b>	27,414	28,394	79,119	84,664
Profit for the year	<b>39,836</b>	26,718	28,740	78,772	82,753
EBITDA	<b>167,429</b>	119,094	101,984	129,647	123,601
Basic earnings per Share (RMB cents)	<b>3.50</b>	2.39	2.56	6.51	6.78

#### 2. SUMMARY OPERATING INFORMATION

Operating information	2023 to 2024	2022 to 2023	Changes	Percentage of changes
Total number of full-time students <sup>①</sup>	<b>27,662</b>	23,888	3,774	15.8%
Student capacity <sup>②</sup>	<b>114.4%</b>	137.1%	(22.7%)	(16.6%)
Student retention rate <sup>③</sup>	<b>96.6%</b>	97.4%	(0.8%)	(0.8%)
Total number of teachers <sup>④</sup>	<b>830</b>	772	58	7.5%

Notes:

- <sup>①</sup> 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.
- <sup>②</sup> It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 31 December 2023 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.
- <sup>③</sup> Retention rate of full-time students.
- <sup>④</sup> It refers to full-time teachers.

### III. FINANCIAL AND OPERATING HIGHLIGHTS

#### 3. ASSETS AND LIABILITIES

	As at 31 December				
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
<b>Assets and liabilities</b>					
Non-current assets	<b>1,648,426</b>	1,452,178	674,657	515,860	433,330
Current assets	<b>674,323</b>	503,284	699,426	627,210	639,532
Current liabilities	<b>989,556</b>	559,579	553,254	362,764	327,527
Net current (liabilities)/assets	<b>(315,233)</b>	(56,295)	146,172	264,446	312,005
Total assets less current liabilities	<b>1,333,193</b>	1,395,883	820,829	780,306	745,335
<b>Total equity</b>	<b>781,185</b>	725,861	685,787	669,947	672,594
Non-current liabilities	<b>552,008</b>	670,022	135,042	110,359	72,741
Total equity and non-current liabilities	<b>1,333,193</b>	1,395,883	820,829	780,306	745,335
Property, plant and equipment	<b>941,962</b>	641,915	251,954	151,126	140,719
Cash and bank balances	<b>270,254</b>	212,583	334,332	357,700	258,613
Interest-bearing bank and other borrowings	<b>875,661</b>	693,383	446,468	213,961	179,082
Contract liabilities	<b>189,574</b>	143,025	101,301	108,495	93,296

Financial ratios	As at 31 December				
	2023	2022	2021	2020	2019
Current ratio	<b>68.1%</b>	89.9%	126.4%	172.9%	195.3%
Debt-to-asset ratio <sup>①</sup>	<b>66.4%</b>	62.9%	50.1%	41.4%	37.3%

Note:

<sup>①</sup> Total liabilities divided by total assets.

#### 4. CASH FLOWS FROM OPERATIONS

	For the year ended 31 December				
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
Net cash from operating activities	<b>197,839</b>	128,452	90,909	129,084	119,112

## 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 more than 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 2023, the Company owned 11 schools, including 1 private college (Shijiazhuang Institute of Technology) under vocational education segment; 1 ordinary high school, 1 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 2023	31 December 2022
Vocational education – College	1	1
Non-vocational education – Ordinary high school	1	1
– New Gaokao* (新高考) Business institutions	1	2
– Kindergartens	8	8
<b>Total</b>	<b>11</b>	<b>12</b>



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.2.2 Student enrollment

As at 31 December 2023, we had 27,662 full-time students enrolled in our schools. The specific details are as follows:

Breakdown of student enrollment	2023-2024 school year	2022-2023 school year	Changes	Percentage of changes
<b>Full-time students</b>				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	<b>21,232</b>	16,937	4,295	25.4%
Secondary college	<b>2,262</b>	2,872	(610)	(21.2%)
<b>Subtotal (full-time college students)</b>	<b>23,494</b>	19,809	3,685	18.6%
Non-vocational education				
Including: Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)	<b>2,549</b>	2,361	188	8.0%
Saintach Kindergartens	<b>1,619</b>	1,718	(99)	(5.8%)
<b>Total (full-time students)</b>	<b>27,662</b>	23,888	3,774	15.8%

As at 31 December 2023, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,906 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 2022, 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	2023-2024 school year	2022-2023 school year
<b>Vocational education</b>		
Junior college courses	<b>RMB9,000 to RMB17,000 per school year</b>	RMB8,800 to RMB17,000 per school year
Secondary college courses	<b>RMB9,360 per school year</b>	RMB9,360 per school year

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

Average Revenue <sup>①</sup>	For the year ended 31 December			
	2023 RMB	2022 RMB	Changes RMB	Percentage of changes
<b>Vocational education</b>	<b>9,151</b>	8,398	753	9.0%
Including: Junior college	<b>9,420</b>	8,658	762	8.8%
Secondary college	<b>7,151</b>	6,861	290	4.2%
<b>Non-vocational education</b>				
Including: Ordinary high school	<b>17,125</b>	9,119	8,006	87.8%
Kindergartens	<b>19,148</b>	18,378	770	4.2%

Note:

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

### 1.2.4 Employment rate

Shijiazhuang Institute of Technology has built 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. Benefiting 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 2023, Shijiazhuang Institute of Technology, its teachers and students have won 188 ministerial, provincial and municipal awards, including various awards such as BRICs Countries Skill Development and Technical Innovation of the Belt and Road Countries (一帶一路暨金磚國家技能發展與技術創新大賽), 2023 National College Digital Art and Design Competition (2023年全國高校數字藝術設計大賽), the 2nd Art Achievement Exhibition of “Soul of National Art – Building the Chinese Dream and Exhibiting Chinese Soul” (「國藝魂•共築中國夢·藝展中華魂」第二屆藝術成果展演), 2023 National College Students Business Data Analysis Skills Competition (2023年全國大學生商務數據分析技能大賽), the 9th “ZHONG ZHUANG CUP” National College Students Environmental Design Competition (第九屆「中裝杯」全國大學生環境設計大賽), National College Students Live E-commerce Skills Competition (全國大學生直播電商技能大賽) and “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 employment rate of graduates for the 2022-2023 school year was approximately 97.9%:

Employment rate <sup>①</sup>	31 December 2023	31 December 2022	Changes	Percentage of changes
Vocational education	<b>97.9%</b>	97.1%	0.8%	0.8%

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.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.2.5 Our teachers

Teachers	31 December 2023	31 December 2022	Changes	Percentage of changes
<b>Full-time teachers</b>				
Vocational education <sup>①</sup>	<b>436</b>	388	48	12.4%
Non-vocational education	<b>394</b>	384	10	2.6%
<b>Subtotal (full-time teachers)</b>	<b>830</b>	772	58	7.5%
<b>Part-time teachers</b>				
Vocational education <sup>①</sup>	<b>190</b>	161	29	18.0%
Non-vocational education	<b>401</b>	433	(32)	(7.4%)
<b>Subtotal (part-time teachers)</b>	<b>591</b>	594	(3)	(0.5%)
<b>Total</b>	<b>1,421</b>	1,366	55	4.0%

Note:

<sup>①</sup> Increase the number of full-time and part-time teachers in vocational education and their class schedules to meet the needs of the increasing number of students.

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 2023, the percentage of our teachers with a bachelor's degree or above was 91.6%; and the percentage of teachers who 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 The new campus of Shijiazhuang Institute of Technology has been put into operation

The Company continued to promote the construction work of the new campus of Shijiazhuang Institute of Technology, and has commenced the construction of Phase I and Phase II and obtained the project planning permit for Phase III. In September 2023, the teaching building, dormitory building and canteen in Phase I were put into use, and the two dormitory buildings in Phase II were put into use. The first batch of students admitted to the new campus was over 8,200. The total number of new students served at the dual campuses of Shijiazhuang Institute of Technology was 10,902, which brought further revenue growth to the Group.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.1.2 Industry-education integration towards a new model of industry-education symbiosis

On the basis that the Group's vocational education segment has formed a development pattern of industry-education integration, Shijiazhuang Institute of Technology has started to explore the version 5.0 of industry-education integration, namely "industry-education symbiosis". With serving the development of local regional economy and industry as the fundamental, the industry and education jointly cultivate talents, and participate in industry-end business together, so as to realize the industry-education symbiosis. Under the background of shortage of skilled talents and transformation of industrial structure in the PRC, we should draw on international experience, carry out classification and management of vocational education, strengthen the connection between vocational education qualifications and courses, innovate the training and evaluation mode for vocational education talents, and strive to build a vocational education system with Chinese characteristics in the new era.

- **School-enterprise Cooperation**

As at 31 December 2023, 28 professional programs in Shijiazhuang Institute of Technology have worked with 17 enterprises to jointly offer featured majors. 61 tailor-made classes were established. There were 16 apprenticeship pilot programs, having a total of 13 key professional group training bases, 61 on-campus experimental training centers and 247 off-campus training bases. In March 2023, we signed a strategic agreement with JD.COM on jointly building the "Shijiazhuang Institute of Technology • JD.COM E-commerce Industry-education Integration Demonstration Base". In May 2023, we and Tencent Cloud Computing (Beijing) Company Limited (騰訊雲計算(北京)有限公司) jointly established Tencent Cloud Artificial Intelligence Industry College (騰訊雲人工智能產業學院). Both parties have integrated high-quality resources to bring talent support resources for the rapid development of cloud computing, big data and other cutting-edge information industries.

As at 31 December 2023, Shijiazhuang Institute of Technology has set up a total of 13 industrial colleges related to emerging industries such as intelligent manufacturing, Internet+ and digital economy. Based on the new engineering discipline, we are committed to the industry-education integration, the integration of theory and practice, the integration of technology and culture, and the integration of modern information technology and teaching. We have maintained various forms of industry-education-research cooperation with more than 700 famous enterprises such as Huawei Technologies Co., Ltd. (華為技術有限公司), Haier Group Corporation (海爾集團公司), Great Wall Motor Company Limited (長城汽車股份有限公司), Sany Heavy Industry Co., Ltd. (三一重工股份有限公司), CSPC Holdings Company Limited (石藥控股集團有限公司) and S.F. Holding Co., Ltd. (順豐控股股份有限公司), among which more than 60 well-known enterprises are among the world's top 500 enterprises. We collaborate with these enterprises to cultivate nearly 1,000 graduates each year through tailor-made classes and other forms, helping them achieve high-quality employment.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

- **Government-school Cooperation**

Relying on high-quality resources, Shijiazhuang Institute of Technology served the regional construction, conducted a total of 13,739 social trainings on government vocational education, and delivered nearly 1,000 talents to various enterprises in Luquan District, Shijiazhuang City. In October 2023, we, together with the Economic Research Institute of Hebei Academy of Social Sciences (河北省社會科學院經濟研究所) and the Beijing-Tianjin-Hebei Cooperative Development (Xiong'an) Research Center of Hebei Academy of Social Sciences (河北省社會科學院京津冀協同發展(雄安)研究中心), went to Luquan District to carry out a special research. Through the operation of the industrial college, a total of 7 enterprises have been introduced to Luquan District, Shijiazhuang City in the past two years. It has innovative talent training model to meet the talent needs for enterprises, and established an expert think tank and set up two research institutes to provide intellectual support for enterprise talent training and skills and technology transformation, which have enhanced the social influence of the institute.

- **Cooperation between industry and school**

Since Shijiazhuang Institute of Technology has been successfully approved as a “Double-High” construction college\* (「雙高」建設院校) of the “Implementation 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))”, it has been actively promoting the implementation plan for improving the training quality, and assumed 25 tasks in the plan. With the construction of “Double-High (雙高)” as its guide, and the “Five-One (五個一)” and the “Three-One (三個一)” construction projects as its starting point, it has carried out the establishment of 16 apprenticeship pilot programs. As at 31 December 2023, we have completed the collection of “Double-High (雙高)” materials, waiting for the government’s acceptance.

In 2023, Shijiazhuang Institute of Technology joined Chinese Chemical and Pharmaceutical Education Association (全國化工醫藥職業教育集團), the Smart Medical Specialized Committee of Hebei E-government Society (河北省電子政務學會智慧醫療專業委員會) and other enterprises or industry associations, making it a governing unit of the National Accounting Industry-education Integration Community (全國會計行業產教融合共同體), and also joined Hebei Home Economics Vocational Education Group (河北省家政職業教育集團), becoming one of the governing units. It was elected as the first governing unit of “Psychological Crisis Intervention Professional Committee of Hebei Psychological Association (河北省心理學會心理危機干預專業委員會)”, and was awarded the first batch of shortlisted construction units for “Project on Mutual Recognition of National Vocational Standards in Chad (乍得國家職業標準共建互認項目)”. By continuously meeting the needs of the industry, it provides more internship and employment opportunities for students. We worked with enterprises and industry associations to design and offer professional courses that are closely related to industry needs, aiming to ensure that the curriculum is in line with industry practice, and cultivate professionals who meet industry needs. In May 2023, Shijiazhuang Institute of Technology became a Governing Unit of the Community of Science-education Integration in Modern Vocational Education (現代職業教育科教融匯共同體理事單位), and successfully held the Summit Seminar on “Industry-education Integration, Science-education Integration, and Building a Community of Destiny between Schools and Enterprises (「產教融合、科教融匯·共建校企命運共同體」高峰研討會)”. The Think Tank Research Base of Hebei Association for Science and Technology (河北省科協智庫研究基地) was stationed in Shijiazhuang Institute of Technology. The two parties jointly carried out scientific research and technological development, facilitated the transfer of knowledge and technology, promoted innovation and industrial development, and provided more than 20 technological services for enterprises in various industries.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.2 Non-vocational education segment

#### 1.3.2.1 High school education segment business focuses on building prestigious school brands

The Group is committed to providing education services at multiple academic levels and building prestigious school brands in the province, and carrying out the business of full-time high school education segment through Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學). As at 31 December 2023, we provided high school educational service to a total of 2,549 students.

Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) takes the construction of professional teachers team and efficient classroom as its crux, continuously upgrades the management system and education and teaching mode, and comprehensively implements the promotion of the dual objectives of the growth of teachers and the success of students. In 2023, the enrollment rate of university was approximately 98%. The admission rate of art joint entrance examination reached 94.7%, and the admission rate of provincial art, sports and dance joint entrance examination reached 86.1%, both of which were higher than the average admission rate in Hebei Province.

In the next three to five years, Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) will focus on developing the theme of “Provincial Model High School (省級示範性高中)” and the construction of a distinctive school, and take “ensuring the development of students scale, strengthening the development of content quality, building the development of brand characteristics, and coordinating the development of whole resources” as its main line of development. It will strengthen the construction of teaching staff, upgrade the teaching mode, promote curriculum innovation, improve the quality of teaching, attach importance to moral education construction, broaden diversified channels for admission to higher education, and offer characteristic courses, aiming to build a characteristic high school with a history and a focus on advancement in studies as its foundation.

#### 1.3.2.2 New Gaokao\* (新高考) Business creates a new educational technology ecosystem

Adhering to the principle of “comprehensively enhancing students’ interest in subjects and verifying their value in competitions”, the Group has created a new online and offline educational technology ecosystem.

New Gaokao\* (新高考) segment takes strong foundation as its main line to create a new online and offline educational technology ecosystem. New Gaokao\* (新高考) Business focuses its services on the Gaokao entrance examination channel, and is committed to the targeted and stratified cultivation of gifted students. It has formed business systems such as comprehensive evaluation services for strong foundation of prestigious schools, and academic planning for New Gaokao\* (新高考). We have accumulatively 10,000 gifted students from nearly 1,000 high schools across the PRC, among whom 6,600 students entered “double first-class” universities such as Tsinghua University and Peking University. As at 31 December 2023, New Gaokao\* (新高考) Business has served 119 high schools/projects, and has reached cooperation with more than 100 schools in more than 20 provinces across the PRC, providing planning and tutoring to nearly 8,000 students across the PRC. In addition, the number of students we served in 2023 who won the first prize over the provincial level amounted to 861.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.2.3 Strong market competitiveness in Kindergartens business

Leveraging on a good local reputation and brand image, Saintach Kindergartens maintained strong competitiveness. In a market environment with an overall decrease in the number of school-age children, Saintach Kindergartens achieved a relatively high enrolment rate, which was higher than that of kindergartens in the region by 5 to 15 percentage points, and the number of students enrolled in Saintach Kindergartens for the year of 2023 was 1,619, which is the first choice of customers in the community. Saintach Kindergartens continued to deliver quality services, contributing revenue and profit to the Group. In terms of product development, Saintach Kindergartens enriched their teaching products and continued to provide extended teaching services for young children to improve the richness of services.

## 1.4 Our Technological Empowerment

We persist in promoting digital construction, and building software platforms such as Digital Management Billboards (數字化經營看板), C-end Charging Center (C端收費中台) and “Sousou Smart School (嗖嗖智校)”. 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. As an integrated platform for employment, entrepreneurship, management and services, “Tianze Talent Platform (天擇人才平台)” is able to make overall plans and carry out employment and entrepreneurship education focusing on positions in industries where there is a shortage of high skilled talents (such as manufacturing and the internet), aiming 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 with enterprises.

## 1.5 Our Honors

On 4 January 2023, the Company was awarded the “2022 Royal Flush Enterprise Annual Award – Investment Pioneer Award (同花順企業號2022年度榜單—投關先鋒獎)”. The award is based on the comprehensive evaluation of the listed company’s multi-dimensional data such as account attention, article data, individual stocks and topic popularity, daily operation, and research and investment activities on the Royal Flush platform, which is a full affirmation from the general investors and all parties involved in the capital market for the Company’s serious fulfillment of its duties, standardized operation and emphasis on investor relations management.

On 27 May 2023, the Company won the “2023 (Industry) Most Valuable Brand for Investment (2023年度(行業)最具投資價值品牌)” award at the 2023 (Seventh) China Brand Boao Summit jointly organized by China Enterprise Network and The Enterprise Observer. The Company was recognized for its leading industry influence in the field of vocational education as well as its high-quality brand development.

On 6 December 2023, the Company was awarded the “Golden Hong Kong Stock – Most Valuable Social Service Company Award (金港股 – 最具價值社會服務公司獎)” by Zhitong Caijing, and its long-term value and social service capability were recognized by the market and professional institutions.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

On 21 December 2023, the Company was awarded the “Jinge Award – Brand Value Award of the Year (金格獎 – 年度品牌價值獎)” by Gelonghui (格隆匯). The Company has given full play to its long-term advantages amidst the changing times, and kept pace with the times, aiming to further consolidate its brand image of new vocational education. Under the guidance of national policies and driven by the education-oriented concept, the Company has accelerated its transformation and upgrading around the main line of new vocational education, and has always strived to become a leading comprehensive service provider of new vocational education, which resulted in a continuous improvement in its educational brand image.

On 21 December 2023, Shijiazhuang Institute of Technology was awarded the 2023 Hebei Province Vocational Education School-enterprise Cooperation Demonstration Project “Top 50” (2023年度河北省職業教育校企合作示範項目「五十佳」). Taking the declared project of industry-education integration and school-enterprise cooperation mode as a case, it aims to solve the problem of disconnection between “learning, teaching and doing” in teaching, cultivate students’ innovative ability and craftsmanship, promote the design from virtual to real, and practice the educational concept of “educating people in three aspects (三全育人)”. The school-enterprise cooperation model of Shijiazhuang Institute of Technology was recognized.

### 1.6 Stakeholder Communication

Since our listing, we have always attached great importance to investor relations management, adhered to the core values of “Honesty (誠實), Responsibility (擔當), Cooperation (合作) and Innovation (創新)”, listened attentively to the opinions from various parties, disclosed the latest development of the Company in a timely and accurate manner, and demonstrated a transparent and efficient corporate governance. We proactively communicate and meet with stakeholders, analysts and fund managers online and offline through multiple channels, platforms and methods to strengthen our connection with the capital market and investors.

Through channels such as the Company’s official website, new media platforms, telephone, facsimile and e-mail, we utilise the website of the Stock Exchange and other network infrastructure platforms to share contents such as the Company’s dynamics, policy foresight, industry insights on a regular basis by holding Shareholders’ general meetings, investor presentations, online and offline roadshows, analysts’ meetings, reception of visitors and seminars, etc., with the aim at maintaining good interaction with the capital market to create conditions for continuously enhancing stakeholders’ understanding, recognition and trust of the Company’s investment value.





## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 2. MARKET REVIEW AND NEW REGULATIONS

On 5 March 2023, the government work report at the First Session of the 14th National People's Congress highlighted and enhanced the expected development goals related to the promotion of fairness and quality enhancement in education, including: (1) to reduce the burden on students in the stage of compulsory education; (2) to insist that compulsory education shall be implemented by the State, and to guide and regulate the development of private education; (3) to enhance the adaptability of vocational education, and to continue to improve the conditions for running vocational institutions; (4) to continue increase their efforts to prioritize admissions for the central and western regions as well as rural areas in terms of colleges enrollment; and (5) to promote quality and balanced development of compulsory education and urban-rural integration, vigorously develop vocational education, promote innovation in higher education.

On 13 March 2023, Hebei Education Department, Hebei Provincial Department of Human Resources and Social Security and Hebei Provincial Development and Reform Commission jointly issued the Notice on Further Improving the Work of Vocational Schools' Through-Training Mode (《關於進一步完善職業學校貫通培養模式工作的通知》). The notice proposes to deepen the supply-side reform of vocational education in Hebei Province, and promote the healthy development of through-training modes such as "3+2", "3+4", "5-year consistent system (5年一貫制)" and "2+2+2". It is required that the specialties involved in through-training between secondary vocational schools and joint-run colleges must be highly compatible with the needs of economic, social and industrial development, and must be closely aligned with the needs of strategic emerging industries and key development industries in Hebei Province, or must be the specialties in the fields of urgent need for industrial development and shortage of people's livelihood. The specialties of arts are limited to those in the direction of production of cultural or handicraft products, and performance of traditional ethnic arts.

On 12 April 2023, the Ministry of Education and the Ministry of Finance issued the "Notice on Issuing the Budget for Funding the Quality Improvement Plan of Modern Vocational Education in 2023 (《關於下達2023年現代職業教育質量提升計劃資金預算的通知》)". The notice requires local finance departments to attach great importance to the work of financial investment in vocational education, optimize the structure of education expenditure, implement the requirement of tilting new education funds to vocational education, improve the system of raising funds for vocational education through multiple channels, and raise more funds for the development of vocational education. The funds for the improvement plan focus on supporting localities to implement the per-student appropriation system for vocational schools, exploring the establishment of a differentiated per-student appropriation system based on major categories of specialties, gradually raising the level of per-student funding, and improving the conditions for running vocational schools. The notice also requires to promote vocational schools' quality enhancement and excellence, industry-education integration, and school-enterprise cooperation.

On 18 April 2023, the General Office of the Ministry of Education issued the "Notice on Carrying Out the Establishment of Municipal Industry-Education Consortium (《關於開展市域產教聯合體建設的通知》)", which requires that the resources for industry and education shall be relatively centralised, and that the total output value of the industrial parks that the consortium relies on shall be at the forefront of the province. Leading enterprises have been deeply involved in all aspects of vocational schools' professional planning, talent cultivation standards, development of teaching curriculum, and construction of teaching staff teams, and have achieved practical results. The consortium provides consulting and service to enterprises in the park, solves actual production problems of enterprises, formulates training plans, and coordinates training resources and needs. About 50 consortiums would be established by the end of 2023, about 50 more consortiums will be established by the end of 2024, and a total of about 150 consortiums will be established by 2025.



#### IV. MANAGEMENT DISCUSSION AND ANALYSIS

On 13 June 2023, the National Development and Reform Commission and other departments issued the “Implementation Plan for the Enhancement of Empowerment Initiatives for Industry-education Integration in Vocational Education (2023-2025) (《職業教育產教融合賦能提升行動實施方案(2023-2025年)》)”, with the aim of integrating and promoting the coordinated development of education and industry, innovating and building platforms and carriers for industry-education integration, successively advancing the pilot projects for the construction of industry-education integration, and perfecting and implementing the combined incentives and empowerment policy system, so as to further lead industry-education integration to make deepen reforms. The plan points out that by 2025, there will be about 50 pilot cities for industry-education integration in the PRC. With giving full play to the breakthrough and leading role of pilot cities, more than 10,000 enterprises for industry-education integration will be established and cultivated nationwide. A development pattern of integrated integration and benign interaction between education and industry will be gradually formed after improving and perfecting the system of enterprises for industry-education integration and the combined incentive policy system, a steady increase in investment in vocational education from various funding channels, and better integrating industrial needs into the entire cultivation process of talent development. The plan also proposes five key tasks and 19 policy measures, including: lay a solid foundation for the development of vocational colleges; construct practical training bases for industry-education integration, and increase the support for practical training bases; deepen school-enterprise cooperation for industry-education integration, enrich the form of running schools, and optimize the cooperation model; and improve the combination of incentives and support measures.

On 14 July 2023, the General Office of the Ministry of Education issued the Notice on Accelerating the Reform of the Construction of Modern Vocational Education System (《關於加快推進現代職業教育體系建設改革重點任務的通知》), which puts forward the key tasks and promotion mechanism for accelerating the construction of a new mechanism for the high-quality development of vocational education that involves interaction between the central government and the local government, regional linkage, and collaboration between government, industry, enterprises, and schools, so as to promote the reform of the construction of modern vocational education system in an orderly and effective manner.

On 26 July 2023, the Ministry of Education, the National Development and Reform Commission and the Ministry of Finance jointly issued the Opinions on Implementing the Action Plan for the Expansion and Improvement of Basic Education in the New Era (《關於實施新時代基礎教育擴優提質行動計劃的意見》), which propose to implement the action of connotation construction in ordinary high schools to promote the development of high-quality characteristics; expand high-quality high school education resources, deeply tap the potential on school building resources of high-quality ordinary high schools, increase the supply of degrees, and optimize enrollment plan arrangement in combination with actual conditions to orderly expand the enrollment scale of high-quality ordinary high schools; adapt to the requirements of promoting the coordinated development of vocational and general education according to local conditions to build, reconstruct and expand a number of high-quality ordinary high schools; and promote the diversified development of ordinary high schools, build a number of ordinary high schools with special features in science and technology, humanities, foreign languages, sports and art, and actively develop comprehensive high schools.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 3. FUTURE PROSPECTS

As a comprehensive private education service provider, we have been adhering to the development vision 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, and at the same time, to provide our customers with more friendly and convenient education services to promote a balanced social development and to provide education service wholeheartedly.

We have been actively responding to national policies to establish a diversified education industry pattern with the development of new vocational education as our main line, and adhere to the duel-wheel mode of “internal construction + external mergers and acquisitions” for driving the business development of the Group:

1. Continuously focus on internal construction. We will adhere to high-quality connotative development, expand the scale of running schools, improve the conditions and quality of running colleges and universities, and promote the construction of characteristic colleges and universities. We will also expand the new development pattern of industry-education integration through the internal construction layout of school-enterprise cooperation and government-enterprise cooperation. We will explore the layout and expansion of scientific and technological fields such as AI+ education and digital information platforms. At the same time, centering on the development of local industries, we aim to realize the synergy and complementarity between vocational education and regional economy, and serve the regional economic and social development.
2. Actively expand external mergers and acquisitions. We will continue to focus on and expand investment and merger and acquisition opportunities in the fields of vocational education and industry-education integration in order to obtain better development space and quality in the field of vocational education. In addition, we will continue to extend our service boundaries, explore the schools-running model of integrating vocational education with general education, and build diversified channels and systems for further education based on the existing experience and achievements in running schools, so as to deeply integrate and develop synergistically with the existing businesses of the Group.

In the future, while consolidating our business development, we will intensify our brand building efforts to establish a unique and influential education brand with school-running characteristics, and continue to expand the scale of operating schools, enhance the ability of sustainable development, with aiming to create higher value for our Shareholders and 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 34.7% from approximately RMB311.9 million for the year ended 31 December 2022 to approximately RMB420.0 million for the year ended 31 December 2023 mainly due to the increase in revenue of approximately RMB46.7 million as a result of the increase in student enrollment of Shijiazhuang Institute of Technology and an increase in revenue of approximately RMB40.1 million from ordinary high school business.

### 4.2 Cost of Sales

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

Cost of sales increased by approximately 54.1% from approximately RMB165.5 million for the year ended 31 December 2022 to approximately RMB255.1 million for the year ended 31 December 2023, mainly due to an increase in costs of approximately RMB40.1 million as a result of the dual-campus operation of Shijiazhuang Institute of Technology, as well as an increase in costs for ordinary high school business of RMB39.6 million.

### 4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 12.7% from RMB146.4 million for the year ended 31 December 2022 to RMB165.0 million for the year ended 31 December 2023, and the gross profit margin decreased from approximately 46.9% for the year ended 31 December 2022 to approximately 39.3% for the year ended 31 December 2023, mainly due to the increase in gross profit as a result of from the significant increase in the revenue of Shijiazhuang Institute of Technology, and the decrease in gross profit margin as a result of the increase in costs due to the commencement of operation of the new campus 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 increased by approximately 24.6% from approximately RMB35.2 million for the year ended 31 December 2022 to approximately RMB43.9 million for the year ended 31 December 2023, mainly due to the relocation subsidy received by Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學).

### 4.5 Selling and Distribution Expenses

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

Selling and distribution expenses increased by approximately 63.8% from approximately RMB16.0 million for the year ended 31 December 2022 to approximately RMB26.2 million for the year ended 31 December 2023, which was mainly due to the increase in enrollment expenses as a result of the increase in the number of students at Shijiazhuang Institute of Technology and Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學).

### 4.6 Administrative Expenses

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

Administrative expenses increased by approximately 16.9% from approximately RMB70.8 million for the year ended 31 December 2022 to approximately RMB82.7 million for the year ended 31 December 2023, mainly due to the increase in remuneration and number of administrative and management personnel.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 4.7 Other Expenses

Other expenses for the year ended 31 December 2023 mainly consisted of 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 Xin Tian Di Xian's operating results for the year ended 31 December 2023 as a result of shrinking demand.

Other expenses decreased by approximately 43.4% to approximately RMB18.0 million for the year ended 31 December 2023 from approximately RMB31.8 million for the year ended 31 December 2022, mainly due to a decrease in exchange loss of approximately RMB14.3 million on RMB deposits denominated in Hong Kong dollars.

### 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 20.0% from approximately RMB35.6 million for the year ended 31 December 2022 to approximately RMB42.7 million for the year ended 31 December 2023, mainly due to the increase in the amounts of loans from financial institutions for the construction of the new campus of Shijiazhuang Institute of Technology.

### 4.9 Taxation

Income tax decreased to tax credit of RMB0.7 million for the year ended 31 December 2023 from tax expense of RMB0.7 million for the year ended 31 December 2022, mainly due to the decrease in deferred tax liabilities as a result of the amortisation of valuation increment on intangible assets.

### 4.10 Profit for the Year

Due to the above factors, the Company's profit for the year increased from approximately RMB26.7 million for the year ended 31 December 2022 to approximately RMB39.8 million for the year ended 31 December 2023.

### 4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 31 December 2023, net current liabilities of the Company were approximately RMB315.2 million, which mainly consisted of other payables and accruals, contract liabilities and interest-bearing bank and other borrowings.

As at 31 December 2023, current assets increased from approximately RMB503.3 million as at 31 December 2022 to approximately RMB674.3 million. The increase in current assets was mainly due to the increase in cash and bank balances, and the increase in contract costs and trade receivables.

As at 31 December 2023, current liabilities increased from approximately RMB559.6 million as at 31 December 2022 to approximately RMB989.6 million. The increase in current liabilities was mainly due to the increase in other payables and accruals, contract liabilities and short-term interest-bearing bank and borrowings.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

The net current liabilities generated was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2023 and the reclassification of certain bank loans with specific drawdown requirements amounted to approximately RMB282.5 million as at 31 December 2023 to current liabilities. In view of the net current liabilities position, the Group has carefully considered the future operating performance, the availability of sources of financing and the future cash flows to improve the net current liabilities position through foreseeable measures such as (1) the increase in the number of students intake; (2) the cash flows from operations; (3) the additional financial resources available to the Group including the available banking facilities and the successful refinancing of certain existing bank and other borrowings upon maturity; and (4) the positive operating results.

As at 31 December 2023, current ratio of the Company (current assets divided by current liabilities) was 68.1%, as compared with 89.9% as at 31 December 2022. The decline in current ratio was mainly due to the increase in short-term interest-bearing bank and other borrowings, resulting in an increase in total current liabilities.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the year ended 31 December 2023.

The Group's interest-bearing bank and other borrowings mainly comprise short-term working capital to supplement working capital and finance the Group's expenditure and long-term project loans for the Group's construction of school buildings and facilities. As at 31 December 2023, interest-bearing bank and other borrowings amounted to approximately RMB875.7 million, with repayment terms within one to seventh years or on demand. All are denominated in RMB, USD and HKD that bear interest at fixed rates. As at 31 December 2023, the Group's interest-bearing bank and other borrowings bore interest at an effective interest rate ranging from 2.50% to 10.44% per annum.

### 4.12 Gearing Ratio

As at 31 December 2023, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 66.4%, representing an increase of 3.5 percentage points from approximately 62.9% as at 31 December 2022, which was mainly due to the increase in total interest-bearing bank loans.

### 4.13 Significant Investments Held

As at 31 December 2023, the Group did not hold any significant investments.

### 4.14 Material Acquisitions and Disposals

On 20 June 2023, Zerui Education entered into the pre-sale contracts with Shijiazhuang Xinlian Hongtai Real Estate Development Co., Ltd.\* (石家莊新聯鴻泰房地產開發有限公司) for the acquisition of a total of 58 office units of Anlian Tianrun Building located at Qiaoxi District, Shijiazhuang, Hebei Province, the PRC at the aggregate consideration of approximately RMB29,516,400. The properties are expected to be delivered before 31 May 2024, at which time the Group's management employees in Shijiazhuang, Hebei Province, the PRC will be relocated to the office units acquired. For further details, please refer to the announcement of the Company dated 20 June 2023.

On 16 November 2023, Shijiazhuang Saintach, entered into the transfer agreement with Hebei Lumeng Technology Co., Ltd.\* (河北路盟科技有限公司) ("Hebei Lumeng"), pursuant to which 30% of the sponsor interests in Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) held by Shijiazhuang Saintach was transferred to Hebei Lumeng or its nominee(s) for a total consideration of RMB18,000,000. The disposal generated a gain of approximately RMB7,032,640 for Shijiazhuang Saintach. For further details, please refer to the announcement of the Company dated 16 November 2023.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 4.15 Contingent Liabilities

As at 31 December 2023, 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 2022: nil).

### 4.16 Future Plans for Material Investment or Capital Assets

As at 31 December 2023, the Group had contracted but not provided for capital commitments of RMB13.6 million (as at 31 December 2022: RMB116.5 million), while the Group did not have any authorised but not contracted for capital commitments (as at 31 December 2022: nil).

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 2023, 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 2023, the Group pledged bank deposits of RMB176.0 million (31 December 2022: RMB176.0 million) for obtaining two bank facilities, of which RMB110.0 million (31 December 2022: RMB110.0 million) was unutilised as at 31 December 2023. Director's life insurance policy, certain buildings and land use rights of the Group have been pledged for the purpose of securing its interest-bearing bank and other borrowings.

### 4.19 Human Resources

As at 31 December 2023, the Group had approximately 1,332 employees (31 December 2022: 1,202 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

On 17 April 2024, Shijiazhuang Zerui successfully bid for the land use rights of the land in Gaoyi County, Shijiazhuang, Hebei Province, the PRC, for a consideration of RMB17.4 million. The Group will build sports facilities of the new campus of Shijiazhuang Institute of Technology on the land, which is in line with the Group's development strategy and further enlarges the teaching scale of the Group's vocational education. The new campus will be developed into a new vocational and technical college with landmark attributes and industry-education integration features in the future. For further details, please refer to the announcement of the Company dated 17 April 2024.



## V. DIRECTORS AND SENIOR MANAGEMENT

### NON-EXECUTIVE DIRECTOR

**Mr. Li Yasheng (李亞晟)**, aged 28, was re-designated as a non-executive Director and appointed as the chairman of the Board and the chairman of the nomination committee on 30 June 2023. He is responsible for formulating the overall development strategy of the Group, and for resources integration and guiding the Group's development in the capital market. 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. From March 2021 to June 2023, he served as an executive Director of the Company.

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).

### EXECUTIVE DIRECTORS

**Ms. Liu Hongwei (劉宏煒)**, aged 41, 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 13 years of experience in the education industry and more than 19 years of experience in corporate management.

From June 2004 to May 2010, Ms. Liu held various positions in different branch offices of Hebei 1+2 Real Estate Brokerage Co., Ltd.\* (河北壹加貳房地產經紀有限公司), including the manager of marketing department and the manager of operation management department and the general manager. Ms. Liu joined the Group in May 2010 and has successively served in Shijiazhuang Saintach as the manager of operation management department, the assistant to the general manager, the deputy general manager and the general manager since then. From August 2013 to August 2017, Ms. Liu served as the assistant to the president and the vice president of Lionful Education, successively. From January 2017 to January 2019, she served as the executive president of the Company. She is currently a member of The China 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 47, was appointed as an executive Director in January 2017, mainly responsible for researching the marketing strategies of the Group. Mr. Ren has more than 19 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 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 November 2023.





## V. DIRECTORS AND SENIOR MANAGEMENT

**Ms. Yang Li (楊莉)**, aged 52, 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 19 years of experience in the education industry and more than 19 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Guo Litian (郭立田)**, aged 73, 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 53, 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.



## V. DIRECTORS AND SENIOR MANAGEMENT

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 accounting in June 1994. He was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) 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 51, 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 25 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.

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 44, 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 19 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 43, 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 20 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).



## V. DIRECTORS AND SENIOR MANAGEMENT

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 54, 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 30 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 Co., Ltd. (新聯合投資控股有限公司) (“**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 August 2017 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.

**Mr. Wei Lei (魏雷)**, aged 43, was appointed as the vice president of the Company in February 2020, primarily responsible for the human resources and administration routine management of the Group. Mr. Wei has over 18 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 functional 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 November 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 general manager 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 50, was appointed as a vice president of the Company in October 2023, and is also the president of the college and supply chain segment. 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 21 years of experience in corporate management and financial management.



## V. DIRECTORS AND SENIOR 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 October 2023, 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. From January 2023 to October 2023, she served as an assistant to the president of the Company.

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 in June 2015. 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. Ms. Li was selected as a member of the Top Talents of Shijiazhuang City in April 2022.

**Mr. Yang Yang (楊洋)**, aged 40, 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 18 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) (a company listed on the Stock Exchange (stock code: 00082), currently known as Crazy Sports Group Limited (瘋狂體育集團有限公司)). 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 67, 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 35 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 2023 annual results of the Company and the Group and their financial position as at 31 December 2023 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 137 and the audited consolidated statement of financial position on pages 138 to 139, 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 5 to 6 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 7 to 22 of this report for details of the 2023 business conditions and the 2024 outlook of the Company and the Group.

- **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

In 2023, the Company and the Group strictly complied with relevant laws and regulations and the environmental policies of the PRC, and established corresponding compliance operation mechanisms. The Group has established a system that is easy to follow, easy to operate and easy to implement. It has also formulated detailed system documents in legal compliance, financial management, business planning, human resources, administrative office and brand management, etc., and is able to continuously review the existing systems and processes to comply with the requirements of the latest laws and regulations. At the same time, system training is organized regularly to urge employees to comply with the Group’s systems.

### • 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;
- 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 79 to 132 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. The Group offers competitive remuneration packages, and has established a fair, reasonable and transparent performance appraisal mechanism to attract and motivate employees, and to promote the growth and development of employees together with the Group. The Group attaches importance to maintaining good relationship with its suppliers, and is committed to providing excellent teaching services and products to its customers, continuously optimizing its education system and deepening its research on teaching and learning, as well as strictly adhering to its teaching standards. Therefore, the Group maintains good relations with its employees, suppliers and customers.



## VI. REPORT OF THE DIRECTORS

- **PROPERTY, SCHOOL PREMISES AND EQUIPMENT**

Changes in the property, school premises and equipment of the Company and the Group in 2023 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\$30,000,000 divided into 3,000,000,000 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 28 to the consolidated financial statements in this annual report.

- **TAXATION**

The information on the taxation of the Company and the Group in 2023 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 2023 are set out in note 40 to the consolidated financial statements and the audited consolidated statement of changes in equity on pages 140 to 141. The reserve distributable to the Shareholders amounted to approximately RMB176 million as at 31 December 2023.

- **PROFIT DISTRIBUTION**

The Company will make further announcement in relation to the declaration of dividend for the year end 31 December 2023, if any, and such declaration of dividend shall be subject to the approval of Shareholders at the forthcoming AGM.

- **ANNUAL GENERAL MEETING**

The Company will hold the AGM on Friday, 28 June 2024. 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, 25 June 2024 to Friday, 28 June 2024, 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, 24 June 2024.

- **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 7.87% of the Group's operating revenue in 2023. Our largest customer during the track record period was Lionful Education, a related party of the Group, which accounted for approximately 5.40% of our total revenue for the year ended 31 December 2023.

Our suppliers primarily comprise food, utilities and property service providers. For the year ended 31 December 2023, the purchases from our five largest suppliers as recorded in the cost of sales account constituted approximately 11.38% of our cost of sales. The transaction amount with the single largest supplier of the Group accounted for approximately 6.27% 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 2023.

- **BANK AND OTHER BORROWINGS**

Details of the bank and other borrowings of the Company and the Group as at 31 December 2023 are set out in note 25 to the audited consolidated financial statements.

- **DONATIONS**

During the year ended 31 December 2023, the Group did not make any donation.



## VI. REPORT OF THE DIRECTORS

### • 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 7 Directors, including 1 non-executive Director, 3 executive Directors and 3 independent non-executive Directors. The following table sets out the information on the members of the Board:

Name	Positions	Responsibilities	Relationship with other Directors or senior management
Mr. Li Yasheng	Chairman of the Board and non-executive Director	formulating the overall development strategy of the Group, and be responsible for resources integration and guiding the Group's development in the capital market	nil
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. 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, Ms. Liu Hongwei, Ms. Yang Li and Mr. Yao Zhijun shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election as Directors thereat.

Details of the Directors who offer themselves for re-election at the AGM will be set out in the circular to the Shareholders dated 29 April 2024.

## VI. REPORT OF THE DIRECTORS

(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	Human resources and administration routine management of the Group
Ms. Li Xingli	Vice 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

Mr. Li Yunong retired as an executive Director and ceased to be the chairman of the Board and the chairman of the nomination committee of the Board on 30 June 2023 due to his other personal commitments.

Mr. Li Yasheng was redesignated from an executive Director to a non-executive Director, and was appointed as the chairman of the Board and the chairman of the nomination committee of the Board on 30 June 2023.

On 31 October 2023, Ms. Li Xingli ceased to serve as an assistant to the president, and was appointed as a vice president.

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 23 to 27 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 2023 and up to the date of this annual report.



## VI. REPORT OF THE DIRECTORS

### • DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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 30 June 2023 and will remain in effect, 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 for the year ended 31 December 2023.

### • 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 2023 or as at the end of 31 December 2023 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 2023 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**

For the year ended 31 December 2023, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group 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 2023, 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 C3 to the Listing Rules (the "**Model Code**"):

Director	Nature of interest	Number of Shares <sup>(5)</sup>	Approximate percentage of shareholding <sup>(6)</sup>
Mr. Li Yasheng <sup>(1)</sup>	Beneficial owner	633,000(L)	0.05%
	Beneficial owner	287,100(L)	0.02%
	Interest in a controlled corporation	92,736,000(L)	7.99%
Ms. Liu Hongwei <sup>(2)</sup>	Beneficial owner	2,061,000(L)	0.18%
	Beneficial owner	636,000(L)	0.05%
Mr. Ren Caiyin <sup>(3)</sup>	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	863,400(L)	0.07%
Ms. Yang Li <sup>(4)</sup>	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	425,700(L)	0.04%

Notes:

(1) 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 and 9,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Li Yasheng; (ii) 296,100 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 394,800 award shares had lapsed on 29 December 2023 as they were not exercised. Further, Mr. Li Yasheng is the sole shareholder of Sainray Limited and he is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.

## VI. REPORT OF THE DIRECTORS

- (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 and 30,000 Shares were sold on the market by the trustee to settle the tax obligation of Ms. Liu; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares had lapsed on 29 December 2023 as they were not exercised.
- (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 and 18,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Ren; (ii) 443,700 award shares had vested on 29 December 2022 and 6,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Ren; and (iii) 591,600 award shares had lapsed on 29 December 2023 as they were not exercised.
- (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 and 18,000 Shares were sold on the market by the trustee to settle the tax obligation of Ms. Yang; (ii) 443,700 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 591,600 award shares had lapsed on 29 December 2023 as they were not exercised.
- (5) The letter (L) denotes a long position in such securities.
- (6) As at 31 December 2023, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 31 December 2023, 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 2023, 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 <sup>(3)</sup>	Approximate percentage of shareholding <sup>(4)</sup>
Mr. Li Yunong <sup>(1)</sup> (Retired on 30 June 2023)	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	636,000(L)	0.05%
Ms. Cao Yang <sup>(2)</sup>	Spouse interest	757,128,000(L)	65.20%
Sainange Holdings	Beneficial owner	754,590,000(L)	64.98%
Leonus <sup>(1)</sup>	Interest in a controlled corporation	754,590,000(L)	64.98%
HSBC International Trustee Limited <sup>(1)</sup>	Trustee	754,590,000(L)	64.98%

### 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.

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 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, subject to the vesting conditions under the grant, of which (i) 666,000 award shares had vested on 29 December 2021 and 30,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Li; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares had lapsed on 29 December 2023 as they were not exercised. Mr. Li Yunong retired as executive Director upon the conclusion of the annual general meeting of the Company held on 30 June 2023.

- (2) 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 757,128,000 Shares.
- (3) The letter (L) denotes a long position in such securities.
- (4) As at 31 December 2023, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 31 December 2023, 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.



## VI. REPORT OF THE DIRECTORS

### (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;



## VI. REPORT OF THE DIRECTORS

- (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 101,031,000 as at 1 January 2023 and 101,031,000 as at 31 December 2023, respectively.

As at 31 December 2023, the total number of Shares available for issue under the Share Option Scheme was 114,810,000 Shares, representing approximately 9.89% of the Shares in issue as at the date of this annual report. For the year ended 31 December 2023, the number of Shares that may be issued under the Share Option Scheme for the outstanding Option granted divided by the weighted average number of Shares was approximately 1.19%. The Company did not grant any Options under the Share Option Scheme during the reporting period.

### **(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 approximately 4 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

**(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 2023 and the Options outstanding during the year:

Name of grantee	Date of grant	Number of Options					Outstanding as at 31 December 2023	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
		Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year					
<b>Directors</b>											
Mr. Li Yunong (retired on 30 June 2023) (Note 2)	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
Mr. Li Yasheng (chairman of the Board and non-executive Director) (Note 3)	5 November 2020	633,000 (Note 1)	-	-	-	-	633,000 (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
		6,498,000	-	-	-	-	6,498,000				
Total for employees	5 November 2020	2,217,000 (Note 1)	-	-	-	-	2,217,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants (Note 5)	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 4)	5 November 2020	1,743,000 (Note 1)	-	-	-	-	1,743,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
<b>Total</b>		13,779,000	-	-	-	-	13,779,000				



## VI. REPORT OF THE DIRECTORS

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. Li Yunong retired as an executive Director and the chairman of the Board with effect from 30 June 2023.
- (3) Mr. Li Yasheng was re-designated as a non-executive Director and appointed as the chairman of the Board with effect from 30 June 2023.
- (4) Mr. Liu Zhanjie was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu Zhanjie is currently a director of the Company's subsidiaries. From 10 April 2023 to present, Ms. Liu Tianhang is currently a general manager of the Company's subsidiaries.
- (5) 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:

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**”); any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any invested entity; 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 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.

On 28 March 2024, the Board passed a resolution to amend the terms of the Share Award Plan to the effect that the Trustee is allowed only to purchase the existing Shares on the market or off the market to satisfy any award of Shares to be granted under the Share Award Plan, such that the Share Award Plan becomes a share scheme which is funded by existing Shares.

### (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.



## VI. REPORT OF THE DIRECTORS

### (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 already granted 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 approximately 6 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.

Since the Adoption Date of the Share Award Plan and up to the date of this report, a total of 27,720,000 Award Shares had been granted under the Share Award Plan. As at 1 January 2023 and 31 December 2023, the total number of shares available for grant under the Share Award Plan was 98,895,300 Shares and 108,308,100 Shares, respectively. As at 31 December 2023, the total number of Shares that may be issued in respect of awards granted under the Share Award Plan was nil Shares. As at 31 December 2023, the total number of Shares available for issue under the Share Award Plan was 108,308,100 Shares, representing approximately 9.33% of the Shares in issue as at the date of this annual report. The Company did not grant any Award Shares under the Share Award Plan during the reporting period.

## VI. REPORT OF THE DIRECTORS

Movements of the Award Shares granted to the Eligible Participants pursuant to the Share Award Plan during the year ended 31 December 2023 are as follows:

Name of awardee	Date of grant	Grant price payable per Award Share (HK\$) <sup>(1)</sup>	Number of Award Share	Vesting period <sup>(2)</sup>	Number of Award Shares					
					Granted but unvested as at 1 January 2023	Granted but unvested during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Granted but unvested as at 31 December 2023
<b>Directors</b>										
Mr. Li Yunong (retired on 30 June 2023) <sup>(3)</sup>	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	888,000	-	-	888,000	-	-
Mr. Li Yasheng <sup>(4)</sup>	29 December 2020	0.243	987,000	29 December 2021 to 29 December 2023	394,800	-	-	394,800	-	-
Ms. Liu Hongwei	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	888,000	-	-	888,000	-	-
Mr. Ren Caiyin	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	591,600	-	-	591,600	-	-
Ms. Yang Li	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	591,600	-	-	591,600	-	-
<b>Employees</b>	29 December 2020	0.243	16,131,000	29 December 2021 to 29 December 2023	4,875,600	-	98,400 <sup>(5)</sup>	4,777,200	-	-
<b>Connected person<sup>(6)</sup></b>	29 December 2020	0.243	2,712,000	29 December 2021 to 29 December 2023	1,084,800	-	-	1,084,800	-	-
<b>One highest paid employee (excluding Directors)<sup>(7)</sup></b>	29 December 2020	0.243	492,000	29 December 2021 to 29 December 2023	196,800	-	-	196,800	-	-
<b>Total</b>			<b>27,720,000</b>		<b>9,511,200</b>	<b>-</b>	<b>98,400</b>	<b>9,412,800</b>	<b>-</b>	<b>-</b>

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 Yunong retired as an executive Director and the chairman of the Board with effect from 30 June 2023.
- (4) Mr. Li Yasheng is the son of Mr. Li Yunong. Mr. Li Yasheng was re-designated as a non-executive Director and appointed as the chairman of the Board with effect from 30 June 2023.
- (5) Mr. Liu Zhanjie was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu Zhanjie is currently a director of the Company's subsidiaries. From 10 April 2023 to present, Ms. Liu Tianhang is currently a general manager of the Company's subsidiaries.
- (6) The weighted average closing price of the shares of the Company immediately before 29 December 2023, being the date of vesting of the Award Shares, was HK\$0.27.
- (7) The Award Shares were granted to two (out of five) of the highest paid employees. One of the five highest paid employees was a Director, whose interest in the Award Shares is disclosed under the "Directors" section of the above table.



## VI. REPORT OF THE DIRECTORS

- **SHARES ISSUED**

During the year ended 31 December 2023, the Company did not issue any shares.

- **BONDS ISSUED**

The Company did not have any bonds in issue or existence for the year ended 31 December 2023.

- **SHARE-LINKED AGREEMENT**

For the year ended 31 December 2023, 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

- **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.

- **TAX RELIEF AND EXEMPTION**

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

- **PERMITTED INDEMNITIES**

For the year ended 31 December 2023, 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 62 to 78 in this report.

- **AUDIT COMMITTEE**

For the year ended 31 December 2023, 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 C1 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 2023 have been reviewed by the Audit Committee.

- **AUDITOR**

Ernst & Young resigned as auditor of the Company with effect from 22 November 2023. ZHONGHUI ANDA CPA Limited was appointed as auditor of the Company to fill the casual vacancy following the resignation of Ernst & Young with effect from 23 November 2023. Ernst & Young have confirmed in writing that, save as the returned entrusted payment loans, there are no other matters in connection with its resignation as the auditor of the Company that need to be brought to the attention of the Shareholders or creditors of the Company. The Board and the Audit Committee have also confirmed that there are no disagreement or unresolved matters between the Company and Ernst & Young that need to be brought to the attention to the Shareholders or creditors of the Company. For details, please refer to the announcements of the Company dated 24 November 2023 and 19 December 2023, respectively.

ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company for the year ended 31 December 2023. ZHONGHUI ANDA CPA Limited have audited the consolidated financial statements as attached which were prepared in accordance with the International Financial Reporting Standards.

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

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

The Company has received letters of confirmation from the controlling shareholders that they have complied with the non-competition undertakings made on the structured contracts as set out in the Prospectus. The controlling shareholders also confirmed that save as disclosed in the 2023 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 2023. 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 covenants.

- **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.





## VI. REPORT OF THE DIRECTORS

- **MATERIAL LITIGATION**

For the year ended 31 December 2023, 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 2023, 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 2023.

### **Construction Drawings Design Contract**

On 13 February 2023, Shijiazhuang Zerui Education and Technology Co., Ltd. (石家莊澤瑞教育科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Construction Drawings Design Contract (Phase III) ("**Construction Drawings Design Contract (Phase III)**") with Hebei Xintianji Construction Design Co., Ltd.\* (河北新天際建築設計有限公司) ("**Xintianji Design**") in respect of Shijiazhuang Institute of Technology (New Campus) Phase III at a consideration of RMB3,170,206. Pursuant to the Construction Drawings Design Contract (Phase III), Xintianji Design provided construction drawings design services for Shijiazhuang Institute of Technology (New Campus) Phase III.

On 13 February 2023, Shijiazhuang Zerui Commercial Development Co., Ltd.\* (石家莊澤瑞商業發展有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Construction Drawings Design Contract (Commercial) ("**Construction Drawings Design Contract (Commercial)**") with Xintianji Design in respect of the commercial land project of Shijiazhuang Institute of Technology (New Campus) at a consideration of RMB2,749,900. Pursuant to the Construction Drawings Design Contract (Commercial), Xintianji Design provided construction drawings design services for the commercial land project of Shijiazhuang Institute of Technology (New Campus).

For further details, please refer to the announcement of the Company dated 13 February 2023.

- **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

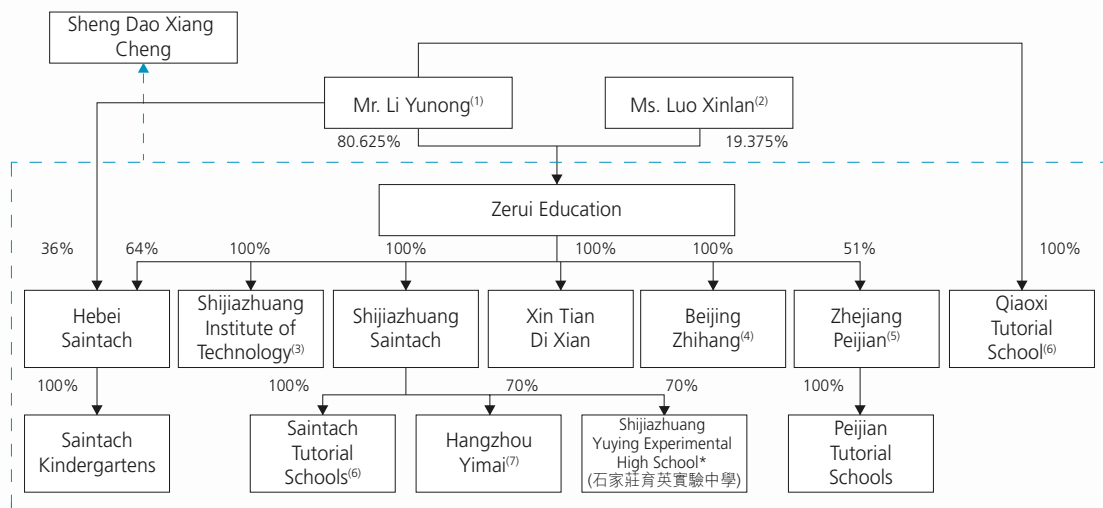
For the year ended 31 December 2023, the Group has the following non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2023.

1. 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, general high school, 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. 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:



## VI. REPORT OF THE DIRECTORS

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) "————→" denotes direct legal and beneficial ownership in the equity interest or school sponsor's interest.
- (9) "- - - - -→" 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.



## VI. REPORT OF THE DIRECTORS

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.



## VI. REPORT OF THE DIRECTORS

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.

## VI. REPORT OF THE DIRECTORS

### 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 enrolled in kindergartens of the Group, to general high school education students enrolled in the Group's high schools, to junior college, secondary college and continuing education students enrolled 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 2023	Net profit for the year ended 31 December 2023	Total assets as at 31 December 2023
PRC Operating Entities	100%	107%	91%

### 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 2023, 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	420,028	2,106,104

### E. *Regulatory Framework*

#### (1) *Preschool, general high school 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, general high school 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, general high school and higher education to Sino-foreign cooperation, which means that foreign investors may only operate educational institutions offering preschool, general high school 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**").



## VI. REPORT OF THE DIRECTORS

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.





## VI. REPORT OF THE DIRECTORS

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, general high school education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education, general high school 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 preschool education, general high school education, higher education, academic noncredential 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.



## VI. REPORT OF THE DIRECTORS

Accordingly, foreign investment in preschools, general high school and 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, general high school and higher education, 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.



## VI. REPORT OF THE DIRECTORS

In addition, notwithstanding that 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.

## 2. 2023 Entrustment Agreement

On 8 November 2022, Shijiazhuang Institute of Technology entered into the 2023 Entrustment Agreement (the “**2023 Entrustment Agreement**”) with Lionful Education for a term from 1 January 2023 to 31 December 2025. 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.



## VI. REPORT OF THE DIRECTORS

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.

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.

As at 8 November 2022, 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, one of the controlling shareholders, and Ms. Luo Xinlan, one of the controlling shareholders, are both connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons (as defined in Rule 14A.07(1) of the Listing Rules), and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company. As the applicable percentage ratios for the 2023 Entrustment Agreement exceeds 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company which are subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

On 12 July 2023, Ms. Luo Xinlan transferred her entire shareholding in Lionful Education, amounting to 19.375% of Lionful Education's registered capital; and Mr. Li transferred 75.625% of his shareholding in Lionful Education, to Beijing New Youth Culture Media Co., Ltd.\* (北京新青年時代文化傳媒有限公司). As at the date of this annual report, Lionful Education is owned as to approximately 95% by Beijing New Youth Culture Media Co., Ltd.\* (北京新青年時代文化傳媒有限公司) and 5% by Mr. Li. As such, Lionful Education no longer constitute a connected person of the Company under the Listing Rules and the transactions contemplated under the 2023 Entrustment Agreement will no longer constitute continuing connected transactions of the Company.



## VI. REPORT OF THE DIRECTORS

### 3. 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 2023 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 2023 were fair and reasonable or advantageous to the Shareholders and the Group, and in the interests of the Shareholders as a whole.

### 4. Confirmation of the Company's Auditor

ZHONGHUI ANDA CPA Limited, 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 2023, 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;



## VI. REPORT OF THE DIRECTORS

- (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 2023.

### • RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2023 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 consolidated 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 – 2. 2023 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 2023 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 2023.

By order of the Board

**Li Yasheng**  
*Chairman*

Hong Kong, 28 March 2024



## 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 2023.

### • 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 2023, 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

As at 31 December 2023, the Board comprised one non-executive Director, three executive Directors and three independent non-executive Directors detailed as follows:

#### **Non-executive Director:**

Mr. Li Yasheng (*Chairman*)

#### **Executive Directors:**

Ms. Liu Hongwei

Mr. Ren Caiyin

Ms. Yang Li

#### **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.



## VII. CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2023, 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 2023.

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.



## VII. CORPORATE GOVERNANCE REPORT

A summary of training received by the Directors for the year ended 31 December 2023 according to the information provided by the Directors is as follows:

Name of Director	Nature of continuous professional development program <sup>(1)</sup>
<b>Executive Directors:</b>	
Mr. Li Yunong <sup>(2)</sup>	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
<b>Non-executive Director:</b>	
Mr. Li Yasheng <sup>(3)</sup>	A/B/C/D
<b>Independent non-executive Directors:</b>	
Mr. Guo Litian	A/B/C/D
Mr. Yao Zhijun	A/B/C/D
Mr. Wan Joseph Jason	A/B/C/D

Notes:

- (1) A: attending seminars and/or conferences and/or forums and/or briefings; B: making speeches at seminars and/or conferences and/or forums; C: participating in trainings provided by law firms and that relating to the business of the issuer; D: reading materials on various topics, including corporate governance, directors' duties, Listing Rules and the amendments to other relevant laws.
- (2) Mr. Li Yunong retired as an executive Director and the chairman of the Board on 30 June 2023.
- (3) Mr. Li Yasheng was redesignated from executive Director to non-executive Director on 30 June 2023.

### • 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 Yasheng 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

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 30 June 2023 and will remain in effect, 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 2023, the Company held 4 Board meetings and one annual general meeting. Attendance of individual Directors at Board meetings and the general meetings are set out in the table below:

Director	Number of actual attendance at Board meetings/Number of required attendance at Board meetings	Number of actual attendance at annual general meeting/Number of required attendance at annual general meeting
<b>Executive Directors:</b>		
Mr. Li Yunong <sup>(1)</sup>	2/2	1/1
Ms. Liu Hongwei	4/4	1/1
Mr. Ren Caiyin	4/4	1/1
Ms. Yang Li	4/4	1/1
<b>Non-executive Director:</b>		
Mr. Li Yasheng <sup>(2)</sup>	4/4	1/1
<b>Independent non-executive Directors:</b>		
Mr. Guo Litian	4/4	1/1
Mr. Yao Zhijun	4/4	1/1
Mr. Wan Joseph Jason	4/4	1/1

Note:

(1) Mr. Li Yunong retired as an executive Director and the chairman of the Board on 30 June 2023.

(2) Mr. Li Yasheng was redesignated from executive Director to non-executive Director on 30 June 2023.



## VII. CORPORATE GOVERNANCE REPORT

### • 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 2023.

For the year ended 31 December 2023, 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 develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board and report on relevant matters;
- (2) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and the Directors;
- (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 2023, 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 2023, the Audit Committee held 6 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 2023; 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.

## VII. CORPORATE GOVERNANCE REPORT

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	6/6
Mr. Guo Litian	6/6
Mr. Wan Joseph Jason	6/6

### • Nomination Committee

For the year ended 31 December 2023, the Nomination Committee comprised three members, namely one non-executive Director, Mr. Li Yasheng (chairman, with effect from 30 June 2023), and two independent non-executive Directors, Mr. Yao Zhijun and Mr. Wan Joseph Jason. Mr. Li Yunong retired as the chairman of the Nomination Committee on 30 June 2023. 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 whether they possess the skills, knowledge and experience required by the Company's business strategies. It shall also consider the integrity, commitment of time and effort as well as the ability to perform the duties of the candidates, 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 2023, the Nomination Committee held two meetings. 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.



## VII. CORPORATE GOVERNANCE REPORT

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

<b>Name of Director</b>	<b>Number of attendance/ number of meetings</b>
Mr. Li Yunong <sup>(1)</sup>	2/2
Mr. Li Yasheng <sup>(2)</sup>	0/0
Mr. Yao Zhijun	2/2
Mr. Wan Joseph Jason	2/2

Notes:

- (1) Mr. Li Yunong retired as the chairman of the Nomination Committee on 30 June 2023.
- (2) Mr. Li Yasheng was appointed as the chairman of the Nomination Committee on 30 June 2023.

### • **Board Diversity Policy and Nomination Policy**

#### ***Purposes***

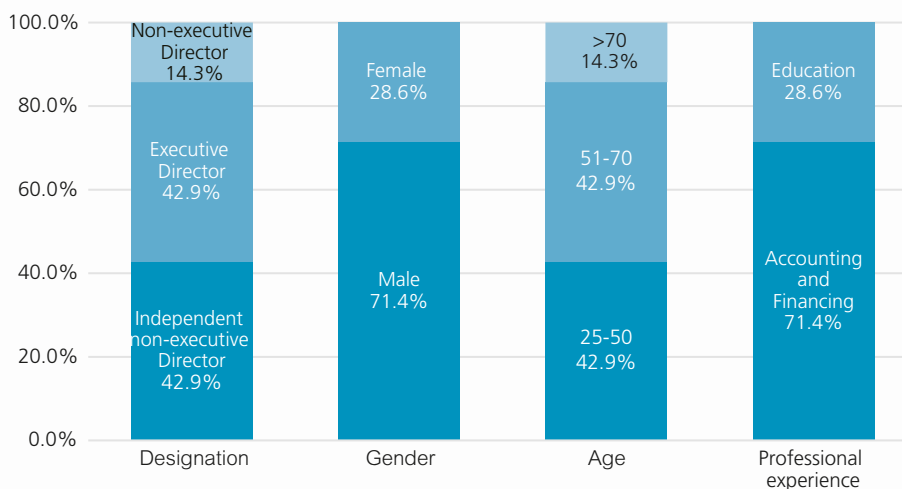
- (1) to guide the Board in relation to appointment/re-appointment/removal of Directors;
- (2) to devise criteria for performance evaluation of the independent non-executive Directors and the Board as a whole; and
- (3) to devise a policy on the size and composition of the Board taking into account the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

## VII. CORPORATE GOVERNANCE REPORT

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 5 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 2023, 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, in order to ensure that there is 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.



## VII. CORPORATE GOVERNANCE REPORT

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 2023, the Remuneration Committee comprised three members, namely two independent non-executive Directors, Mr. Wan Joseph Jason (chairman) and Mr. Guo Litian, and one non-executive Director, namely 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



## VII. CORPORATE GOVERNANCE REPORT

(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 2023, 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:

<b>Name of Director</b>	<b>Number of attendance/ number of meeting</b>
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 2023 falls under the following bands:

<b>Band of remuneration (RMB'000)</b>	<b>Number of individuals</b>
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 136 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.



## VII. CORPORATE GOVERNANCE REPORT

In preparing the audited consolidated financial statements for the year ended 31 December 2023, the Directors have (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared financial statements on a going concern basis. The Directors noted that the current External Auditor has indicated a material uncertainty relating to conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Group had net current liabilities of approximately RMB315.2 million as at 31 December 2023 which was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2023 and the reclassification of certain bank loans with specific drawdown requirements amounted to approximately RMB282.5 million as at 31 December 2023 to current liabilities. The External Auditor is of the view that these conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The External Auditor's opinion is not modified in respect of this matter.

Save as aforesaid and as disclosed in note 2.1 to the consolidated financial statements, the Board, having made all reasonable enquiries, is not aware of any material uncertainties relating to any events or conditions that may cause significant doubt upon the Company's ability to continue as a going concern.

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 operations, the additional financial resources available to the Group including the available banking facilities and the successful refinancing of certain existing bank and other borrowings upon maturity, and the positive operating results, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. 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 133 to 136 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.



## VII. CORPORATE GOVERNANCE REPORT

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 2023, 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.

## VII. CORPORATE GOVERNANCE REPORT

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

Ernst & Young resigned as auditor of the Company with effect from 22 November 2023. ZHONGHUI ANDA CPA Limited was appointed as auditor of the Company to fill the casual vacancy following the resignation of Ernst & Young with effect from 23 November 2023.

The approximate remuneration of the previous External Auditor, Ernst & Young, and current External Auditor, ZHONGHUI ANDA CPA Limited in respect of the audit and non-audit services provided to the Company for the year ended 31 December 2023 is as follows:

Type of services	Fees paid/ Payable to current External Auditor (RMB'000)	Fees paid/ Payable to previous External Auditor (RMB'000)
Annual audit	1,600	–
Agreed-upon procedures	230	300
Total	1,830	300

### • 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, Mr. Leung Chi Kit (“**Mr. Leung**”), a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), was appointed as the joint company secretary of the Company with effect from 26 May 2022 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 2023, 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.



## VII. CORPORATE GOVERNANCE REPORT

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](http://www.21centuryedu.com) and enquiry channels for investors (telephone: +86 10 65924695; email: [ir@21stedu.com](mailto: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 enquiries about the Company to the Board through the channels above.

Taking into account the Shareholders' communication policy adopted and the communication channels in force, the annual general meeting held during the year where the Shareholders were able to communicate with the Director directly, the Board has reviewed the Group's communication with Shareholders during the year ended 31 December 2023 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.



## VII. CORPORATE GOVERNANCE REPORT

- **AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS**

On 30 June 2023, the shareholders of the Company approved by a special resolution at the annual general meeting the proposed amendments to the amended and restated Articles of Association of the Company (the “**Previous Articles of Association**”) and the adoption of the second amended and restated Articles of Association of the Company (the “**Existing Articles of Association**”) in substitution for and exclusion of the Previous Articles of Association with effect from 30 June 2023.

The Existing Articles of Association have been updated to, among other things, (i) align the Existing Articles of Association with the amendments to Appendix A1 to the Listing Rules on 1 January 2022 and the applicable laws of the Cayman Islands; (ii) provide flexibility to the Company in holding general meetings; and (iii) make certain housekeeping amendments to the Previous Articles of Association for the purpose of clarifying the current practices and making consequential amendments in light of the amendments to the Previous Articles of Association. The full text of the Existing Articles of Association is available on the websites of the Company and the Stock Exchange.

Save as disclosed above, for the year ended 31 December 2023, there were no other amendments and restatements made to the Articles of Association.



## 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 C2 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 2023 to 31 December 2023 (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 Saintach Kindergartens, Shijiazhuang Institute of Technology (or “**Institute of Technology**”), Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) and New Gaokao\* (新高考) Business institutions.

#### 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 28 March 2024 after being confirmed by the management.





## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

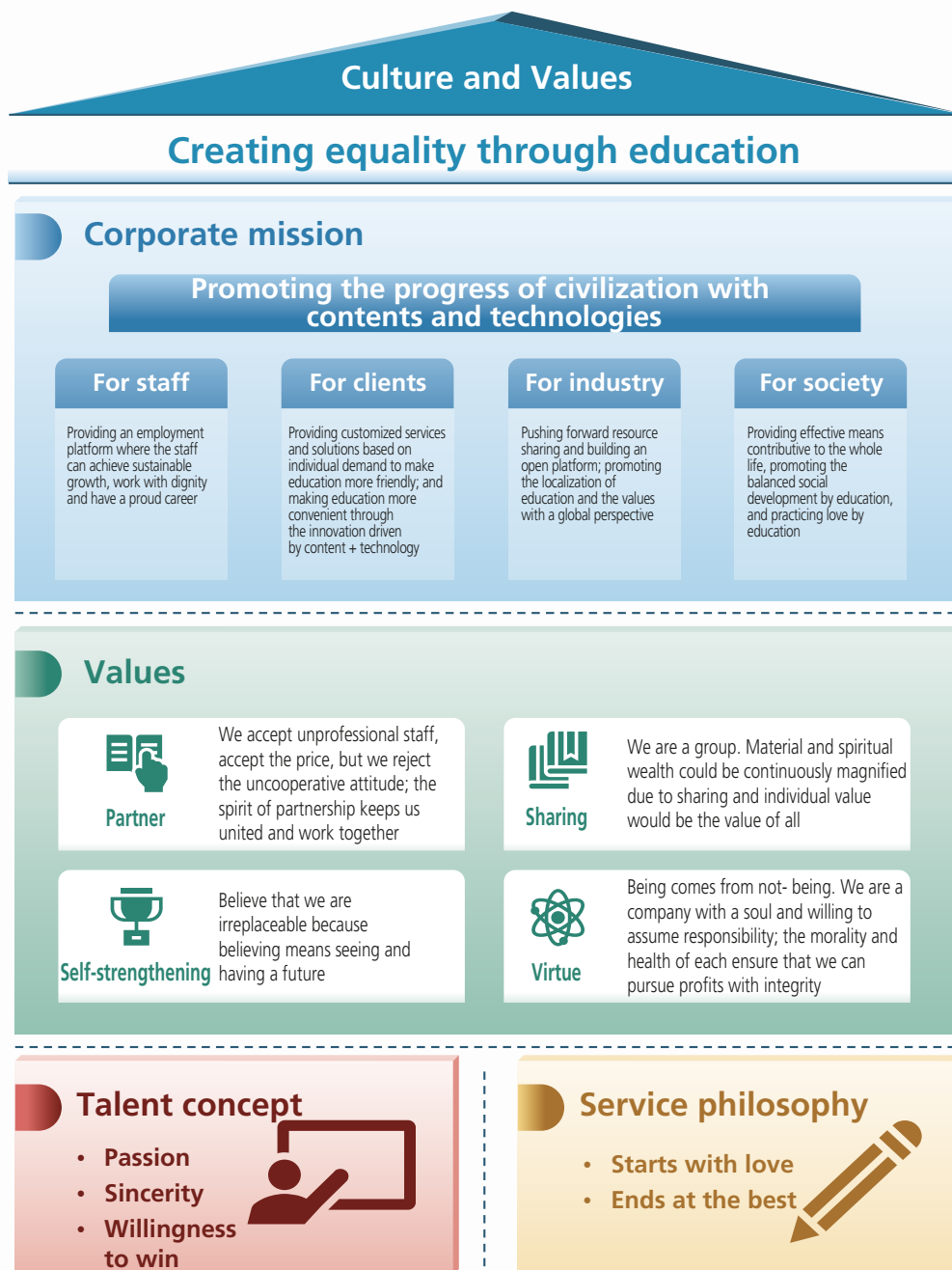
### Feedback on this Report

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](mailto:ir@21stedu.com)  
Company address: 15th Floor, South Tower, Zhonghai Plaza, 8 Guanghua Dongli, Chaoyang District, Beijing, the PRC

## 2. ABOUT 21ST CENTURY EDUCATION

Established in 2003, 21st Century Education has more than 20 years of education history, and it is also the first private education group in the Beijing-Tianjin-Hebei region listed on the Hong Kong Stock Exchange. The Group has always insisted on the excellent quality of education as its foundation, and is committed to providing warm education service. 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. After more than 20 years of continuous exploration and deep cultivation, the Group has gradually established new vocational education as its main line of development, deepened the development of industry-education integration through its own innovative education system and standardised management, and diversified modes such as school-enterprise cooperation and government-enterprise cooperation, and provided students with high-level education services, so as to realize our vision for corporate development of “creating equality through education (因教育而創造平等)”.



### 3. SUSTAINABILITY GOVERNANCE

#### 3.1 Statement of the Board

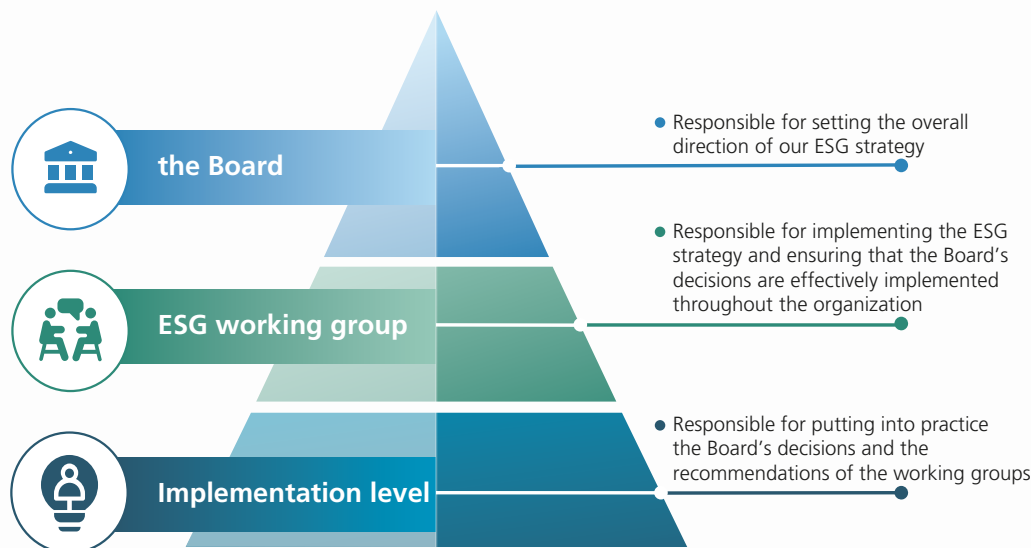
The Board recognises the importance of ESG governance to the success of the Group and the enhancement of value for stakeholders. In this regard, the Board has authorised the establishment of an ESG Working Group to oversee and promote the implementation of ESG matters. The Board has overall responsibility 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.

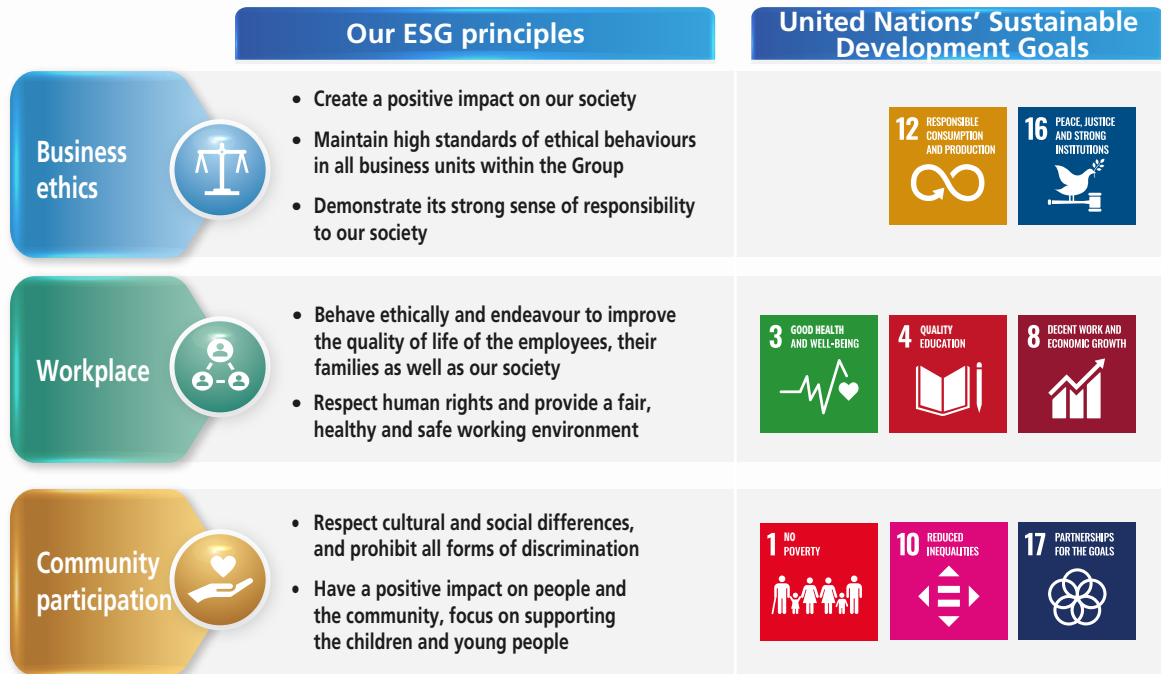
The ESG Working Group is appointed by the Board and is responsible for implementing the ESG strategy and ensuring that the Board’s decisions are effectively implemented throughout the organization. The working group consists of a group of core members from each department to collect information and data 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.



### 3.3 United Nations' Sustainable Development Goals

We integrate our ESG principles with the United Nations' Sustainable Development Goals to create long-term value for society by linking our business operations with sustainable development issues.



### 3.4 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. We attach great importance to stakeholder feedback and take the initiative to build trusting and close relationships with our stakeholders through the following various communication channels.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Stakeholders' major issues concerned and communication channels*

Stakeholders	Major issues concerned	Communication channels	Communication frequency
Investors/ Shareholders	<ul style="list-style-type: none"> <li>• Latest operational information</li> <li>• Results performance</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings for operational information</li> <li>• Investor meetings</li> <li>• Annual general meeting</li> <li>• Extraordinary general meeting</li> <li>• Interim report and annual report</li> <li>• Corporate communications, such as letters/circulars to shareholders and meeting notices</li> <li>• Senior management meetings</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• From time to time</li> <li>• Regularly</li> <li>• From time to time</li> <li>• Regularly</li> <li>• Regularly</li> <li>• From time to time</li> </ul>
Teachers/Other faculty	<ul style="list-style-type: none"> <li>• Employment management</li> <li>• Staff training and development</li> <li>• Comfortable and healthy working environment</li> <li>• Good development platform</li> <li>• Health and safety of staff</li> </ul>	<ul style="list-style-type: none"> <li>• Staff discussions</li> <li>• Staff appraisals</li> <li>• Work meetings</li> <li>• Training courses</li> <li>• Business briefing</li> <li>• Conference/workshops/seminars</li> <li>• Training and other activities</li> <li>• Employee communication meetings</li> <li>• Annual meetings and carnival activities</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• Regularly (monthly appraisal)</li> <li>• Regularly (weekly, monthly, quarterly)</li> <li>• Regularly (weekly)</li> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> <li>• Regularly (at the end of the year)</li> </ul>
Students/Parents	<ul style="list-style-type: none"> <li>• Latest operational information</li> <li>• Teachers' qualification and ethics</li> <li>• Advanced educational philosophy, models and goals</li> <li>• Students' core values and their sense of identity with the school</li> <li>• Safe and healthy educational environment for students</li> <li>• Evaluation and improvement of teaching quality</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire survey</li> <li>• Holding parent conferences</li> <li>• Public service seminar</li> <li>• Daily activities</li> <li>• Telephone</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• Regularly (per semester)</li> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> </ul>
Graduates	<ul style="list-style-type: none"> <li>• The development of the school</li> <li>• The platform that the school can provide</li> </ul>	<ul style="list-style-type: none"> <li>• Media information</li> <li>• School website</li> <li>• Graduated student reunions</li> <li>• Graduate activities organized by the school</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> </ul>

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

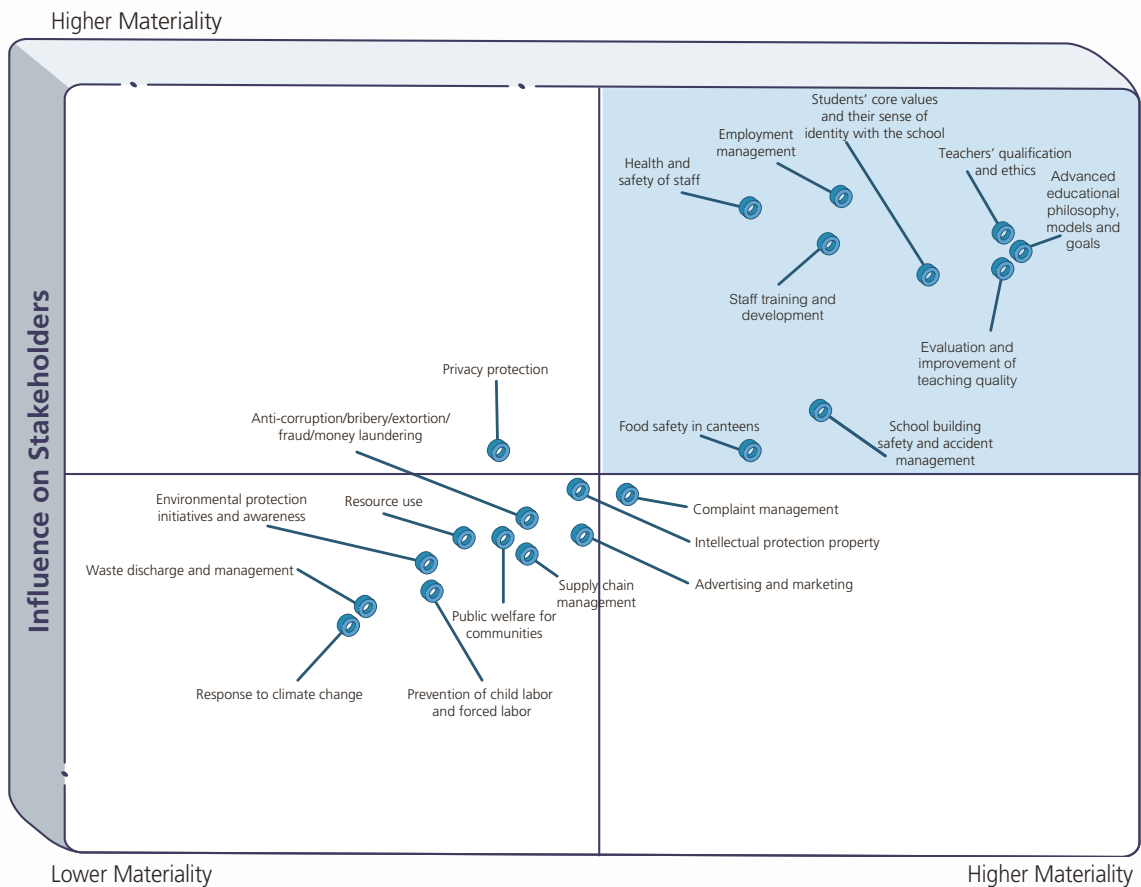
Stakeholders	Major issues concerned	Communication channels	Communication frequency
Government/ Regulatory authorities	<ul style="list-style-type: none"> <li>• Safe and compliant operation</li> <li>• Food safety in canteens</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation</li> <li>• Accepting supervision</li> <li>• Information disclosure meetings</li> <li>• Organizing business activities</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• Regularly</li> <li>• From time to time</li> <li>• From time to time</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fair and unbiased procurement</li> <li>• Business growth</li> <li>• Investment return</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier management procedures</li> <li>• Supplier/contractor evaluation system</li> <li>• On-site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• From time to time</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Investment return</li> <li>• Business growth</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic partnership projects</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• Regularly</li> </ul>
Community/ Non- governmental organizations	<ul style="list-style-type: none"> <li>• Promotion of community development</li> <li>• Participation in social benefit activities</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Donations</li> <li>• Volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> </ul>
Public	<ul style="list-style-type: none"> <li>• Information transparency</li> <li>• Education services quality assurance</li> <li>• Sound operation</li> </ul>	<ul style="list-style-type: none"> <li>• Media information</li> <li>• School website</li> <li>• Activities organized by the school</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• From time to time</li> <li>• From time to time</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Food safety in canteens</li> <li>• Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>• Press release</li> <li>• Result announcements</li> </ul>	<ul style="list-style-type: none"> <li>• From time to time</li> <li>• Regularly</li> </ul>
Industry association	<ul style="list-style-type: none"> <li>• Promotion of sound development of the industry</li> <li>• Contribution to economic and social development</li> </ul>	<ul style="list-style-type: none"> <li>• Holding the post of the president of the association</li> <li>• Attending activities and meetings hosted by association</li> <li>• Exchange of corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• From time to time</li> <li>• From time to time</li> </ul>

### 3.5 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



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.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

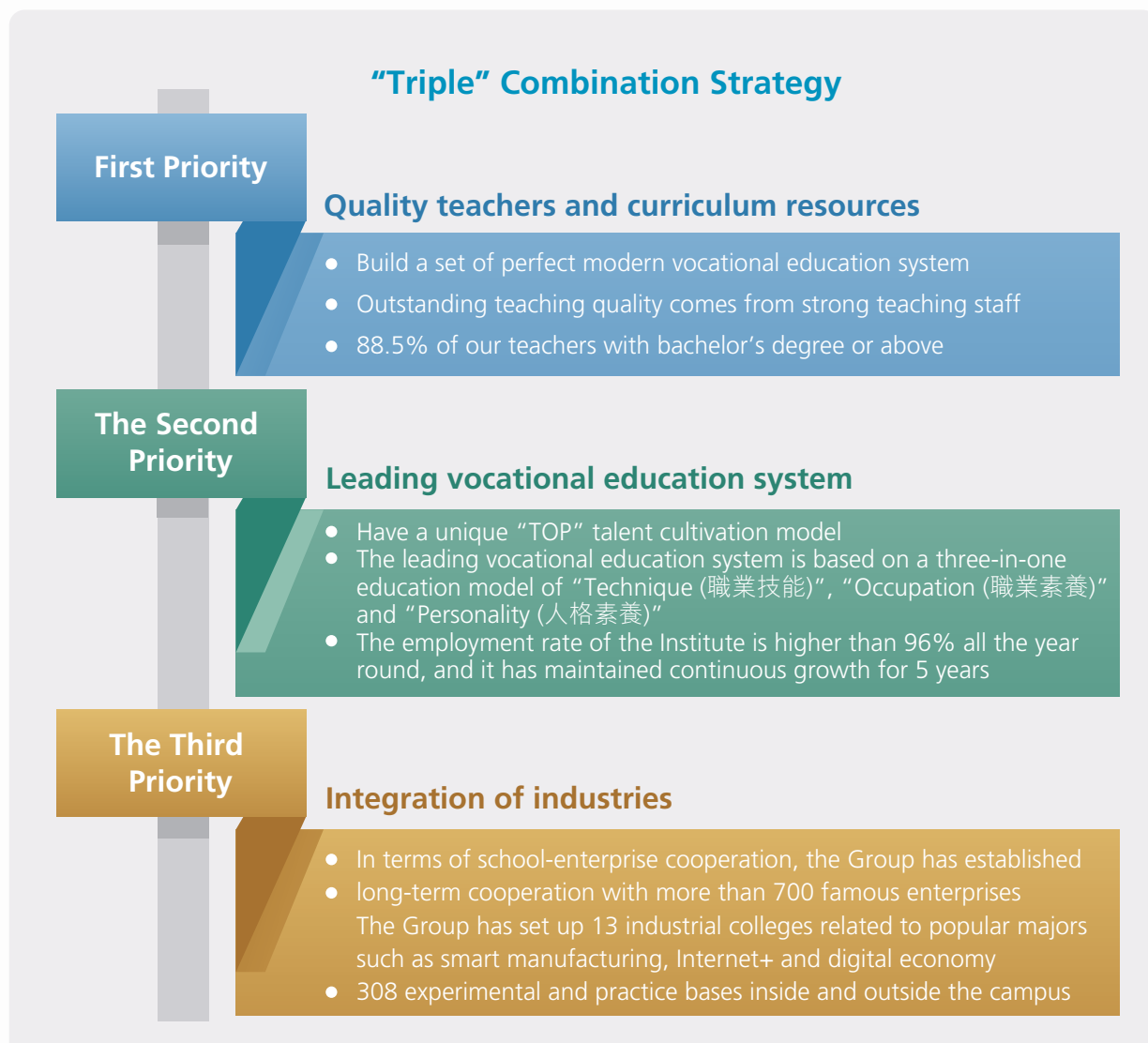
The value of 21st Century Education has been recognized by third-party professional institutions and investment banks, with its own solid strengths being further demonstrated. With its potential growth of performance and the long-term positive prospect of the industry, the Company is expecting a promising future. The Group was awarded the "Brand Value Award of the Year (年度品牌价值奖)" award at the 2023 Global Investment Carnival Awards Ceremony organized by Gelonghui (格隆匯), which aims to recognize the Group as one of the listed companies with the most valuable brands in the entire capital market. The award analyzes our brands in multiple dimensions, including brand awareness, recognition and reputation. In view of our accelerated transformation and upgrading in "new vocational education" and becoming a leading comprehensive service provider of new vocational education, the image of our education brand has been continuously improved. In addition, we were also awarded the "2023 Word-of-Mouth Influential Education Service Enterprise" by Boao Enterprise Forum, with outstanding performance in multiple dimensions, including enterprise scale, years of operation, number of students, faculty strength and student satisfaction, which fully demonstrated the recognition of the Group by the capital market and the industry.





## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

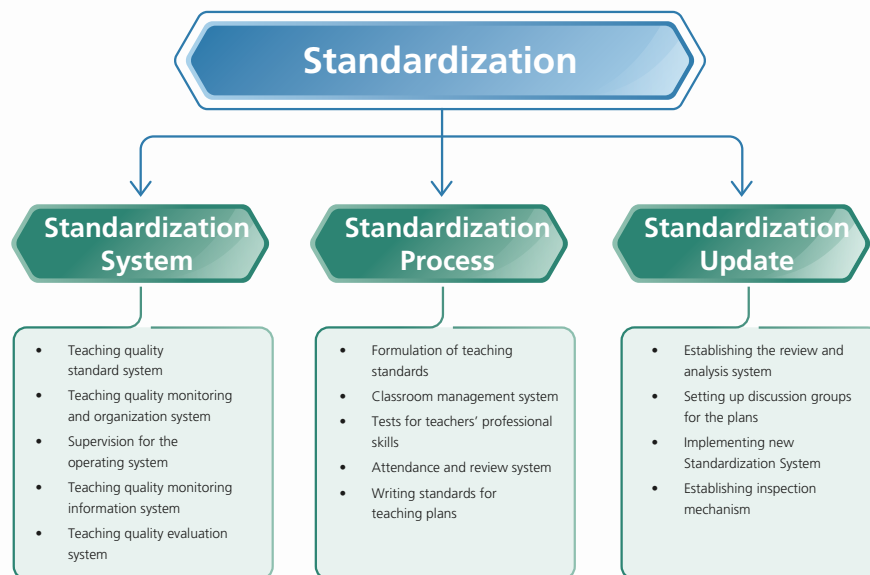
The Group is committed to enriching the content of education and creating an advanced application-oriented education system, and has persistently promoted the “triple” combination strategy for a long time, which constitutes a comprehensive strategic blueprint for brand value building, enabling the Group’s education brand to have a sustainable high value and laying a foundation for the Group’s everlasting success.



### 4.1 Perfect Quality Management System

21st Century Education strictly abides by the Education Law of the People’s Republic of China (《中華人民共和國教育法》), 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 Regulations of Hebei Province on Private Education (《河北省民辦教育條例》), and other laws and regulations that have relevant requirements for the quality and teaching standards of private education. We have also established a perfect internal quality assurance system, and formulated a series of standardized and regulated education strategies and policies, such as the Control System and Evaluation System for Teaching Quality (《教學質量把控體系及評價體系》), the Manual on the Standardization of Teaching Process (《教學標準化流程手冊》), and the Measures for the Update and Maintenance of Corporate Standardization Management System (《公司標準化管理體系更新及維護辦法》), aiming to ensure high-quality services and achieve continuous improvement.

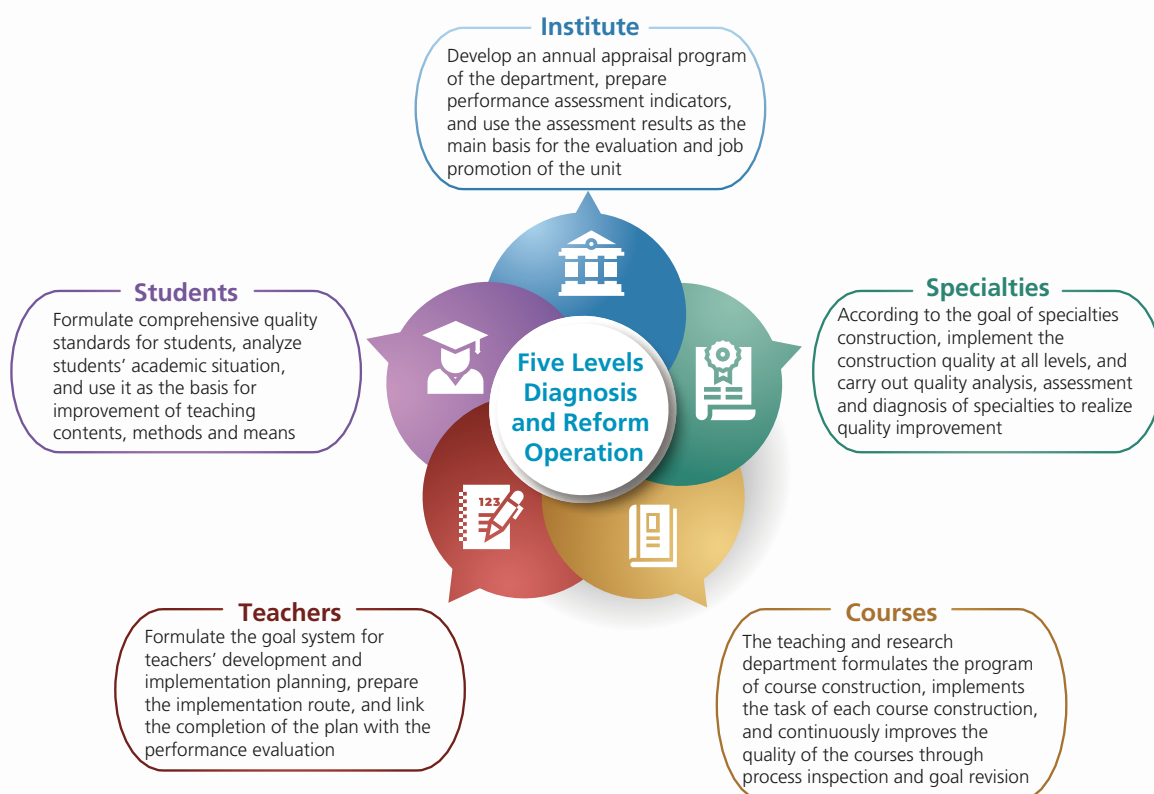
We are committed to providing quality education that meets regulatory requirements. Through the establishment of a teaching quality control system and evaluation system, we ensure that teaching quality can be effectively controlled and improved. At the same time, the Manual on the Standardization of Teaching Process (《教學標準化流程手冊》) provides teachers with clear operational guidelines to ensure that the teaching process is standardized and orderly. We also regularly update and maintain our standardized management system to keep up with changes and developments in the education field. The establishment of these standardized systems and processes not only provides a set of unified educational standards and norms, but also provides effective tools and methods for monitoring and evaluating the quality of education. Through continuous improvement and refinement, we are committed to providing long-lasting and stable educational services to cultivate students’ comprehensive abilities and development potential.



Shijiazhuang Institute of Technology has established a sound organizational structure, clarified the responsibilities of each department, and set up a Quality Assurance Committee to formulate five systems: Decision-making and Commanding System, Quality Generating System, Resource Building System, Supporting Service System, and Supervision and Control System, in order to comprehensively promote the systematic quality assurance of the school, majors, courses, teachers, and students at all levels. Based on the construction of systems and standards, we have formed a long-term and effective mechanism for quality assurance, which plays a role of the system in guaranteeing the quality of education and teaching, and ensures the overall improvement of the quality of talent cultivation. At the same time, the Institute has implemented a comprehensive internal management diagnosis through a third party, and passed the international standard ISO9001 quality management system certification, which has improved the teaching ability and management level of the Institute’ faculty members from the perspectives of standardization, professionalism and standardization of teaching management.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are committed to continuously optimizing and improving the quality of our services, and have established normative guidelines for accreditation and rectification to diagnose and improve in five major directions, so as to provide leading-edge and excellent educational services, to ensure that our services maintain a leading position in the market, and to create positive and long-term value for our students and society.



### 4.2 Excellent Teaching Staff

In order to ensure that the Institute carries out teaching activities in accordance with the corresponding norms in various educational procedures and complies with the Education Law of the People's Republic of China (《中華人民共和國教育法》), 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 Regulations of Hebei Province on Private Education (《河北省民辦教育條例》) and other laws and regulations, the Group is committed to implementation of monitoring of the quality of teaching and establishing a self-improvement and self-restraint system for the guarantee of the quality of teaching, and has formulated internal documents, such as the Saintach Pre-school Education Teaching Inspection Standards — Teaching Quality Requirements (《新天際學前教育教學檢查標準—教學品質要求》) and the Standardization of Teacher Team Building (《教師團隊建立標準化》), aiming at ensuring the quality of education and teaching in our schools and improving the teaching standards. Through these guidelines, we standardize the establishment of the teaching team and the quality of teaching to ensure that teachers have the necessary qualities and competencies to provide students with quality education. We emphasize the monitoring and evaluation of teaching quality, carry out regular teaching inspection and evaluation, and take corresponding improvement measures in time when problems are identified. We are well aware of the importance of education and have strict and clear requirements for teaching quality. We are committed to providing high quality education through the development and implementation of appropriate teaching standards and norms, so as to cultivate the comprehensive abilities and development potential of our students.

Case study

**Shijiazhuang Institute of Technology 2023 Teaching Competency Competition Review Meeting**

In order to implement the requirements of the Implementation Plan on Reform of National Vocational Education (《國家職業教育改革實施方案》) and the Implementation Plan on Reform and Development of Hebei Province Vocational Education (《河北省職業教育改革發展實施方案》) for teachers and teaching in vocational education, and to promote the overall improvement of teachers' teaching ability and IT literacy, comprehensive quality and degree of specialization, the Institute of Technology organized a teaching competency competition review meeting in April this year to report on the implementation of teaching, teaching reform and innovation, teaching assessment and teaching reflection and improvement. Through this review meeting, the Institute of Technology has provided teachers with opportunities and platforms for learning and exchanges, promoted the overall improvement of teachers' teaching competency, stimulated teachers' enthusiasm for participating in teaching competency competitions, and boosted teachers' education level to a new level.



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group firmly believes that excellent teaching quality comes from strong teaching staff. In terms of the teaching staff, we strictly select, train and assess teachers to form a high-quality teaching and research team with rich teaching experience and professional knowledge to provide students with a quality educational experience.



### Teaching Staff of 21st Century Education

#### Saintach Pre-school Education

**100%**

College degree or above

**30%**

Bachelor degree or above

**5%**

Postgraduate degree

#### Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學)

**12**

Provincial  
master  
teacher

**32%**

Master's  
degree

**75.1%**

College degree or above

#### Shijiazhuang Institute of Technology

**88.5%**

Bachelor's degree or above  
from a college or university

**29.2%**

Teacher with senior  
professional title

At the same time, we are committed to building a team of teachers with good ethics and teaching styles. 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 teaching quality. We focus on cultivating students' hands-on and practical ability, and pay special attention to the cultivation of students' healthy personality. In addition, the excellent ethics, teaching styles 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 are committed to cultivating a team of high-quality professional teachers with noble morality, professional skills, reasonable structure and full of vitality, and actively promoting the all-round development of students.

### 4.3 Innovative Teaching Model

“Warm education service” has always been the teaching philosophy and mission of the Group. We are committed to building a new model of talent cultivation, focusing on providing diversified, customized and personalized education modes to inspire students’ ability to sustain their growth. We adhere to the principle of whole-person education, which helps students build up the abilities they need at different stages of their development, and lays the foundation for their all-round development and lifelong learning.

As educators, we firmly believe in the importance of the concept of “one person-one training program, one person-one growth path (一人一培養方案·一人一成長路徑)”. We attach importance to teaching students in accordance with their aptitude, strive to explore their inner potential, and respect the uniqueness of each student. Therefore, we strive to provide individualized teaching and support to help them develop their full potential and achieve their personal learning goals. We are committed to creating a warm, caring and challenging learning environment, and will continue to strive to improve and explore innovative teaching methods to fulfill our commitment to the holistic development of our students.



#### Establishment of Industrial Colleges by famous enterprises

Vocational education actively promotes in-depth cooperation between schools and enterprises. Based on the new engineering discipline, we are committed to the integration of industry and education, theory and practice, technology and culture, and modern information technology and teaching, and we maintain various forms of industry-education partnership with a number of enterprises

#### New apprenticeship cultivation mode

Combining offline face - to - face teaching, focusing on the development needs of talents for enterprise positions, we have carefully formulated the training content, giving full play to the role of business and technical backbones in “passing on, helping and bringing up”, improving vocational qualities and professional skills, and continually enriching and expanding the team of skilled talents in enterprises



#### Professional training bases

We have a number of modernized vocational education practice bases, which employ industry experts, enterprise backbones and senior professors as teachers of various professional courses, and apply the vocational education system that is highly compatible with the enterprises to enable students to really achieve high-quality and high-paying employment

#### Teach students according to their aptitude

Reasonably guide the selection of subjects, assist in academic career planning, and orient gifted students and cultivate them in layers to form multiple business systems such as academic planning, comprehensive evaluation of famous schools, evaluation and selection of gifted students, and discipline Olympic training, aiming to clearly define the goals and accurately cultivate our students



#### Diversified exploration of interests and specialties

From kindergarten to university, we offer parallel courses in literature/art/sports, and various courses such as fine arts, dance, choreography, broadcasting and hosting and sports are offered at the same time, so as to integrate advanced education concepts, develop students’ inner potentials and self-discipline, and respect children’s self-growth and development



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group actively promotes industry-education integration and school-enterprise cooperation, and promotes the integration of industrial resources in vocational education, and a new mode of cooperation between schools, enterprises and the government. Among them, in terms of school-enterprise cooperation, the Group has cooperated with more than 700 famous and excellent enterprises for a long time, and established 13 industrial colleges related to popular majors such as intelligent manufacturing, Internet+, digital economy, and 308 experimental and practical training bases inside and outside our schools, so as to truly play the role of a community of integration of industry and education in an all-round way.

### Case study

### Shijiazhuang Institute of Technology's Road for Industry-education Integration

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) jointly established the "Information Technology Application Innovation Industrial College" (信創產業學院). Taking advantage of its unique advantages, the Institute of Technology has opened up in-depth cooperation with the government, schools and enterprises in Luquan District in the areas of cultivating talents, co-establishing teachers, vocational training, investment introduction and talents introduction, creating a new model of industry-education integration and synergistic development.

Under the framework of cooperation, the Institute of Technology has provided internships and employment for nearly 1,000 people in Luquan District. The college continues to support the promotion of veterans' employment and entrepreneurship, and provides adaptive vocational skills training for veterans, with a cumulative total of tens of thousands of trainings, and was awarded the title of "Practical Base for Veterans' Internship in Luquan District (鹿泉區退伍軍人實習實務基地)".

At the same time, according to the market demand, the Institute of Technology has formulated the talent cultivation objectives and oriented training programs, which has promoted the close integration of talent cultivation and industrial demand, and created a benchmark for the cultivation of electronic information technology talents in Luquan District.

## Case study

## Shijiazhuang Institute of Technology was invited to attend the first industry-education integration development conference

In July 2023, Shijiazhuang Institute of Technology was invited to attend the 2023 (first) industry-education integration development conference co-hosted by China Education Development Strategy Society (中國教育發展策略學會) and the Management Committee of Xiong'an New Area in Hebei Province (河北雄安新區管理委員會). The conference conducted industry exchanges with the theme of "Insight • Breakthrough • New Development – Promoting the High-quality Development of Economy, Society and Talents through Industry-Education Integration (洞見•破局•新發展——以產教融合促進經濟社會和人才高品質發展)", which aims to promote the in-depth industry-education-research-application integration, enhance the competitiveness of industries, promote the cultivation of talents and innovation capabilities, and promote social progress. The case study of "Industry-Education Integration to Cultivate Craftsmen • Teaching Reform to Promote Development – A Talent Cultivation Model Based on the 'Four Dimensions, Three Alignments, and Two Integrations' Approach (《產教融合育工匠教學改革促進發展—基於「四維三同二合一」的人才培育模式》)" submitted by us was successfully selected as a typical case of industry-education integration and school-enterprise cooperation.

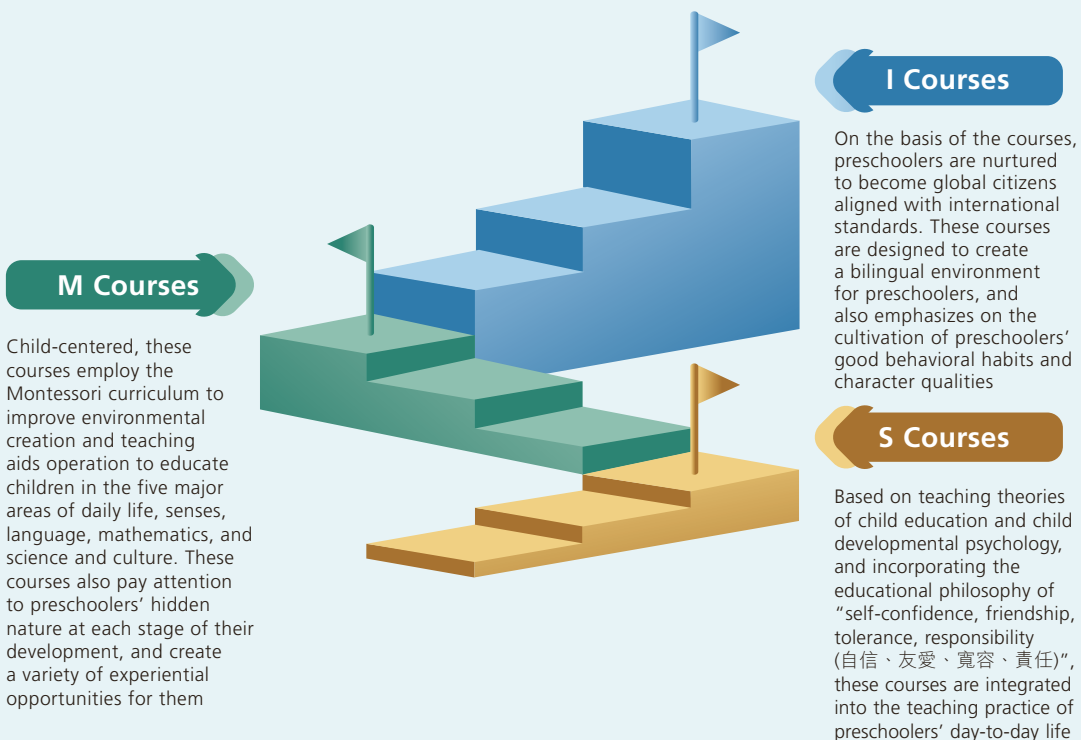




Case study

Saintach Multicultural International System (SMIS)

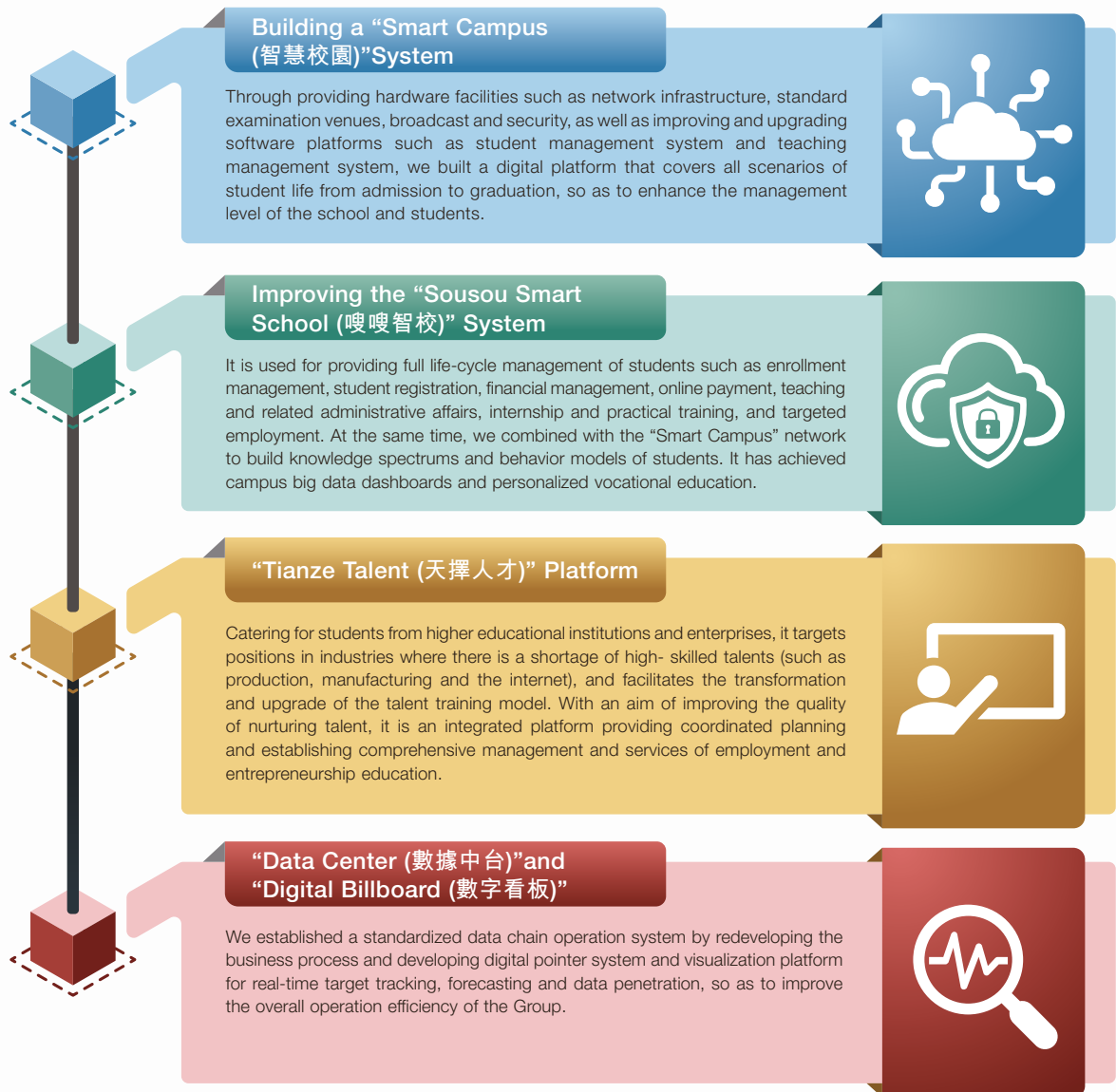
Saintach pre-school education, aiming to “Cultivate Good Citizens from a Young Age (從小培養好公民)”, integrates advanced educational philosophies from both China and the West. It continuously incorporates domestic and foreign high-quality educational resources and improves our courses with these resources, and builds the Saintach Multicultural International System (SMIS), comprising basic courses (S courses), main courses (M courses), and international courses (I courses). This system is designed to develop children’s inner potentials and self-discipline, and respect their self-development.



### 4.4 Technology Leading to Intelligent Education

21st Century Education adheres to the development mission of “advancing the progress of civilization with content and technology (用內容和科技推動文明進步)”, and uses educational technology to empower the layout around the vocational education industry. It is committed to promoting the construction of “Smart Campus (智慧校園)”, empowering the improvement of teaching level and quality with science and technology, leading the industry in digitalization and fine management changes, and meeting the ever-changing needs of students and the education industry with an attitude of continuous exploration and innovation. We strive to integrate advanced educational technology tools and platforms to create a more interactive, diversified and personalized learning experience that breaks through the limitations of traditional teaching.

We actively promote the digital transformation of the education industry by establishing a digitalized indicator system and a visualization platform. Through data analytics and intelligent management systems, we are able to achieve instant goal tracking, forecasting and data analysis to enhance the overall operational efficiency and quality of the Group and achieve a more refined management. At the same time, with the big data analysis and personalized education model of the Smart Campus, we will be able to better meet the needs of our students and provide them with strong support for their future career development.





## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ***“Smart Campus” Project Management System***

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 software systems such as ZFSOFT. Through these measures, we better provide services for 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 further deepening the integration of industry and education and enhancing and cultivating the application-oriented and compound talents required by enterprises.

In order to help students’ development in all aspects, Shijiazhuang Institute of Technology has actively 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 become one of the construction units of the plan. We combine knowledge in the classroom with practical application, focusing on the development of four key areas: intelligent manufacturing, Internet +, modern logistics management, and pre-school education. As a practitioner of education, we uphold the vision of 21st Century Education, which is to advance the progress of civilization through content and technology. We abide by the requirements of China Education Modernization 2035 (《中國教育現代化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 are committed to providing students with a well-rounded education, and fostering their practical skills and innovative spirit. Through participation in action plan and the introduction of advanced technologies, we strive to enhance the quality of education of the Institute and the overall quality of our students to meet the development needs of society, and lay a solid foundation for their future career development.

## Case study

### Special lecture on “Development of Digital Teaching Materials” organized by the Internet College

In order to improve teachers' digital teaching ability and promote the construction of digital teaching material resources in the college, the College of Internet Application Technology held a special lecture on the development of digital teaching materials for full-time teachers in November of this year. With the theme of “Development of New Form Digital Teaching Materials”, the special lecture elaborated the future development trend of digital teaching materials and the needs of vocational colleges and universities for the development of digital teaching materials in combination with national policies. It also demonstrated the digital teaching materials on the spot with actual cases to present a multi-level, three-dimensional and comprehensive teaching process, and analyze the core advantages of digital teaching materials in terms of audibility, visibility, assessment and interaction.

Through this special lecture, the teachers of the college clarified the new ideas and methods of developing digital teaching materials and gained a deeper understanding of the prospects of building new teaching materials, which will help to further promote the transformation and upgrading of education digitalization, realize the in-depth integration of information technology and education and teaching, and cultivate high-caliber skilled talents adapted to the development of the times.



#### 4.5 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, and focus on cultivating students' comprehensive and humanistic qualities, so as to 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. These efforts have made positive contributions to the cultivation of talents with high quality and innovative abilities for our country and society.

We firmly believe that the overall growth and development of our students is not limited to the mastery of academic knowledge, but also requires the cultivation of their comprehensive quality and humanistic qualities. Therefore, we emphasize the diversity and flexibility of our curriculum and offer students a wide range of subjects and interest courses. We encourage students to participate in a variety of extra-curricular activities, such as club organizations, practical internships, volunteer services, etc., in order to develop their leadership skills, teamwork spirit and sense of social responsibility. At the same time, we emphasize the cultivation of students' innovative and practical abilities. By organizing activities such as science and technology innovation competitions and entrepreneurship training camps, we stimulate students' innovative thinking and practical skills, and develop their problem-solving and challenge-facing abilities.

Case  
study**“Weeklong Publicity Campaign on Constitution  
(憲法宣傳週)” organized by Institute of Technology**

In order to welcome the 10th National Constitution Day, earnestly study and implement the spirit of the 20th CPC National Congress, carry out the spirit of important instructions on the education of constitutional rule of law, and enhance the awareness of the Constitution among university students, the Institute of Technology launched the “Weeklong Publicity Campaign on Constitution” series of activities in December this year, encouraging and guiding the students to actively participate in the “Learning and Explaining of the Constitution” online learning activities and the “Guardian of the Constitution (憲法衛士)” action plan, so as to continuously enhance the enthusiasm and effectiveness of students in participating in the study of the Constitution. Activities such as the morning reading of the Constitution under the national flag and the Constitution Knowledge Contest were also organized to create a strong atmosphere for learning the rule of law and to enrich the cultural life of the rule of law on campus.



This “Weeklong Publicity Campaign on Constitution (憲法宣傳週)” series of activities actually enhanced the awareness of the rule of law among our teachers and students, and was conducive to guiding students to actively carry forward the spirit of the Constitution and consciously safeguard the authority of the Constitution. In the future, the Institute of Technology will continue to conduct educational and publicity activities on the Constitution and the rule of law, promote the integration of constitutional education with education and teaching and daily management, actively innovate the forms of rule of law publicity, explore the establishment of a long-term mechanism for rule of law publicity and education, vigorously carry forward the socialist spirit of the rule of law, and make respect for the law, learning the law, abiding by the law, and using the law a prevailing trend on the campus.

### 4.6 Improving Complaint Channels

For better learning outcomes, we must pay attention to the expectations of students and parents on the homeschool 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》). Through this system, we can further improve the work process, smooth the complaint channels, effectively solve the problems reported by parents and students and enhance investigation and punishment, so as to actively improve school work. We have established a clear complaint handling mechanism, and formulated relevant systems, comprising internal policies such as the Management System for Complaints from Parents/Students (《家長及學生投訴管理制度》) 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 are responsible for receiving complaints and turning issues into constructive suggestions. The Institute should be responsible for conducting investigations to fully understand the situation, the management should come up with solutions with all parties involved. In handling complaints, staff should maintain a proper attitude while keeping detailed records of complaints. We also provide staff with the training to handle complaints effectively, so as to effectively address parents' concerns, and take measures to improve the quality of teaching in the future to avoid similar complaint issues from recurring.

Through the above measures, we are committed to building a positive home-school partnership and enhancing communication and understanding between the school and the families of our students. We value feedback from parents and students, and continue to improve our work to ensure that our students are provided with a favorable educational environment and learning experience.

During the Reporting Period, we did not receive any complaints from students or parents.

## 5. CARING FOR EMPLOYEE DEVELOPMENT

### 5.1 Optimizing Employment Management

We take education as our mission and recruit talents according to the standards of both ability and integrity, and adhere 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.

We emphasize on campus recruitment to create human resources for the long-term sustainable development of the Group and to train key cadres through systematic training. 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.

21st Century Education strictly adheres to the following employment regulations:

- Labor Law of the People's Republic of China (《中華人民共和國勞動法》);
- Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》);
- Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》);
- 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》);
- Provisions on the Prohibition of Child Labor (《禁止使用童工規定》); and
- Regulations on School Health Work (《學校衛生工作條例》)

We strictly abide by the laws and regulations, and have established 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》), to ensure that our employment management is legal and compliant.

#### ***Employee Holidays and Benefits***

We standardize employee attendance, leave system and employee benefits. Employees enjoy the system of 5-day working day per week with 8 hours a day. Employees enjoy national statutory holidays and paid holidays stipulated by the school. 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. If an employee needs to work overtime on rest days or national holidays, he/she will receive corresponding leave compensation, and will never be forced to perform work outside of its normal job responsibilities. If an employee needs to work overtime, he/she must log in to the OA system to fill out an overtime application form and have it approved by the management before it can be executed.

In addition to providing basic benefits as stipulated by national laws for our employees, we also provide auxiliary assistance for 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



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. We are committed to ensuring a work-life balance of our employees and providing them with fair treatment and benefits, as well as adhering to the principles of fairness, reasonableness and transparency in the management of employee compensation and performance, so as to promote the growth and development of employees and the Company together.

### Promotion Opportunities

We are committed to establishing a fair and transparent system to facilitate employees' career development and promotion. We have formulated internal policies, such as the 21st Century Education Group Employee Handbook (《21世紀教育集團員工手冊》) and the 21st Century Education Group Talent Ladder Building and Inspection and Tracking Program (《21世紀教育集團人才梯隊建設及考察跟蹤方案》), so as to establish and improve the mechanism for talent selection, training and promotion, and to clarify the content of performance appraisals as well as the guidelines for talent ladder building. Our promotion policy aims to encourage continuous learning and professional development, and to provide equal career development opportunities for all employees. Employees who meet the promotion criteria can make an application, and the relevant departments will conduct a review. Successful applicants will be given the opportunity to be promoted and receive a salary increase. In addition, employees who perform well in the annual evaluation will be given priority for promotion and career development opportunities. We want to provide a fair, transparent and opportunity-filled career development environment for our employees and encourage them to continuously learn and grow in order to enhance their professional capabilities, and create more opportunities for their success.

### 01. Goal setting

Employees develop a work plan to determine the main work content and completion standards, and to clarify the completion time and measurement standards, and communicate with their superiors on the work plan to reach a consensus

### 02. Process guidance

Supervisors implement supervision over the process of completing employees' goals, and provide timely communication and guidance to ensure that their goals are achieved



### 04. Performance feedback

At the end of the appraisal period, the immediate supervisor needs to give feedback on the employee's appraisal and listen to the employee's opinions, so as to promote continuous improvement

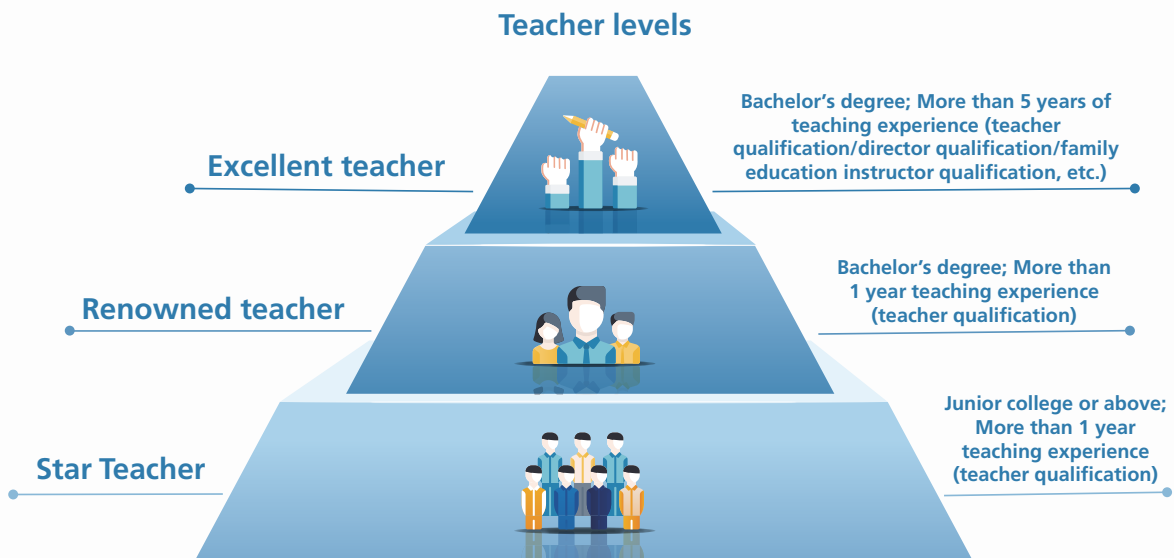
### 03. Result evaluation

Employees make a summary of the last period of work, and superiors evaluate employees based on their individual work plans, completion standards, and other work-related factors, in accordance with the evaluation criteria

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We provide multiple career development paths for our employees, and have established the business system of “Education Consultant – Gold Medal Coach – Principal – General Manager” as a promotion channel for our employees. At the same time, we standardize the training and selection of our employees through the design of a generous salary and qualification system, providing multiple paths for the development of employees’ careers, which aims to guide them to improve their knowledge, quality and skills through continuous learning, and to choose different paths for their development.

In order to stimulate teachers’ learning and growth, and to promote the improvement of the teaching team, 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》) to identify, cultivate and recognize outstanding teachers. We encourage teachers to actively participate in educational research and professional training, and provide them with appropriate resources and platforms. Through these measures, we endeavor to build a team of motivated, enthusiastic and creative teachers to provide quality educational services for our students’ learning and growth. 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. The evaluation and assessment of teachers is to ensure that they are performing at their best in all aspects of their work and continue to improve the quality of their teaching.



In addition, employees who perform well found in the annual evaluation process will be prioritized for promotion and career development opportunities.

### **Resignation management**

In order to attract and retain outstanding faculty and staff, we have clear employee resignation procedures designed to minimize the loss of resources. These procedures cover the process of terminating an employment relationship initiated by either the employee or the Company. Employees must give advance notice and follow the appropriate procedures to leave their positions, and failure to do so may result in consequences. The Company may terminate employment relationship 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.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are aware of the impact of employee turnover on the organization, and therefore we strive to ensure the fairness and transparency of the resignation process. At the same time, we also value the opinions and feedback from our employees, and endeavor to resolve issues that may lead to employee turnover, so as to improve employee satisfaction and maintain talent stability.

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

### 5.2 Employee Training and Development

21st Century Education attaches great importance to talents. We are committed to providing support for employees' career development on the basis of fair and harmonious labor relations, and strive to build a platform that allows our employees to develop their talents. Through the establishment of a hierarchical training system, we have included all levels of our employees in the scope of training, and through continuous, all-round and diversified training, we have improved the professional ability and management level of our employees, and helped employees at every level to grow rapidly.

We have established clear guidelines to continuously improve the overall quality of our employees, and make them as the standard for employee promotion, and we have also formulated different training programs according to different schools, to ensure that our employees are equipped with the required skills and knowledge for success of their positions and career development. We have actively provided teachers with a range of training programs and workshops, which cover a variety of topics including time management, effective communication and leadership skills, so as to assist them in developing skills and expertise. We are committed to ensuring that all employees have equal opportunities for promotion.

#### **Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學)**

Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) 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\* (新高考) Business institutions**

New Gaokao\* (新高考) Business institutions has established corresponding training systems for employees at different levels:

- New employees – "New Team Training System"
- Campus management – "Training System for School Principal"
- Talent – "Hero Lion Team Training System"

The establishment of the training system helps to provide targeted training and development opportunities for employees at different levels, thereby enhancing their abilities and qualities, and promoting the overall development of the Institute.



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Shijiazhuang Institute of Technology

Shijiazhuang Institute of Technology has compiled the “Shijiazhuang Institute of Technology Employee Training Manual (《石家莊理工職業學院員工培訓手冊》)”, which aims to comprehensively improve the overall quality of the Institute’s employees, and follows the principle of training mainly through independent training and supplemented by external training, so as to ensure the comprehensiveness and relevance of the training. The training manual implements hierarchical training according to the traction of the functional departments of the affiliated system, and carries out training according to the needs of different functional departments and personnel, so as to better meet the learning needs of employees and improve their professional skills and teaching level.

### Saintach Kindergartens

Saintach Kindergartens has set up initiatives such as the advanced training camp for major class teachers and the rookie training camp to meet the needs of teachers in the new semester, and has achieved the development of a ladder-type organization:

#### Advanced training camp for major class teachers

The training includes knowledge and skills in teaching methods and strategies, classroom management, parent communication, etc., which aims to enhance the professional competence and teaching level of the major class teachers, so as to better cope with the teaching work and provide high quality education services.

#### Rookie training camp

The training camp aims to accelerate the growth and development of the kindergartens’ management and reserve personnel, enhance the operational efficiency and competitiveness of the organization, and provide strong support for the sustainable development of the Company in terms of talent supply.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through our employees training and development programs, employees are able to fully realize their potential and contribute to our sustainable success. We value the growth and development of our employees as they are an important asset to the organization. We provide continuous training and development opportunities to help our employees acquire new skills, broaden their knowledge base, and enhance their competitiveness in the workplace. We encourage our employees to actively participate in training activities and provide them with supports and resources to meet their learning needs. Our goal is to build a learning organization that continuously enhances the competence and professionalism of our employees to adapt to the ever-changing work environment and needs.

### Case study

### The Institute conducts professional growth training for teachers' competency enhancement

In order to stimulate teachers' sense of responsibility and mission to cultivate both moral and professional skills, lead them to give full play to the function of curriculum nurturing, continuously strengthen the practice in education and teaching, update the concept of education, improve professional level, and promote the overall improvement of educational and teaching quality, all the teachers of Shijiazhuang Institute of Technology participated in the 3-day "Empowerment and Quality Improvement, Setting Sail for the Dream – Professional Growth Training for Teachers' Competency Enhancement (賦能提質·為夢啟航—教師能力提升專業化成長培訓)".

The training took the construction of teachers' ethics and teaching styles as its first task, and the enhancement of morality cultivation ability and teaching ability as the key contents of the training. It focused on the multi-dimensional enhancement of teachers' quality around the teaching method, classroom atmosphere, competition experience and talent cultivation, etc., and innovated the dual cultivation mode of "teachers' ethics accomplishment" and "professional ability", so as to enhance teachers' morality cultivation sense and morality cultivation ability. The aim of this training program is to help teachers update their concept of education, strengthen the practice in education and teaching, and improve their professional level. Through the training, we hope to lead teachers to continuous growth and progress, so as to promote the overall improvement of education and teaching quality.



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff training information					
<b>Shijiazhuang Institute of Technology</b>	Male	Female	Management	Business and function position	Teacher
Proportion of trainees <sup>1</sup>	42.6%	57.4%	1.2%	6.2%	92.6%
Average training time (hours) <sup>2</sup>	145	160	110	130	120
<b>Saintach Kindergartens</b>	Male	Female	Management	Business and function position	Teacher
Proportion of trainees <sup>1</sup>	6.1%	93.9%	10.3%	6.7%	83.0%
Average training time (hours) <sup>2</sup>	51	88	88	17	59
<b>Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)</b>	Male	Female	Management	Business and function position	Teacher
Proportion of trainees <sup>1</sup>	21.0%	79.0%	1.5%	7.7%	90.8%
Average training time (hours) <sup>2</sup>	85	97	20	60	110

- 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.

### 5.3 Employee Health and Safety

21st Century Education attaches great importance to the health and safety of employees. We comply with relevant laws and regulations, such as 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 have therefore formulated various policies and measures, which aim to prevent and control occupational disease hazards. Internally, we have established 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), so as to meet the specific needs of employees. In addition, we organize health and safety training activities on a regular basis to cultivate their safety awareness and protect their occupational safety.

Saintach Kindergartens has established the Safety Management Systems of Saintach Kindergartens (《新天際幼兒園安全管理制度》) and the 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》) to standardize the safety management in Kindergartens, so as to ensure the personal and property safety of all kindergarten children and staff. Our purpose in formulating these systems is to identify potential safety issues, and ensure compliance with our safety policies and procedures. Once any safety issues are found, we will immediately resolve them and take corrective measures if necessary.

For the New Gaokao\* (新高考) Business institutions, we provide 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 continue to place the health and safety of our employees at the forefront of all our operations.

#### **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 strictly adheres to the following laws and regulations:

- People's Republic of China (《中華人民共和國教育法》) ;
- Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) ;
- 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》) ;
- Regulations on the Fire Safety Management of Colleges and Universities (《高等學校消防安全管理規定》) ;
- Measures for Safety Management of Middle, Primary Schools and Kindergartens (《中小學幼兒園安全管理辦法》);and
- School Safety Regulations of Hebei Province (《河北省學校安全條例》)



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

By adhering to relevant laws and regulations, strengthening campus safety management and education, we ensure the safety of students and staff, thus providing a stable guarantee for our school's educational and teaching work. We have instituted a safety management system to ensure the life safety of teachers and students and the property safety of the school. 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***

Campus safety is our top priority. We will continue to improve and perfect our campus safety work to enhance the safety awareness and emergency response capabilities of all teachers and students in the school.

Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) 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.

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.



Case study

**Shijiazhuang Institute of Technology conducted a comprehensive campus safety inspection**

In order to eliminate the potential safety hazards on campus in an all-round way and ensure the safety and stability of the campus, the Institute of Technology carried out a comprehensive campus safety inspection in December of this year. It was a centralized inspection carried out for inspecting the potential safety hazards on campus, focusing on fire safety, food safety, practical training safety, dormitory safety, building safety, traffic safety and other key points. The inspection team went deep into key places such as libraries, student dormitories, student canteens, practical training buildings, monitoring rooms, and power distribution rooms to carefully investigate and eliminate problems and potential dangers. The problems and potential dangers discovered were claimed on-site by the relevant departments for rectification, to strictly prevent various safety accidents from happening.

We are committed to ensuring the safety of our campus, and continue to strengthen safety awareness and training to enhance the safety consciousness and emergency response capabilities of all teachers and students. At the same time, we will further improve campus facilities and equipment, and strengthen the construction of security management and monitoring systems, so as to ensure the safety of all aspects across our campus.



## Case study

**Influenza prevention and control on campus, sanitation and disinfection first**

In order to prevent respiratory infectious diseases such as influenza and mycoplasma pneumonia, we actively carried out the prevention and control of infectious diseases in our schools, optimized the hygienic environment of our campuses, strictly implemented prevention and control measures to safeguard the health of our students and teachers and to create a healthy and safe campus. In November, our school carried out an all-around and no blind spots disinfection work, based on the principle of "comprehensive and thorough, leaving no blind spots", starting from the "heart" and starting from the "details", and operated in strict accordance with the standards and specifications of hygiene and disinfection management, which effectively prevented the breeding and spreading of infectious diseases, reduced the occurrence of prevalent illnesses in the campus, and built up a solid protective barrier for the lives and health of teachers and students.



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.

**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.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Year, Saintach Kindergartens has introduced an advanced kitchen management model, and made every effort to create a "4D" kitchen, so as to improve food hygiene and safety standards, and to strengthen the safeguards for the safety of children's food. We have upgraded the standardized management of the kitchen starting from "Being Arranged, Being Responsible, Being Trained, and Being Implemented (整理到位、責任到位、訓練到位、執行到位)". Under the "4D" management system, the traditional kitchen has been upgraded, becoming neat and tidy, well-organized, standardized, and healthy and safe. At the same time, we provided training to our staff, and shared a large number of cases of successful introduction of "4D" kitchen management. We explained how to implement "4D" operation standards in each area, and arranged the office supplies, tools, utensils and ingredients in the kitchen in a reasonable and orderly manner through illustration and labeling, helping staff to achieve the goal of clean and orderly, standardized and safe kitchen management. Through the introduction of advanced kitchen management mode and staff training, Saintach Kindergartens has improved the level of food hygiene and safety, and strengthened the line of defense for children's food safety.

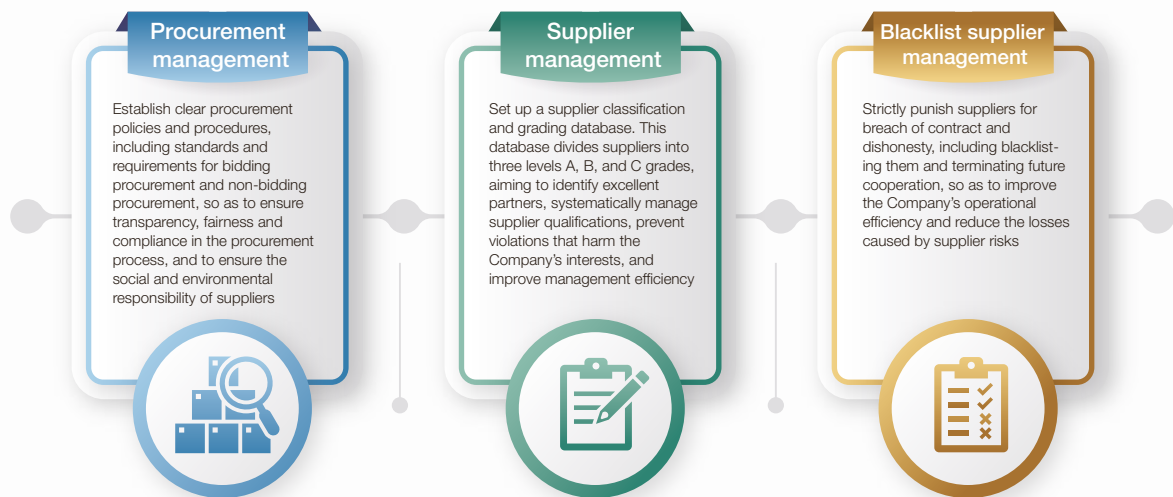


During the Reporting Period, 21st Century Education and its subordinate schools did no aware of any food safety risks or any food safety accidents occurred.

## 6. STABLE BUSINESS OPERATION

### 6.1 Supply Chain Management

The Group has clarified 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.



In the process of supplier classification and grading, we adhere to the principles of “management by classification, standard setting, openness and transparency, supervision and control (分類管理、標準制定、公開透明、監督約束)” to systematically manage supplier qualifications in three grades, so as to identify excellent partners, and blacklist suppliers who provide false information. The supplier categorization and grading database is checked and updated on a quarterly basis to prevent qualified suppliers from being left out, and to make appropriate adjustments to the grades of suppliers that have been listed in the database.

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.

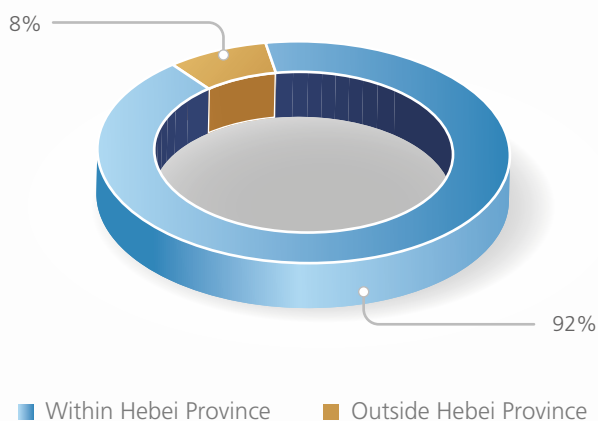
## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 129 suppliers in total, of which 119 suppliers were from Hebei Province and the remaining 10 suppliers were from outside Hebei Province.

### Suppliers 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.

In our marketing and enrollment activities, we strictly adhere to the principle and promise of “truthfulness and accuracy”, avoiding false, exaggerated, or misleading publicity. We accurately communicate the school’s educational philosophy, curriculum, and the achievements of our teachers and students to ensure that parents and students can make informed choices. We uphold the following principles in our marketing and enrollment activities:



**Truthful Marketing Content**

We are committed to ensuring that all of our marketing materials are truthful and accurate, avoiding false, exaggerated, or misleading publicity. We accurately communicate the school’s educational philosophy, curriculum, and the achievements of our teachers and students to ensure that parents and students can make informed choices.



**Compliance with Enrollment Regulations**

We strictly enforce the enrollment prospectus to ensure that the enrollment policies, procedures and standards are fair, transparent and legal, and follow the regulations to ensure that the enrollment prospectus and advertisements and other promotional materials are submitted to the approving authority for record.



**Prohibition of Unethical Marketing Practices**

We reject any marketing practices that violate laws or regulations, including false publicity, unfair competition, and defamation of competitors. We operate in good faith and in accordance with the law, and abide by industrial ethics and commercial standards.

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 as 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. The scope of acceptance includes the violation of integrity discipline and ethical conduct by staff members, such as corruption and embezzlement, favoritism and fraud, rent-seeking by power, transfer of benefits, and improper benefit-seeking behaviors, and also includes complaints about staff concealing major risks and operational accidents, as well as unauthorized absence from duty, falsification, negligence and other acts of dereliction of duty and malfeasance. We will handle each complaint seriously and take appropriate investigative and disciplinary measures to ensure a fair, transparent and clean working environment.

We have formulated 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》), which aims to prevent employee fraud, corruption and money laundering. The system covers a number of topics including the leadership and training to promote ethical behavior, encouraging employee compliance with laws and regulations, implementing effective unethical behavior reporting mechanisms, and assessing and controlling the significance related to fraud and money laundering risks.

We have established reporting channel for employees to report any ethical violations, suspected fraud, embezzlement and money laundering within the Company. The reporting channel is managed by the head of legal compliance department. We receive, retain and process anonymous or real name reports and maintains written records. The system provides for procedures 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:	<a href="https://www.21centuryedu.com/report/online">https://www.21centuryedu.com/report/online</a>
Mailing address for receipt of whistleblowing materials:	15/F, South Tower, Zhonghai Plaza, 8 Guanghua Dongli, Chaoyang District, Beijing, the PRC

We are committed to fostering a transparent and ethical work environment. Through the above systems and reporting channels, we will ensure that any irregularities are identified and dealt with in a timely manner and that appropriate disciplinary action is taken. We value employee participation and cooperation in working together to uphold the Company's reputation and ethical standards. When we identify fraud, corruption, or money laundering by our employees, we will take remedial action including written reporting to assess and improve internal controls, and take appropriate action against violators and, when necessary, notify internal and external third parties of the action results. We require employees to sign the Integrity Cooperation Agreement (《廉潔合作協議書》) to ensure 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 agreement, the Group will impose administrative and financial penalties on the responsible personnel depending on the severity and impact of the incident, and transfer suspected illegal and criminal cases to judicial authorities.



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. 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.

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

### 6.4 Protecting Intellectual Property Rights

21st Century Education strictly complies with the relevant laws and regulations relating to the control and management of intellectual property rights, including:

- Trademark Law of the People's Republic of China (《中華人民共和國商標法》);
- Patent Law of the People's Republic of China (《中華人民共和國專利法》);
- Copyright Law of the People's Republic of China (《中華人民共和國著作權法》); and
- 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》).

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 2023, the Group maintained 60 registered patents and added 13 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. In order to manage and control information security, 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 have formulated 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. By utilizing information management systems, we can improve efficiency, reduce errors, and enhance security.

We require all employees to comply with relevant regulations, including obtaining approval from the Institute's Information Technology Center before using new information systems. The Use Specifications for the Information Management System (《信息管理系統使用規範》) specifically stipulate requirements for user management, process management, data information and system security. Each department of the college is responsible for complying with these guidelines, and those who do not comply will result in penalties such as warnings or fines. We emphasize the importance of following these guidelines to improve the college's information system services and reduce risks. Protecting information security is our top priority, and the Group will continue to strive to strengthen information security management to ensure the confidentiality, integrity, and availability of personal information.

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.

#### 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.



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have adopted the following measures for water management:

- Post water-saving labels in every toilet
- Conduct regular inspection and maintenance for water-using equipment to minimize water wastage due to leakage
- Use faucets and appliances with water-saving labels
- Fully utilize irrigation water from canals for watering of green areas
- Replace all pumping equipment on the Institute campus with variable frequency controls

### **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 management:

- Use waste classification recycle bins or other suitable devices to recycle papers, metals and plastic
- Reuse envelopes, folders, file cards and other stationeries
- Try to use rechargeable batteries to replace disposable batteries
- Try to use recyclable toner/ink cartridges
- Try to fix equipment before replacing it
- Encourage the use of water dispensers to reduce the use of plastic water bottles
- Encourage students to bring their own tableware to reduce the use of disposable tableware

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Statistical item	Statistical item	Unit	2023	2022
Total hazardous waste				
	Waste fluorescent tube	kg	160	150
	Computer	set	12	20
	Battery	pieces	220	80
	Waste ink box, waste toner box	pieces	95	60
Hazardous waste intensity <sup>3</sup>				
	Waste fluorescent tube generation intensity	kg/person	4.6E-03	6.4E-03
	Computer generation intensity	set/person	3.4E-04	8.6E-04
	Battery generation intensity	pieces/person	6.3E-03	3.4E-03
	Waste ink box, waste toner box generation intensity	pieces/person	2.7E-03	2.6E-03
	Total non-hazardous waste	tonnes	75	5,995.2 <sup>4</sup>
	Non-hazardous waste intensity	tonnes/person	2.1E-03	0.3

### 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.

3 The denominator used herein and subsequence in the calculation of the intensity is the sum of the number of students and staffs in Saintach Kindergartens, Shijiazhuang Institute of Technology, Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學), and New Gaokao\* (新高考) Business institutions as the denominator.

4 In 2022, due to the construction of the Gaoyi Campus of Shijiazhuang Institute of Technology, there were more non-hazardous waste discharges.

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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
- Conduct regular inspection and maintenance of equipment to minimize the burden of increased water and electricity consumption due to damages
- Post energy-saving notices throughout the campus to cultivate environmental protection habits
- Regularly clean windows to increase natural light in the school, thereby reducing electricity consumption

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

Statistical item	Unit	2023	2022
Total direct energy consumption	mWh	9,689.5	3,856.2
Diesel consumption	mWh	0	3.4
Diesel consumption intensity	kWh/person	0	0.14
Gasoline consumption	mWh	16.9	0
Gasoline consumption intensity	kWh/person	4.8E-04	0
Natural gas consumption	mWh	9,672.6	3,852.9
Natural gas consumption intensity	mWh/person	0.3	0.2
Total indirect energy consumption	mWh	10,121.6	7,077.8
Purchased electricity consumption	mWh	10,121.6	7,077.8
Purchased electricity consumption intensity mWh/person		0.3	0.3
Total energy consumption	mWh	19,811.1	10,934.0
Total energy consumption intensity	mWh/person	0.6	0.5
Use of water resources			
Water consumption	ton	531,724	432,284
Water consumption intensity	ton/person	15.2	18.5

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **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, the information on our greenhouse gas emissions is as follows:

Statistical item	Unit	2023	2022
Air pollutants emission			
Nitrogen oxides emission <sup>5</sup>	kg	1,248.26	3,431.96
Sulphur oxides emission	kg	49.90	142.99
Greenhouse gas			
Scope 1 emissions	ton (carbon dioxide)	537.4	1,568.8
Scope 2 emissions	ton (carbon dioxide)	5,772.3	4,112.2
Tree planting reducing emissions <sup>6</sup>	ton (carbon dioxide)	62.9	55.8
Comprehensive emissions	ton (carbon dioxide)	6,246.8	5,625.2
Comprehensive emission intensity <sup>7</sup>	ton (carbon dioxide)/person	0.2	0.2

- 5 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.
- 6 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》).
- 7 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

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.

### Case study

### “Starting from the Heart, Focusing on Education with Love (從心出發、專注愛的教育)” series of public welfare activities

Saintach Pre-school Education and LIONFUL FOUNDATION visited Lingshou County to hold a public welfare event for girls in distress in December this year. Ten groups of loving families from Saintach Pre-school Education and ten girls in distress from Tanzhuang Central Primary School participated in this event. This public welfare event not only provided a meaningful gathering opportunity, but also brought school supplies for the children, including a variety of learning stationery and paintbrushes, meeting the children’s daily learning needs while also stimulating their interest and creativity in art. This event demonstrated the power of love, not only benefiting the children, but also making them feel the care and support from our society. At the same time, the event also promoted communication and understanding between loving families and girls in distress, creating a warm community atmosphere.



Case study

### Free medical clinic activity services to the community

In order to popularize health knowledge and create an atmosphere of professional ethics among medical and nursing students caring for the health of the public, the Health and Public Health College of Shijiazhuang Institute of Technology, together with Luquan District People's Hospital and Luquan District Women's Federation, jointly carried out a "Health into the Community" free medical clinic activity, entering Fukang neighborhood of Luquan District to provide community residents with a health service plan and promote health knowledge. This activity allowed the residents to actually feel the care and warmth from our society, and at the same time, it also enhanced the professional skills and professional ethics of our College' medical and nursing students. In the future, we will continue to go deep into the community to carry out free medical clinic activities, providing convenient and high-quality health services to the residents, improving their self-care awareness, and health standards.





## APPENDIX I: SUSTAINABILITY DATA SUMMARY

Social Aspect	Unit	2023	2022
Total number of employees	Persons	1,332	1,489
<b>Total number of employees (By gender)</b>			
Female	Persons	960	1,049
Male	Persons	372	440
<b>Total number of employees (By type of employment)</b>			
Full time	Persons	1,188	1,202
Part time	Persons	144	287
<b>Total number of employees (By age group)</b>			
Below 30	Persons	462	531
30 to 50	Persons	767	855
Above 50	Persons	102	103
<b>Total number of employees (By region)</b>			
Within Hebei Province	Persons	1,218	1,364
Outside Hebei Province	Persons	114	125
<b>Turnover rate</b>			
Turnover rate of work force	%	26.6	20.1
<b>Employee turnover rate (By gender)</b>			
Female	%	27.7	19.1
Male	%	23.7	22.5
<b>Employee turnover rate (By age group)</b>			
Below 30	%	30.6	33.3
30 to 50	%	25.4	11.2
Above 50	%	17.5	25.2
<b>Employee turnover rate (By region)</b>			
Within Hebei Province	%	23.0	13.6
Outside Hebei Province	%	64.6	90.4
<b>Occupational Health and Safety — Work-related deaths of direct employed employees</b>			
Number of work-related fatalities occurred in each of the past three years including the reporting year	Persons	0	0
Rate of work-related fatalities occurred in each of the past three years including the reporting year	%	0	0
Lost days due to work injury	Days	0	0



## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index content			Relevant sections
<b>A3: The Environment and Natural Resources</b>	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
<b>A4: Climate Change</b>	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>B. Environment</b>			
<b>B1: Employment</b>	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
<b>B2: Health and Safety</b>	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 Employee Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: SUSTAINABILITY DATA SUMMARY
	B2.2	Lost days due to work injury.	Appendix I: SUSTAINABILITY DATA SUMMARY
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3 Employee Health and Safety

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index content			Relevant sections
<b>B3: Development and Training</b>	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
<b>B4: Labour Standards</b>	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
<b>B5: Supply Chain Management</b>	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	

## VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index content			Relevant sections
<b>B6: Product Responsibility</b>	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.	4.6 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
<b>B7: Anti-corruption</b>	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
<b>B8: Community Investment</b>	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

## IX. INDEPENDENT AUDITOR'S REPORT

Year ended 31 December 2023



### 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 (collectively referred to as the “**Group**”) set out on pages 137 to 220, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, 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 (the “**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements which mentions that as at 31 December 2023 the Group had net current liabilities of approximately RMB315.2 million. These conditions indicate a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matters described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

## IX. INDEPENDENT AUDITOR'S REPORT

Year ended 31 December 2023

### KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Revenue recognition</i></p> <p>Refer to note 5 to the consolidated financial statements.</p> <p>The occurrence and completeness of the Group's revenue are of high inherent risk because of the large volume of tuition and boarding fees processed. In addition, tuition and boarding fees paid in advance at or prior to the beginning of each academic year are recognised as revenue proportionately over the financial years covering that academic year or the respective program. Therefore, revenue may be recorded in an incorrect period of the financial year.</p> <p>The accounting policy for revenue recognition and disclosure of the amount of revenue are included in notes 2.3 and 5 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>– 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;</li><li>– 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;</li><li>– recalculated the amount of contract liabilities and revenue recognised during the year;</li><li>– 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</li><li>– evaluated the adequacy of the Group's disclosures regarding revenue in the consolidated financial statements.</li></ul> <p>We consider that the Group's revenue recognition are supported by the available evidence.</p>

## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Income tax</i></p> <p>Refer to notes 2.3, 3 and 10 to the consolidated financial statements.</p> <p>As set out in note 10 to the consolidated financial statements, pursuant to the 2016 Decision (as defined in note 10 to the consolidated financial statements), private schools are no longer being classified as either schools for which the school 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 consolidated financial statements), a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities, and a non-profit school may enjoy the same tax policies as those enjoyed by a public school.</p> <p>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.</p> <p>There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatments enjoyed by the Group's schools.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>– 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;</li> <li>– evaluated management's assessment on the application of preferential tax or applicable tax rate to the Group's schools;</li> <li>– 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;</li> <li>– 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;</li> <li>– 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;</li> <li>– examined the historical tax filing returns filed to the relevant tax authorities and the tax compliance confirmations obtained, where appropriate;</li> <li>– 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</li> <li>– evaluated the adequacy of the Group's disclosures regarding income tax in the consolidated financial statements.</li> </ul> <p>We consider that the Group's income tax are supported by the available evidence.</p>





## IX. INDEPENDENT AUDITOR'S REPORT

Year ended 31 December 2023

### OTHER INFORMATION

The directors of the Company (the “**Directors**”) are responsible for the other information. The other information comprises all the information in the Company’s annual report, but does not include 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### 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. We report our opinion 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA’s website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor’s report.

#### ZHONGHUI ANDA CPA Limited

*Certified Public Accountants*

#### Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 28 March 2024

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

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	5	420,028	311,908
Cost of sales		(255,069)	(165,524)
<b>Gross profit</b>		164,959	146,384
Other income and gains, net	5	43,851	35,186
Selling and distribution expenses		(26,227)	(16,007)
General and administrative expenses		(82,699)	(70,758)
Other expenses		(17,979)	(31,766)
Finance costs	7	(42,745)	(35,625)
<b>Profit before tax</b>	6	39,160	27,414
Income tax credit/(expense)	10	676	(696)
<b>Profit for the year</b>		39,836	26,718
<b>Attributable to:</b>			
Owners of the Company		39,911	27,300
Non-controlling interests		(75)	(582)
		39,836	26,718
<b>Earnings per share attributable to ordinary equity holders of the Company</b>	12		
Basic		RMB3.50 cents	RMB2.39 cents
Diluted		RMB3.50 cents	RMB2.39 cents
<b>Profit for the year</b>		39,836	26,718
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		4,128	20,955
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		29	(1,486)
<b>Other comprehensive income for the year</b>		4,157	19,469
<b>Total comprehensive income for the year</b>		43,993	46,187
<b>Attributable to:</b>			
Owners of the Company		44,068	46,769
Non-controlling interests		(75)	(582)
		43,993	46,187

## XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	941,962	641,915
Right-of-use assets	14(a)	538,980	533,517
Goodwill	15	81,015	89,507
Other intangible assets	16	41,083	45,770
Financial assets at fair value through profit or loss	17	1,091	1,041
Pledged deposits	22	–	66,000
Deferred tax assets	26	8,440	8,475
Other non-current assets	18	35,855	65,953
<b>Total non-current assets</b>		<b>1,648,426</b>	1,452,178
<b>Current assets</b>			
Trade receivables	19	22,099	11,590
Contract costs	20	10,572	4,059
Prepayments, other receivables and other assets	21	62,926	45,428
Amounts due from related parties	36(b)	–	12,787
Financial assets at fair value through profit or loss	17	7,906	5,449
Term deposits	22	40,000	90,000
Pledged deposits	22	176,000	110,000
Cash and bank balances	22	270,254	212,583
Other current assets	18	84,566	11,388
<b>Total current assets</b>		<b>674,323</b>	503,284
<b>Current liabilities</b>			
Other payables and accruals	23	218,559	146,523
Contract liabilities	24	189,574	143,025
Interest-bearing bank and other borrowings	25	571,100	233,702
Lease liabilities	14(b)	7,667	31,634
Amounts due to related parties	36(b)	–	882
Tax payable		2,656	2,142
Other current liabilities		–	1,671
<b>Total current liabilities</b>		<b>989,556</b>	559,579
<b>Net current liabilities</b>		<b>(315,233)</b>	(56,295)
<b>Total assets less current liabilities</b>		<b>1,333,193</b>	1,395,883

## XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	25	304,561	459,681
Lease liabilities	14(b)	68,532	36,976
Deferred tax liabilities	26	5,924	7,365
Deferred income	27	165,097	166,000
Other payables and accruals	23	7,894	–
<b>Total non-current liabilities</b>		<b>552,008</b>	670,022
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	28	9,750	9,750
Treasury shares	28	(168)	(169)
Reserves	30	768,778	708,917
<b>Equity attributable to owners of the Company</b>		<b>778,360</b>	718,498
Non-controlling interests		2,825	7,363
<b>TOTAL EQUITY</b>		<b>781,185</b>	725,861

The consolidated financial statements on pages 137 to 220 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

**LI YASHENG**

*Director*

**LIU HONGWEI**

*Director*

## XII. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Treasury shares <sup>A</sup>	Share premium*	Capital reserve*	Capital redemption reserve*	Statutory surplus reserve*	Share-based payment reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 28)	(note 28)	(note 30)	(note 30)	(note 30)	(note 30)	(note 29)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)
<b>At 1 January 2022</b>	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	
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	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)	
Exercised 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)	-	-	-	
<b>At 31 December 2022</b>	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	
<b>At 1 January 2023</b>	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	
Profit for the year	-	-	-	-	-	-	-	-	-	-	39,911	39,911	(75)	39,836	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	4,157	-	-	4,157	-	4,157	
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	4,157	-	39,911	44,068	(75)	43,993	
Final 2022 dividend declared	-	-	(8,545)	-	-	-	-	-	-	-	-	(8,545)	-	(8,545)	
Disposal of partial interest in a subsidiary (note 33)	-	-	-	22,463	-	-	-	-	-	-	-	22,463	(4,463)	18,000	
Exercised of share awards under the restricted share unit scheme	-	1	5,223	-	-	-	(5,202)	-	-	-	-	22	-	22	
Equity-settled share option arrangements	-	-	-	-	-	-	1,854	-	-	-	-	1,854	-	1,854	
Profit appropriation to reserves	-	-	-	-	-	22,357	-	-	-	-	(22,357)	-	-	-	
<b>At 31 December 2023</b>	9,750	(168)	227,627	77,259	671	185,182	2,623	(2,000)	33,843	1,631	241,942	778,360	2,825	781,185	



## XII. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

^ During the year ended 31 December 2023, the Company did not repurchase (2022: repurchased 6,012,000 shares) of its shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The shares repurchased in 2022 were subsequently cancelled during the year ended 31 December 2022.

During the year ended 31 December 2023, approximately 98,000 (2022: approximately 813,000) of its repurchased shares were exercised under the restricted share unit scheme. Upon completion of the exercise, the remaining approximately 19,844,000 (2022: approximately 19,942,000) repurchased shares were presented as treasury shares amounting to RMB168,000 (2022: RMB169,000) as at 31 December 2023.

\* These reserve accounts comprise the consolidated reserves of RMB768,778,000 in the consolidated statement of financial position as at 31 December 2023 (2022: RMB708,917,000).

### XIII. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Cash flows from operating activities</b>			
Profit before tax		39,160	27,414
Adjustments for:			
Finance costs	7	42,745	35,625
Interest income	5	(11,125)	(14,146)
Investment income	5	(2,942)	(5,368)
Changes in fair value of financial assets/liabilities at fair value through profit or loss	6	(920)	688
Recognition of certain donated property, plant and equipment		(13,560)	(8,244)
Covid-19-related VAT exemptions	5	(92)	(217)
Deferred income for government grants	27	(903)	–
Change in the non-cancellable period of a lease		5,857	(153)
Depreciation of property, plant and equipment	6	38,295	25,705
Depreciation of right-of-use assets	6	39,561	26,051
Amortisation of intangible assets	6	8,026	4,658
Share-based payment expenses		1,854	3,378
(Reversal of impairment)/impairment of trade receivables and other receivables under expected credit losses model	6	(83)	2,145
Impairment of goodwill	15	8,492	8,629
Loss on disposal of items of property, plant and equipment, and intangible assets	6	871	115
Operating cash flows before movements in working capital		155,236	106,280
(Increase)/decrease in prepayments, other receivables and other assets		(15,325)	2,027
Increase in trade receivables		(4,696)	(798)
Increase in contract costs		(15,883)	(3,814)
Decrease/(increase) in amounts due from related parties		7,299	(1,753)
Increase in other payables and accruals		20,087	15,992
Increase in amounts due to related parties		–	464
Increase in contract liabilities		46,549	4,319
Cash generated from operations		193,267	122,717
Interest received		4,788	6,115
Income tax paid		(216)	(380)
<b>Net cash from operating activities</b>		<b>197,839</b>	<b>128,452</b>

### XIII. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Cash flows from investing activities</b>			
Interest received		1,212	11,036
Investment income received		2,942	20,074
Purchases for items of property, plant and equipment		(281,752)	(348,006)
Addition to land lease payments		–	(236,229)
Purchases for intangible assets		(3,339)	(3,400)
Purchases for financial assets at fair value through profit or loss		(1,506)	–
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		(3,580)	–
Proceeds from disposal of items of property, plant and equipment, and intangible assets		–	251
Receipt of government grants for property, plant and equipment		–	166,000
Net cash outflow in respect of balances with various third parties		–	(32,095)
Decrease in pledged deposits		–	11,000
(Decrease)/increase in non-pledged term deposits with original maturity of more than three months when acquired		50,000	(50,000)
<b>Net cash used in investing activities</b>		<b>(236,023)</b>	<b>(454,511)</b>
<b>Cash flows from financing activities</b>			
New bank and other borrowings		450,020	576,086
Repayment of bank and other borrowings		(267,742)	(329,171)
Principal portion of lease payments		(43,292)	(14,581)
Dividends paid		(8,545)	(7,324)
Interest paid		(45,684)	(35,625)
Proceeds from disposal of partial interest in a subsidiary	31	7,000	–
Exercise of share awards under the restricted share unit scheme		22	177
Repurchases of shares		–	(2,344)
<b>Net cash from financing activities</b>		<b>91,779</b>	<b>187,218</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		212,583	334,332
Effect of foreign exchange rate changes		4,076	17,092
<b>Cash and cash equivalents at end of year</b>		<b>270,254</b>	<b>212,583</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Represented by:			
Cash and bank balances	22	270,254	212,583



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 of the Company (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	
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
河北晟道象成教育科技有限公司 Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (“ <b>Sheng Dao Xiang Cheng</b> ”) (Note i)	PRC/ Mainland China	US\$500,000	–	100	Provision of technical and management consultancy services
河北澤瑞教育科技有限責任公司 Hebei Zerui Education Technology Co., Ltd.*# (“ <b>Zerui Education</b> ”) (Note ii)	PRC/ Mainland China	RMB40,000,000	–	100	Investment holding
石家莊理工職業學院 Shijiazhuang Institute of Technology*# (Note iii)	PRC/ Mainland China	RMB5,000,000	–	100	Provision of university education services and relevant management services
河北新天際教育科技有限公司 Hebei Saintach Education and Technology Co., Ltd.*# (“ <b>Hebei Saintach</b> ”) (Note ii)	PRC/ Mainland China	RMB10,000,000	–	100	Investment holding and provision of kindergarten management service

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. CORPORATE INFORMATION (Continued)

#### Information about subsidiaries (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	
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") (Note iii)	PRC/ Mainland China	RMB900,000	–	100	Provision of kindergarten education service
正定縣新天際幼兒園 Zhengding County Saintach Kindergarten*# ("Zhengding") (Note iii)	PRC/ Mainland China	RMB500,000	–	100	Provision of kindergarten education service
石家莊市鹿泉區新天際福康幼兒園 Shijiazhuang Luquan District Fukang Saintach Kindergarten*# ("Fukang") (Note iii)	PRC/ Mainland China	RMB500,000	–	100	Provision of kindergarten education service
石家莊市長安區新天際清暉幼兒園 Shijiazhuang Chang'an District Qinghui Saintach Kindergarten*# ("Qinghui") (Note iii)	PRC/ Mainland China	RMB500,000	–	100	Provision of kindergarten education service
石家莊高新技術產業開發區新天際天山幼兒園 Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten*# ("Tianshan") (Note iii)	PRC/ Mainland China	RMB500,000	–	100	Provision of kindergarten education service
石家莊市長安區新天際建華幼兒園 Shijiazhuang Chang'an District Jianhua Saintach Kindergarten*# ("Jianhua") (Note iii)	PRC/ Mainland China	RMB100,000	–	100	Provision of kindergarten education service
石家莊市橋西區新天際麗都幼兒園 Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten*# ("Lidu") (Note iii)	PRC/Mainland China	RMB500,000	–	100	Provision of kindergarten education service
正定縣新天際福門里幼兒園 Zhengding County Fumenli Saintach Kindergarten*# ("Fumenli") (Note iii)	PRC/Mainland China	RMB500,000	–	100	Provision of kindergarten education service

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. CORPORATE INFORMATION (Continued)

#### Information about subsidiaries (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	
石家莊新天際教育科技有限公司 Shijiazhuang Saintach Education and Technology Co., Ltd.*# ("Shijiazhuang Saintach") (Note ii)	PRC/Mainland China	RMB3,000,000	–	100	Investment holding
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") (Note ii)	PRC/Mainland China	RMB3,157,900	–	100	Provision of technical service
北京志航教育科技有限公司 Beijing Zhihang Education Technology Co., Ltd.*# ("Beijing Zhihang") (Note ii)	PRC/Mainland China	RMB3,000,000	–	100	Provision of technical service
上海志宇教育科技有限公司 Shanghai Zhiyu Education Technology Co., Ltd.* ("Shanghai Zhiyu") (Note ii)	PRC/Mainland China	RMB5,000,000	–	100	Provision of technical service
浙江培尖科技有限公司 Zhejiang Peijian Technology Co., Ltd.*# ("Zhejiang Peijian") (Note ii)	PRC/Mainland China	RMB10,000,000	–	100	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") (Note ii)	PRC/Mainland China	RMB1,000,000	–	100	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") (Note ii)	PRC/Mainland China	RMB1,000,000	–	100	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") (Note ii)	PRC/Mainland China	RMB1,250,000	–	100	Investment holding

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. CORPORATE INFORMATION (Continued)

#### Information about subsidiaries (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	
紹興上虞學鼎教育諮詢有限公司 Shaoxing Shangyu Xueding Education Consulting Co., Ltd.*# ("Shangyu Company") (Note ii)	PRC/Mainland China	RMB150,000	–	100	Investment holding and provision of afterschool tutoring service
石家莊澤瑞教育科技有限公司 Shijiazhuang Zerui Education Technology Co., Ltd.*# ("Shijiazhuang Zerui") (Note ii)	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") (Note i)	PRC/Mainland China	US\$1,000,000	–	100	Provision of technical service
愛迪歐環球(北京)教育科技 有限公司 Aidiou Global (Beijing) Education Technology Co., Ltd.*# ("Aidiou Education") (Note ii)	PRC/Mainland China	RMB5,000,000	–	100	Provision of educational counselling service
舟山市學鼎託管服務有限公司 Zhoushan Shinedao Xueding trusteeship service Co., Ltd.*# ("Xueding Tuoguan") (Note ii)	PRC/Mainland China	RMB300,000	–	100	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") (Note ii)	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") (Note iii)	PRC/Mainland China	RMB500,000	–	70	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.

Notes:

- i. These subsidiaries are wholly foreign owned enterprise established in the PRC.
- ii. These subsidiaries are limited liability companies established in the PRC.
- iii. These subsidiaries are schools established in the PRC.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. CORPORATE INFORMATION (Continued)

#### Information about subsidiaries (Continued)

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 consolidated 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 consolidated 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 RMB315.2 million as at 31 December 2023 which was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2023 and the reclassification of certain bank loans with specific drawdown requirements amounted to approximately RMB282.5 million as at 31 December 2023 to current liabilities. Details of which are set out in note 25 to the consolidated financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 operations, the additional financial resources available to the Group including the available banking facilities and the successful refinancing of certain existing bank and other borrowings upon maturity, and the positive operating results, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.1. BASIS OF PRESENTATION (Continued)

#### Basis of consolidation

The consolidated financial statements include the consolidated financial statements of the Group for the year ended 31 December 2023. 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 consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

### 2.2. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise IFRS; IAS; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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 noncontrolling 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.

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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Fair value measurement

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

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

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

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

#### Impairment of non-financial assets

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

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



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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	1.90% 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Leases

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

#### *Group as a lessee*

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

#### (a) *Right-of-use assets*

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

Leasehold land	32 to 50 years
Buildings	2 to 10 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 straightline basis over the lease term.

## 2.3. MATERIAL 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, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of 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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Financial liabilities

##### *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.

##### *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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Derecognition of financial liabilities

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

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

#### 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.





## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### 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.

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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Government grants

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

#### 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.

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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related 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 (the “**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 29 to these consolidated 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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 years ended 31 December 2023 and 2022, there was no forfeited contributions under the defined contribution scheme above which may be used by the Group to reduce the contribution payable.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL 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 consolidated 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 consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling as at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2.3. MATERIAL ACCOUNTING POLICIES (Continued)

#### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

#### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### 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 consolidated financial statements.

#### *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the cash flows from operations and the successful refinancing of certain existing bank and other borrowings upon maturity. Details are explained in note 2.1 to the consolidated 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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Judgements (Continued)

##### *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 consolidated 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 2023, the carrying amount of goodwill was RMB81,015,000 (2022: RMB89,507,000). Further details are given in note 15 to the consolidated financial statements.

##### *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 standalone 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 consolidated financial statements.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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.

Year ended 31 December 2023	Vocational education RMB'000	Non- vocational education RMB'000	Total RMB'000
<b>Segment revenue</b>			
Sales to external customers	270,471	149,557	420,028
Other revenue	23,322	9,057	32,379
Revenue	293,793	158,614	452,407
<b>Segment results</b>	106,941	(5,211)	101,730
Reconciliation			
Finance costs (other than interest on lease liabilities)			(39,011)
Interest income			11,125
Unallocated income and expenses, net			(34,684)
Profit before tax			39,160
<b>Segment assets</b>	1,506,890	161,257	1,668,147
Reconciliation			
Term deposits			40,000
Pledged deposits			176,000
Cash and bank balances			270,254
Financial assets at fair value through profit or loss			8,997
Unallocated head office and corporate assets			159,351
Total assets			2,322,749
<b>Segment liabilities</b>	(505,677)	(142,449)	(648,126)
Reconciliation			
Interest-bearing bank and other borrowings			(875,661)
Tax payable			(2,656)
Unallocated head office and corporate liabilities			(15,121)
Total liabilities			(1,541,564)
<b>Other segment information:</b>			
Depreciation and amortisation	47,818	38,064	85,882
Capital expenditure <sup>^</sup>	338,199	83,025	421,224
Impairment of goodwill	–	8,492	8,492
Loss on disposal of items of property, plant and equipment	8	863	871



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022	Vocational education RMB'000	Non- vocational education RMB'000	Total RMB'000
<b>Segment revenue</b>			
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
<b>Segment results</b>	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
<b>Segment assets</b>	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
<b>Segment liabilities</b>	(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)
<b>Other segment information:</b>			
Depreciation and amortisation	37,113	19,301	56,414
Capital expenditure <sup>^</sup>	615,696	271,219	886,915
Impairment of goodwill	–	8,629	8,629
Loss on disposal of items of property, plant and equipment	59	56	115

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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 4. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

During the years ended 31 December 2023 and 2022, 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 2023 and 2022, 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	2023 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers</i>			
<b>Vocational education</b>			
Tuition fees		198,129	166,349
Boarding fees		29,125	20,927
College operation service income	(a)	27,264	25,418
Others	(b)	15,953	11,012
		<b>270,471</b>	223,706
<b>Non-vocational education</b>			
Tutoring fees		50,851	34,068
Tuition fees		93,495	50,893
Boarding fees		4,651	1,847
Consultation fees		560	1,394
		<b>149,557</b>	88,202
		<b>420,028</b>	311,908

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.
- (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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
<b>Timing of revenue recognition</b>		
Education related services transferred over time	413,706	308,192
Other services recognised at a point of time	6,322	3,716
	<b>420,028</b>	311,908

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:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	115,745	77,197
Boarding fees	19,286	14,728
Others	7,994	9,376
	<b>143,025</b>	101,301

No revenue recognised during the year relates to performance obligation that was satisfied in prior years.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

##### (ii) Performance obligations

###### Education related services

The performance obligations for the provision of education related services are satisfied over time as services are rendered and payment for tuition fees and boarding fees are normally required before rendering the services.

###### Other services

The performance obligations related to other services are satisfied at the point of time upon completion of the related services.

The contracts for education related services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Notes	2023 RMB'000	2022 RMB'000
<b>Other income and gains, net</b>			
Interest income		11,125	14,146
Investment income		2,942	5,368
Sale of education materials and living goods		7,049	3,828
Site use fees	(a)	2,971	1,880
Government grants	(b)	8,507	750
Covid-19-related VAT exemptions		92	217
Fair value gain on financial assets at fair value through profit or loss		920	–
Others		10,245	8,997
		<b>43,851</b>	<b>35,186</b>

Notes:

- (a) The amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.
- (b) The government grants were received by the Group and credited to profit or loss. There were no unfulfilled conditions in respect of these government grants.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services provided		255,069	165,524
Depreciation of property, plant and equipment	13	38,295	25,705
Depreciation of right-of-use assets	14(a)	39,561	26,051
Amortisation of intangible assets*	16	8,026	4,658
Lease payments not included in the measurement of lease liabilities	14(c)	642	1,003
Employee benefit expense (excluding directors' remuneration disclosed in note 8)			
Wages and salaries		103,985	86,068
Pension scheme contributions (defined contribution scheme)		10,916	8,961
Equity-settled compensation expenses		1,192	2,200
		116,093	97,229
Auditor's remuneration:			
Annual audit		1,600	1,780
Non-audit services		530	350
		2,130	2,130
Foreign exchange differences, net		3,055	17,385
(Reversal of impairment)/impairment of trade receivables	19	(325)	205
Impairment of goodwill**	15	8,492	8,629
Impairment of other receivables	21	242	1,940
Changes in fair value of financial assets/liabilities at fair value through profit or loss		(920)	780
Loss on disposal of items of property, plant and equipment, and intangible assets		871	115

\* 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings	42,303	44,039
Less: Interest capitalised	(3,650)	(10,635)
	<b>38,653</b>	33,404
Interest on lease liabilities (note 14(c))	3,734	1,862
Financing consultancy service charges <sup>^</sup>	358	359
	<b>42,745</b>	35,625

<sup>^</sup> 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:

	2023 RMB'000	2022 RMB'000
Fees	228	222
Other emoluments:		
Salaries, allowances and benefits in kind	1,253	1,307
Equity-settled share option expense	662	1,178
Pension scheme contributions	345	338
	<b>2,260</b>	2,823
	<b>2,488</b>	3,045

#### (a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Guo Litian	72	70
Mr. Yao Zhijun	72	70
Mr. Wan Joseph Jason	84	82
	<b>228</b>	222

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 8. DIRECTORS' REMUNERATION (Continued)

#### (b) Executive directors

Year ended 31 December 2023	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*	120	45	180	345
Mr. Liu Hongwei	186	59	183	428
Mr. Ren Caiyin	145	60	112	317
Ms. Yang Li	72	28	112	212
Mr. Li Yasheng	730	153	75	958
	1,253	345	662	2,260

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

\* Retired on 12 June 2023.

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

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,765	1,369
Pension scheme contributions	531	321
Equity-settled share option expense	68	61
	2,364	1,751

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

	2023	2022
Nil to HK\$1,000,000	4	3

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

### 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 (2022: Nil).

#### 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% (2022: 15%).

Certain subsidiaries were certified as small and micro-sized enterprises ("**SMEs**") in 2023. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% (2022: 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 (2022: 25%).



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 10. INCOME TAX (Continued)

#### PRC Corporate Income Tax (“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 consolidated 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 2023 (2022: Nil).

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 10. INCOME TAX (Continued)

#### PRC Corporate Income Tax ("PRC CIT") (Continued)

The major components of the corporate income tax (credit)/expense for the Group are as follows:

	2023 RMB'000	2022 RMB'000
Current — Mainland China		
Charge for the year	728	412
Under-provision/(over-provision) in prior years	2	(28)
Deferred (note 26)	(1,406)	312
	<b>(676)</b>	696

A reconciliation of the tax (credit)/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:

	2023 RMB'000	2022 RMB'000
Profit before tax	39,160	27,414
Tax at the statutory tax rate	9,790	6,853
Profit arising from schools not subject to tax	(56,217)	(40,764)
Effect of different tax rates for certain group entities	(542)	(854)
Expenses not deductible for tax	2,664	3,460
Adjustments in respect of current tax of previous periods	2	(28)
Tax losses utilised from previous periods	(321)	(1,087)
Tax losses not recognised	43,948	33,116
	<b>(676)</b>	696

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 2023, 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 (2022: Nil). In the opinion of the directors of the Company, 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 RMB161,436,000 at 31 December 2023 (2022: RMB137,893,000).

As at 31 December 2023, the Group had tax losses arising in Mainland China of approximately RMB101,939,000 (2022: RMB89,441,000) 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 11. DIVIDENDS

The directors do not recommend the payment of any final dividend in respect of the year (2022: HK0.80 cents per ordinary share).

### 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 1,141,262,609 (2022: 1,142,214,364) in issue during the year.

The calculation of the diluted earnings per share amount for the years ended 31 December 2023 and 2022 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:

	2023 RMB'000	2022 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	39,911	27,300

	Number of shares	
	2023	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue	1,161,204,000	1,162,964,811
Weighted average number of shares held for the RSU Scheme	(19,941,391)	(20,750,447)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	1,141,262,609	1,142,214,364
Effect of dilution-weighted average number of ordinary shares: RSU Scheme	554,107	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,141,816,716	1,142,214,364

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 13. PROPERTY, PLANT AND EQUIPMENT

31 December 2023	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 2022 and 1 January 2023:							
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)	0	(140,177)
Net carrying amount	382,839	33,916	26,443	5,954	229	192,534	641,915
At 1 January 2023, net of accumulated depreciation	382,839	33,916	26,443	5,954	229	192,534	641,915
Additions	88	10,472	44,439	5,834	-	278,380	339,213
Transfer	444,652	-	1,008	-	-	(445,660)	-
Disposals	-	-	(476)	(395)	-	-	(871)
Depreciation provided during the year (note 6)	(11,323)	(13,813)	(11,178)	(1,906)	(75)	-	(38,295)
At 31 December 2023, net of accumulated depreciation	816,256	30,575	60,236	9,487	154	25,254	941,962
At 31 December 2023:							
Cost	858,211	97,021	108,637	28,425	372	25,254	1,117,920
Accumulated depreciation	(41,955)	(66,446)	(48,401)	(18,938)	(218)	-	(175,958)
Net carrying amount	816,256	30,575	60,236	9,487	154	25,254	941,962

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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							
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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of certain buildings generally have lease terms between 2 and 10 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 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 and 1 January 2023	469,107	64,410	533,517
Additions	–	78,672	78,672
Depreciation charge	(10,870)	(28,691)	(39,561)
Decreases due to terminations	–	(33,648)	(33,648)
As at 31 December 2023	<b>458,237</b>	<b>80,743</b>	<b>538,980</b>

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	68,610	36,949
New leases	78,672	19,428
Additions as a result of acquisition of a subsidiary (note 32)	–	30,462
Accretion of interest recognised during the year	3,734	1,862
Payments	(47,026)	(16,443)
Decreases due to terminations	(27,791)	(3,648)
Carrying amount at 31 December	76,199	68,610
Analysed into:		
Current portion	7,667	31,634
Non-current portion	68,532	36,976

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

During the year ended 31 December 2022, the Company leased certain properties from its related party, Lionful Education and terminated in Aug 2022. Lease expense including the amortisation and interests of lease liabilities in aggregate recognised under the arrangement was RMB1,850,000.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	3,734	1,862
Depreciation charge of right-of-use assets	39,561	27,073
Expense relating to short-term leases (included in cost of sales)*	590	944
Expense relating to leases of low-value assets (included in administrative expenses)*	52	59
Total amount recognised in profit or loss	43,937	29,938

\* Lease expenses not included in the measurement of lease liabilities in aggregate amounted to RMB642,000 (2022: RMB1,003,000).

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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 15. GOODWILL

	RMB'000
At 1 January 2022	
Cost	68,007
Acquisition of a subsidiary (note 32)	43,766
Accumulated impairment	(22,266)
Net carrying amount at 31 December 2022	89,507
At 1 January 2023	
Cost net of accumulated impairment	89,507
Impairment during the year	(8,492)
Net carrying amount at 31 December 2023	81,015
At 31 December 2023	
Cost	111,773
Accumulated impairment	(30,758)
Net carrying amount	81,015

#### 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:

	2023 RMB'000	2022 RMB'000
Zhejiang Peijian	16,633	16,633
Xin Tian Di Xian	–	8,492
Aidiou Education	20,616	20,616
Shijiazhuang Yuying	43,766	43,766
	<b>81,015</b>	89,507



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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	
	2023	2022	2023	2022
Zhejiang Peijian*	17%	20%	3.0%	2.3%
Xin Tian Di Xian^	18%	21%	3.0%	2.3%
Aidiou Education*	19%	24%	3.0%	2.3%
Shijiazhuang Yuying*	14%	19%	3.0%	2.3%

^ Cash-generating unit of Xin Tian Di Xian

As at 31 December 2023, the recoverable amounts of the cash-generating unit of Xin Tian Di Xian was zero (2022: RMB8,349,000). According to the assessment of the recoverable amounts of the cash-generating unit, an amount of impairment loss of RMB8,492,000 (2022: 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 directors of the Company, 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 revenue 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Brands RMB'000	Other intangible assets RMB'000	Total RMB'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation and impairment	7,465	32,203	6,102	45,770
Additions	3,339	–	–	3,339
Amortisation provided during the year (note 6)	(954)	(4,170)	(2,902)	(8,026)
At 31 December 2023, net of accumulated amortisation and impairment	9,850	28,033	3,200	41,083
At 31 December 2023:				
Cost	13,066	38,529	8,486	60,081
Accumulated amortisation and impairment	(3,216)	(10,496)	(5,286)	(18,998)
Net carrying amount	9,850	28,033	3,200	41,083

	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 and impairment	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 and impairment	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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 RMB'000	2022 RMB'000
A listed equity investment, at fair value	(i)	7,906	5,449
Other unlisted investment, at fair value			
Life insurance policy	(ii)	1,091	1,041
		<b>8,997</b>	6,490
Analysed into:			
Current portion		7,906	5,449
Non-current portion		1,091	1,041

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 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 2023. 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 of the Company, 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 2023, the Group's life insurance policies were pledged as security for bank facilities granted to the Group. Further details are contained in note 25(iii) to the consolidated financial statements.

In the opinion of the directors of the Company, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as non-current assets.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 18. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Other unlisted investments, at amortised cost	(i)	65,762	65,628
Prepayment for acquisition of properties	(ii)	20,000	–
Deposits and other assets	(iii)	15,855	5,656
Input VAT to be claimed	(iv)	18,804	6,057
		<b>120,421</b>	77,341
Analysed into:			
Current portion		<b>84,566</b>	11,388
Non-current portion		<b>35,855</b>	65,953

Notes:

- (i) The balance represents 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 2023, the loss allowance was assessed to be minimal.
- (ii) On 20 June 2023, the seller (a property developer in the PRC and an independent third party) entered into several sale and purchase agreements with the Group, pursuant to which the seller agreed to sell and the Group agreed to acquire several properties at an aggregate consideration of approximately RMB29,516,000. As at 31 December 2023, the balance represents the prepayment for the acquisition of the aforesaid properties, which are reserved for office premises use.
- (iii) The balance as at 31 December 2023 mainly represented deposits 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Tuition receivables	23,012	12,997
Impairment under expected credit loss model	(913)	(1,407)
	<b>22,099</b>	11,590

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

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

	2023 RMB'000	2022 RMB'000
Within one year	17,394	9,148
One to two years	4,161	2,242
Two to three years	544	200
	<b>22,099</b>	11,590

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

	2023 RMB'000	2022 RMB'000
At beginning of year	1,407	1,409
(Reversal of impairment)/impairment (note 6)	(325)	205
Write-off	(169)	(207)
At end of year	<b>913</b>	1,407

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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 19. TRADE RECEIVABLES (CONTINUED)

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 2023

	Current	Past due		Total
		Less than 183 days	Over 183 days	
Expected credit loss rate	1%	5%	11%	4%
Gross carrying amount (RMB'000)	13,892	2,548	6,572	23,012
Expected credit losses (RMB'000)	82	136	695	913

As at 31 December 2022

	Current	Past due		Total
		Less than 183 days	Over 183 days	
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

### 20. CONTRACT COSTS

Contract costs capitalised as at 31 December 2023 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 2023 was approximately RMB7,271,000 (2022: RMB2,856,000). There was no impairment in relation to the costs capitalised as at 31 December 2023.

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

### 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	13,725	5,843
Deposits	11,171	10,301
Consideration receivable for disposal of partial interest in a subsidiary (note 31)	11,000	–
Other receivables	29,212	31,224
	65,108	47,368
Impairment of other receivables under expected credit loss model	(2,182)	(1,940)
	62,926	45,428

During the year, impairment of other receivables provided was RMB242,000 (2022: RMB1,940,000).

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 22. CASH AND BANK BALANCES, TERM DEPOSITS AND PLEDGED DEPOSITS

	Note	2023 RMB'000	2022 RMB'000
Cash and bank balances		270,254	212,583
Pledged deposits		176,000	176,000
Term deposits		40,000	90,000
		<b>486,254</b>	478,583
Less: Pledged deposits for bank facilities	(i)	(176,000)	(176,000)
Term deposits with original maturity over three months		(40,000)	(90,000)
		<b>270,254</b>	212,583
Cash and cash equivalents			
Denominated in:			
RMB		469,468	472,380
HK\$		11,570	1,108
US dollars (US\$)		5,216	5,095
		<b>486,254</b>	478,583

Note:

- (i) As at 31 December 2023, the Group's deposits pledged for banking facilities amounted to RMB176,000,000 (2022: RMB176,000,000), out of which, an amount of RMB66,000,000 was classified as a long term pledged deposit as at 31 December 2022 as it was pledged for a long term bank loan (note 25(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.

As at 31 December 2023, the Group's cash and bank balances, term deposits and pledged deposits denominated in RMB amounted to RMB469,468,000 (2022: RMB472,380,000). 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 23. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Salary and welfare payables	50,129	32,864
Miscellaneous advances from students*	36,098	29,941
Other tax payables	4,400	4,488
Payables for purchases of property, plant and equipment	80,489	30,678
Deposits	8,546	6,005
Scholarships	1,196	1,610
Other payables	30,755	32,957
Retention payable#	10,440	–
Remaining consideration payable for acquisition of a subsidiary (note 32)	4,400	7,980
	<b>226,453</b>	146,523
Analysed into:		
Current portion	<b>218,559</b>	146,523
Non-current portion	<b>7,894</b>	–

\* The balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

# Retention payable is withheld from the suppliers of construction works and will be released by the Group within 12 to 60 months upon completion of their works.

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.

### 24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Tuition fees	162,677	115,745
Boarding fees	18,290	19,286
Others	8,607	7,994
Total contract liabilities	<b>189,574</b>	143,025

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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

An analysis of interest-bearing bank and other borrowings:

	2023 RMB'000	2022 RMB'000
Current portion of bank and other borrowings	571,100	233,702
Non-current portion of bank and other borrowings	304,561	459,681
Total of bank and other borrowings	875,661	693,383

	Notes	2023			2022		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>							
Short term bank loans							
– secured	(i)	–	–	–	6.80%	2023	50,000
Short term bank loans							
– unsecured	(ii)	6.30%-8.30%	2024	118,415	3.70%-8.30%	2023	51,933
Current portion of long term bank loans							
– secured	(iii)	4.40%-7.00%	2024	98,261	1.51%-7.00%	2023	29,850
Current portion of long term bank loans							
– unsecured	(iv)	2.50%-6.00%	2024	19,769	2.50%-6.00%	2023	10,977
Current portion of other borrowings							
– secured	(v)	6.50%-10.44%	2024	40,363	8.47%-10.44%	2023	74,475
Current portion of other borrowings							
– unsecured	(vi)	8.32%	2024	11,753	8.32%	2023	16,467
				288,561			233,702
Add:							
Repayable on demand within one year	(vii)						
– Secured bank borrowings		6.20%	2025	88,000			–
– Unsecured bank borrowings		2.50%-6.00%	2025	194,539			–
				282,539			–
Current portion of bank and other borrowings				571,100			233,702
<b>Non-current</b>							
Long term bank loans							
– secured	(iii)	4.4%-7.00%	2025-2030	342,438	1.51%-7.00%	2024-2027	205,516
Long term bank loans							
– unsecured	(iv)	2.50%-6.00%	2025	194,539	2.50%-6.00%	2024-2025	214,308
Other borrowings							
– secured	(v)	6.50%-10.44%	2025-2026	30,576	8.47%-10.44%	2024-2025	37,579
Other borrowings							
– unsecured	(vi)	8.32%	2025-2026	19,547	8.32%	2024	2,278
				587,100			459,681
Less:							
Repayable on demand within one year	(vii)						
– Secured bank borrowings		6.20%	2025	(88,000)			–
– Unsecured bank borrowings		2.50%-6.00%	2025	(194,539)			–
				(282,539)			–
Non-current portion of bank and other borrowings				304,561			459,681

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	518,984	142,760
In the second year	37,072	112,631
In the third to fifth years, inclusive	122,710	307,193
Over five years	94,656	–
	<b>773,422</b>	562,584
Other borrowings repayable:		
Within one year or on demand	52,116	90,942
In the second year	30,449	32,798
In the third to fifth years, inclusive	19,674	7,059
	<b>102,239</b>	130,799
	<b>875,661</b>	693,383

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 2023, a bank borrowing of nil (2022: RMB50,000,000) 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 2023, a bank borrowing of RMB13,000,000 (2022: RMB13,000,000) was guaranteed by an independent financing guarantee company.

As at 31 December 2023, a bank borrowing of RMB70,000,000 (2022: RMB30,000,000) was guaranteed by Mr. Li Yunong.

As at 31 December 2023, a bank borrowing of RMB20,000,000 was guaranteed by Mr. Li Yunong, Ms. Cao Yan and Hebei Zerui.

As at 31 December 2023, a bank borrowing of HK\$16,960,000 (equivalent to RMB15,415,000) (2022: HK\$10,000,000 (equivalent to RMB8,933,000)) was unsecured.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (iii) As at 31 December 2023, a bank borrowing of US\$65,000 (equivalent to RMB459,000) (2022: US\$81,000 (equivalent to RMB555,000)) was secured by a director's life insurance policy (note 17(ii)).

As at 31 December 2023, out of the Group's total pledged deposits of RMB176,000,000 (2022: RMB176,000,000), an amount of RMB66,000,000 (2022: RMB66,000,000) was pledged for a bank borrowing of RMB59,400,000 (2022: RMB59,800,000). And the remaining deposit of RMB110,000,000 (2022: 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 2023, a bank borrowing of RMB13,330,000 (2022: RMB26,670,000), 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 2023, a bank borrowing of RMB273,510,000 (2022: 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 2023, a bank borrowing of RMB94,000,000 (2022: 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 2023, a bank borrowing of RMB29,308,000 (2022: RMB30,285,000) was unsecured.

As at 31 December 2023, a bank borrowing of RMB185,000,000 (2022: RMB195,000,000) was guaranteed by Mr. Li Yunong and Ms. Cao Yang.

- (v) As at 31 December 2023, other borrowing of RMB16,399,000 (2022: RMB37,300,000) was secured by the Group's deposits amounting to RMB1,500,000 (2022: RMB1,500,000) and guaranteed by Mr. Li Yunong and Zerui Education.

As at 31 December 2023, other borrowing of RMB5,043,000 (2022: RMB24,632,000) was secured by the Group's deposits amounting to RMB788,000 (2022: RMB788,000) and guaranteed by Mr. Li Yunong and Zerui Education.

As at 31 December 2023, other borrowing of RMB1,982,000 (2022: RMB18,576,000) was secured by the Group's deposits amounting to RMB1,000,000 (2022: 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 2023, other borrowing of RMB4,277,000 (2022: RMB9,635,000) was secured by the Group's deposits amounting to RMB1,500,000 (2022: RMB1,500,000), and was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2023, other borrowing of RMB9,393,000 (2022: RMB21,911,000) was secured by the Group's deposits amounting to RMB600,000 (2022: RMB600,000) and guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2023, other borrowing of RMB33,845,000 was secured by the Group's deposits amounting to RMB1,750,000 and guaranteed by Mr. Li Yunong and Zerui Education.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (vi) As at 31 December 2023, other borrowing of RMB2,278,000 (2022: RMB18,745,000) was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2023, other borrowing of RMB29,022,000 was guaranteed by Zerui Education and Shijiazhuang Zerui.

- (vii) During the year, the Group entered into loan agreements with certain banks with specific requirements. The usage of the related loans has departed from the fulfillment of such specific requirements (the “Departure”).

As at 31 December 2023, the outstanding aggregate loan balances with such specific drawdown requirements amounted to approximately RMB457.7 million, of which approximately RMB282.5 million are due to repay after one year according to the repayment terms as stipulated in the respective loan agreements. During the year, the principal and interest of these loans were paid to the banks in strict accordance with the respective loan agreements. The directors of the Company had consulted its PRC legal adviser regarding the Departure and do not expect that the banks will demand payment of the whole outstanding loan balance within one year. However, since the banks have the rights to demand payment of these loans at any time due to the Departure. The whole outstanding loan balances as at 31 December 2023, including the balances due to repay after one year, are classified under current liabilities.

### 26. DEFERRED TAX

#### Deferred tax assets

	2023 Deductible loss RMB'000
At 1 January 2023	8,475
Deferred tax charged to profit or loss during the year	(35)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2023	8,440

	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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 26. DEFERRED TAX (Continued)

#### Deferred tax liabilities

	2023 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2023	7,365
Deferred tax charged to profit or loss during the year	(1,441)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2023	5,924

	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 charged 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

### 27. DEFERRED INCOME

The Group received certain government grants in respect of the new campus of Shijiazhuang Institute of Technology under construction during the prior year. Upon completion of the construction during the current year, the deferred income is released to profit or loss over the expected useful lives of the relevant assets. For the year ended 31 December 2023, the deferred income of RMB903,000 (2022: Nil) were released to profit or loss, and was included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 28. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Authorised: 3,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2023	25,293	25,293
Issued and fully paid: 1,161,204,000 (2022: 1,161,204,000) of ordinary shares	9,750	9,750

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	1,167,216,000	9,801
Shares repurchased (note)	(6,012,000)	(51)
At 31 December 2022, 1 January 2023 and 31 December 2023	1,161,204,000	9,750

Note:

During the year ended 31 December 2023, the Company did not repurchase (2022: repurchased 6,012,000 shares) of its shares on the Stock Exchange. The shares repurchased in 2022 were subsequently cancelled during the year ended 31 December 2022.

During the year ended 31 December 2023, approximately 98,000 (2022: approximately 813,000) of its repurchased shares were exercised under the restricted share unit scheme. Upon completion of the exercise, the remaining approximately 19,844,000 (2022: approximately 19,942,000) repurchased shares were presented as treasury shares amounting to RMB168,000 (2022: RMB169,000) as at 31 December 2023.

#### Share-based payment

Details of the Company's share option scheme and RSU Scheme are included in note 29 to the consolidated financial statements.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 29. SHARE-BASED PAYMENT

#### (a) Share option scheme

The Company adopted a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 4 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options granted to a director or chief executive of the Company are subject to approval in advance by the independent non-executive directors.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (1) the nominal value of the share; (2) the Stock Exchange closing price of the Company’s shares on the date of grant of the share options; and (3) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

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

#### 31 December 2023

	Weighted average exercise price HK\$ per share	Number of options ‘000
At 1 January and 31 December	0.630	13,779

#### 31 December 2022

	Weighted average exercise price HK\$ per share	Number of options ‘000
At 1 January and 31 December	0.630	13,779

No share options were exercised during the year (2022: Nil).

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 29. SHARE-BASED PAYMENT (Continued)

#### (a) Share option scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	31 December 2023 Number of options '000	31 December 2022 Number of options '000	Exercise price HK\$ per share	Exercise period
	4,134	4,134	0.63	5 November 2021 to 4 November 2030
	4,134	4,134	0.63	5 November 2022 to 4 November 2030
	5,511	5,511	0.63	5 November 2023 to 4 November 2030
Outstanding at the end of the year	13,779	13,779		
Exercisable at the end of the year	13,779	8,268		

There were no share options granted during the year. Share option expenses recognised by the Group during the year was RMB396,000 (2022: RMB637,000) 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 consolidated 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.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 29. 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 2023 are as follows:

	Number of shares '000	Amount RMB'000
As at 1 January 2022	20,755	16,543
Exercise of share awards	(813)	(177)
As at 31 December 2022 and 1 January 2023	19,942	16,366
Exercise of share awards	(98)	(22)
As at 31 December 2023	19,844	16,344

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

Date of grant	Number of outstanding RSUs granted as at 1 January 2022 '000	Exercise price per share HK\$	Vesting date	Vested during the year '000	Forfeited during the year '000	Expired during the year '000	Number of outstanding RSUs granted as at 31 December 2022 '000
29 December 2020	-	HK\$0.243	29 December 2021	-	-	-	-
29 December 2020	7,244	HK\$0.243	29 December 2022	(813)	(111)	(6,320)	-
29 December 2020	9,659	HK\$0.243	29 December 2023	-	(148)	-	9,511
	16,903			(813)	(259)	(6,320)	9,511
Exercisable at the end of the year							-

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 29. SHARE-BASED PAYMENT (Continued)

#### (b) Restricted Share Unit Scheme (Continued)

Date of grant	Number of outstanding RSUs granted as at 1 January 2023 '000	Exercise price per share HK\$	Vesting date	Vested during the year '000	Forfeited during the year '000	Expired during the year '000	Number of outstanding RSUs granted as at 31 December 2023 '000
29 December 2020	-	HK\$0.243	29 December 2021	-	-	-	-
29 December 2020	-	HK\$0.243	29 December 2022	-	-	-	-
29 December 2020	9,511	HK\$0.243	29 December 2023	(98)	-	(9,413)	-
	9,511			(98)	-	(9,413)	-
Exercisable at the end of the year							-

There were no RSU granted during the year (2022: Nil). Share-based payment expenses recognised by the Group during the year was RMB1,458,000 (2022: RMB2,741,000) due to the amortisation of the cost related to certain RSU granted in prior year.

### 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 140 to 141 of the consolidated 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 30. RESERVES (Continued)

#### Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from aftertax 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.

### 31. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 16 November 2023, Shijiazhuang Saintach, the immediate holder of the sponsor interests in Shijiazhuang Yuying, and Hebei Lumeng Technology Co., Ltd. ("**Hebei Lumeng**") (an independent third party), entered into the transfer agreement, pursuant to which Shijiazhuang Saintach has agreed to sell and Hebei Lumeng has agreed to acquire 30% of the sponsor interests in Shijiazhuang Yuying for a total consideration of RMB18,000,000. The change in the ownership interest of Shijiazhuang Yuying, without a loss of control, is accounted for as an equity transaction.

	RMB'000
Net liabilities at the date of disposal of Shijiazhuang Yuying	14,877
Non-controlling interests (30% of the sponsor interests)	4,463
Consideration	(18,000)
Gain on disposal recognised directly in equity	22,463
Total consideration	18,000
– Cash received in the current year	7,000
– Consideration receivable (note 21)	11,000

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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	26	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 liabilities	26	(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 net cash inflows 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 cash inflows included in cash flows from investing activities	6,858

Since the acquisition, Shijiazhuang Yuying contributed approximately RMB21,546,000 to the Group's revenue and approximately 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 approximately RMB78,672,000 (2022: RMB19,428,000) and RMB78,672,000 (2022: RMB19,428,000), respectively, in respect of lease arrangements for buildings.

#### (b) Changes in liabilities arising from financing activities

2023	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 2023	251	693,383	68,610	762,244
Changes from financing cash flows	(41,950)	182,278	(47,026)	93,302
New leases			78,672	78,672
Interest expenses in profit or loss	39,011		3,734	42,745
Interest capitalised before netting with interest income	3,650	–	–	3,650
Decreases due to terminations	–	–	(27,791)	(27,791)
At 31 December 2023	962	875,661	76,199	952,822

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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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:

	2023 RMB'000	2022 RMB'000
Within operating activities	642	1,003
Within financing activities	47,026	16,443
	<b>47,668</b>	17,446

### 34. CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: nil).

### 35. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for: Land use right and buildings	13,588	116,484

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 <sup>^</sup>	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* <sup>^</sup> (“ <b>Hebei Ansince Shijiazhuang Branch</b> ”)	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.* <sup>^</sup> (“ <b>Ningbo Tianzuo</b> ”)	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.* <sup>^</sup> (“ <b>Youlian Hengmei</b> ”)	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.* (“ <b>Meijia Youbao</b> ”)	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.* <sup>^</sup> (“ <b>Heibei Chaoxing</b> ”)	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.* <sup>^</sup> (“ <b>Hebei New Tianji Architectural Design</b> ”)	A company controlled by Hebei Ansince Shijiazhuang Branch
新聯合投資控股有限公司 Lionful Investment Holding Co., Ltd.* (“ <b>Lionful Investment Holding</b> ”)	A company controlled by the controlling shareholders
河北青年電視藝術中心 Hebei Youth Television Culture and Art Center*	A company controlled by the controlling shareholders
石家莊市雅頌企業管理有限責任公司 Shijiazhuang Yasong Enterprise Management Co., Ltd.*	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.

<sup>^</sup> The companies were related parties to the Company in 2022, and those companies became independent third parties during the year ended 31 December 2023.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (b) Outstanding balances with related parties

##### *Amounts due from related parties*

	2023 RMB'000	2022 RMB'000
Lionful Education	–	10,160
Lionful Investment Holdings	–	2,627
	–	12,787

Other than the balance with Lionful Investment Holdings, which was unsecured, interest bearing at 10% per annum, and fully settled during the year, 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 RMB61,000 during the year (2022: RMB127,000).

##### *Amounts due to related parties*

	2023 RMB'000	2022 RMB'000
Ningbo Tianzuo	–	25
Youlian Hengmei	–	42
Hebei Chaoxing	–	800
Hebei New Tianji Architectural Design	–	15
	–	882

Balances due to the related parties are unsecured, interest free and mainly generated from the transactions with trade in nature. These balances were fully settled during the year.



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (c) Transactions with related parties

##### *Purchases of services from related parties*

	Notes	2023 RMB'000	2022 RMB'000
Hebei Ansince Shijiazhuang Branch	(i)	–	158
Youlian Hengmei	(ii)	–	13
Ningbo Tianzuo	(iii)	–	173
Hebei Chaoxing	(iii)	14,367	10,125
Hebei New Tianji Architectural Design	(iii)	2,066	451
		16,433	10,920

##### Notes

- (i) Property management services were provided by Hebei Ansince Shijiazhuang Branch to the Group, Blue Crystal and Qinghui during the prior year.  
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*

	2023 RMB'000	2022 RMB'000
Lionful Education	–	310,000

The Group acquired certain properties from Lionful Education based on an asset restructuring agreement which was entered into between the Group and Lionful Education in prior year.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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:

	2023 RMB'000	2022 RMB'000
College operation service income	12,704	22,052

- (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:

	2023 RMB'000	2022 RMB'000
Student accommodation service income <sup>^</sup>	1,906	3,366

<sup>^</sup> Included as part of the college operation service income of the Group as disclosed in note 5 to the consolidated 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 25 to the consolidated financial statements.

#### (e) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,268	1,081
Pension scheme contributions	426	197
Equity-settled compensation expense	435	722
	2,129	2,000

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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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:

#### 2023

##### *Financial assets*

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total RMB'000
	Mandatorily designated as such RMB'000	RMB'000	
Trade receivables	–	22,099	22,099
Amounts due from related parties	–	–	–
Financial assets included in prepayments, other receivables and other assets	–	–	–
Financial assets at fair value through profit or loss	8,997	–	8,997
Other non-current assets	–	35,855	35,855
Cash and bank balances	–	270,254	270,254
Term deposits	–	40,000	40,000
Pledged deposits	–	176,000	176,000
Other current assets	–	84,566	84,566
	8,997	628,774	637,771

##### *Financial liabilities*

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total RMB'000
	Designated as such upon initial recognition RMB'000	RMB'000	
Other current liabilities	–	–	–
Financial liabilities included in other payables and accruals	–	171,924	171,924
Interest-bearing bank and other borrowings	–	875,661	875,661
	–	1,047,585	1,047,585

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022

#### *Financial assets*

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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	8,997	6,490	8,997	6,490
<b>Financial liabilities</b>				
Other current liabilities	–	1,671	–	1,671

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

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 nonperformance risk for interest-bearing bank and other borrowings as at 31 December 2023 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.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 2023:

#### Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Surrender value of underlying insurance provided by the insurance company	N/A	N/A	N/A
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 17 to the consolidated 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 2023

	Fair value measurement using:			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	7,906	–	1,091	8,997

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

#### Fair value hierarchy (Continued)

As at 31 December 2022

	Fair value measurement using:			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	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
	5,449	–	2,712	8,161

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

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	1,041	15,745
Disposals	–	(17,257)
Total gain/(loss) recognised in the consolidated statement of profit or loss included in other income/(other expenses) (#)	32	(573)
Exchange reserve	18	3,126
At 31 December	1,091	1,041
(#) include gains or losses for assets held at end of reporting period	32	(573)

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

#### Fair value hierarchy (Continued)

	2023 RMB'000	2022 RMB'000
Consideration payable for business combination included in other current liabilities and other non-current liabilities:		
At 1 January	1,671	3,841
Transfer to other payables and accruals	(1,671)	–
Total gain recognised in the consolidated statement of profit or loss included in other income (#)	–	(2,170)
At 31 December	–	1,671
(#) include gains or losses for liabilities held at end of reporting period	–	(2,170)

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 (2022: Nil).

The total gains or losses recognised in profit or loss including those for assets and liabilities held at end of reporting period are presented in the consolidated statement of profit or loss and other comprehensive income.

### 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 2023, approximately 2% of the Group's borrowings bore floating rates (31 December 2022: 1%).



## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Interest rate risk (Continued)

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 2023	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax and equity RMB'000
Hong Kong dollar	50	79
Hong Kong dollar	(50)	(79)

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)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure as at the end of each year did not reflect the exposure during the year.

#### Credit risk

It is the Group's policy that all schools with which the Group has cooperation and students who wish to receive the Group's services on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

Since the Group only provides services to recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty or by service nature. There are no significant concentrations of credit risk regarding the trade receivables of the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from related parties, other current assets, other non-current assets, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	As at 31 December 2023					Carrying amount RMB'000
	On demand RMB'000 (note)	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	
Other current liabilities	-	-	-	-	-	-
Financial liabilities included in other payables and accruals	-	171,924	-	-	171,924	171,924
Lease liabilities	-	10,945	54,228	21,789	86,962	76,199
Interest-bearing bank and other borrowings	457,708	140,418	264,844	102,505	965,475	875,661
	457,708	323,287	319,072	124,294	1,224,361	1,123,784

	As at 31 December 2022				Carrying amount RMB'000
	On demand RMB'000 (note)	Within 1 year RMB'000	1 to 5 years RMB'000	Total 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

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

Note:

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these bank loans amounted to RMB457,708,000 (2022: RMB nil). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	As at 31 December 2023			Carrying amount RMB'000
	Within 1 year RMB'000	1 to 2 years RMB'000	Total RMB'000	
Interest-bearing bank borrowings	194,568	288,753	483,321	457,708

#### 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 2023 and 2022.

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:

	2023 RMB'000	2022 RMB'000
Total liabilities	1,541,564	1,229,601
Total assets	2,322,749	1,955,462
Debt-to-asset ratio	66%	63%

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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:

	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>		
Interests in subsidiaries	14,097	12,243
Financial assets at fair value through profit or loss	1,091	1,041
<b>Total non-current assets</b>	<b>15,188</b>	13,284
<b>CURRENT ASSETS</b>		
Due from subsidiaries	162,766	179,140
Prepayments, other receivables and other assets	32,474	31,867
Financial assets at fair value through profit or loss	7,906	5,449
Cash and bank balances	17,454	5,813
Other current assets	5,424	5,331
<b>Total current assets</b>	<b>226,024</b>	227,600
<b>Total assets</b>	<b>241,212</b>	240,884
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	3,209	893
Interest-bearing bank and other borrowings	15,536	9,053
Amount due to a related party	-	978
<b>Total current liabilities</b>	<b>18,745</b>	10,924
<b>NET CURRENT ASSETS</b>	<b>207,279</b>	216,676
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>222,467</b>	229,960
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	337	435
<b>Total non-current liabilities</b>	<b>337</b>	435
<b>Net assets</b>	<b>222,130</b>	229,525
<b>EQUITY</b>		
Share capital	9,750	9,750
Treasury shares	(168)	(169)
Reserves (note)	212,548	219,944
	<b>222,130</b>	229,525

## XIV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 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 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	–	–	–	–	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
Equity-settled share option arrangements	–	–	3,378	–	–	3,378
At 31 December 2022 and 1 January 2023	230,949	671	5,971	(47,234)	29,587	219,944
Loss for the year	–	–	–	(4,854)	–	(4,854)
Other comprehensive income for the year:						
Exchange differences on translation	–	–	–	–	4,128	4,128
Total comprehensive income for the year	–	–	–	(4,854)	4,128	(726)
Final 2022 dividend declared	(8,545)	–	–	–	–	(8,545)
Share repurchased	–	–	–	–	–	–
Exercise of share awards under the restricted share unit scheme	5,223	–	(5,202)	–	–	21
Equity-settled share option arrangements	–	–	1,854	–	–	1,854
At 31 December 2023	227,627	671	2,623	(52,088)	33,715	212,548

### 41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.



## 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 the Company’s 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 Company’s 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
“Lionful Education”	Hebei Lionful Education Technology Co., Ltd* (河北廿一世紀教育科技有限公司) (formerly known as Hebei Lionful Education Investment Co., Ltd* (河北廿一世紀教育投資有限公司)), a limited liability company established under the laws of the PRC on 2 November 2000, which is wholly-owned by Hebei Xueyoufang Education Technology Co., Ltd.* (河北學有方教育科技有限公司), a limited liability company established under the laws of the PRC on 4 August 2016 and owned as to approximately 95% by Beijing New Youth Culture Media Co., Ltd.* (北京新青年時代文化傳媒有限公司) and 5% by Mr. Li
“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%
“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, Xin Tian Di Xian 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 Company’s 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



## XV. DEFINITIONS

“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



## XV. DEFINITIONS

“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 general college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interest was wholly-owned by Zerui Education as at the date of this annual report, and one of the Company’s 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 the Company’s PRC Operating Entities
“Sifang College”	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院), established in 2001, an independent institution implementing undergraduate education under approval of the Hebei Provincial People’s Government and confirmation by the Ministry of Education, jointly operated by Shijiazhuang Tiedao University, an independent third party, and Lionful Education
“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 the Company’s 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 the Company’s PRC Operating Entities
“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 the Company’s 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.



**21世紀教育**

21ST CENTURY EDUCATION

1598.HK

[www.21centuryedu.com](http://www.21centuryedu.com)