

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



21世紀教育
21ST CENTURY EDUCATION

China 21st Century Education Group Limited

中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1598)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS OF ANNUAL RESULTS:

	Year ended 31 December		Changes (RMB'000)	Percentage of changes
	2022 (RMB'000)	2021 (RMB'000)		
Revenue	311,908	308,767	3,141	1.0%
Gross profit	146,384	126,825	19,559	15.4%
EBITDA	119,094	101,984	17,110	16.8%
Profit for the year	26,718	28,740	(2,022)	(7.0%)
Earnings per share (RMB cents)				
Basic				
— For profit for the year	2.39	2.56	(0.17)	(6.7%)
Diluted				
— For profit for the year	2.39	2.56	(0.17)	(6.7%)
	2022/2023 school year	2021/2022 school year	Changes	Percentage of changes
Total number of full-time students (Note)	23,888	18,792	5,096	27.1%

Note: Please refer to the section headed "Student enrollment" in this annual results announcement for details.

The Board has resolved to propose a final dividend of HK0.80 cents per Share for the year ended 31 December 2022.

The Board is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
REVENUE	4	311,908	308,767
Cost of sales		<u>(165,524)</u>	<u>(181,942)</u>
Gross profit		146,384	126,825
Other income and gains, net	4	35,186	59,779
Selling and distribution expenses		(16,007)	(17,921)
Administrative expenses		(70,758)	(71,176)
Other expenses		(31,766)	(42,480)
Finance costs	6	<u>(35,625)</u>	<u>(26,633)</u>
PROFIT BEFORE TAX	5	27,414	28,394
Income tax expense	7	<u>(696)</u>	346
PROFIT FOR THE YEAR		<u>26,718</u>	<u>28,740</u>
Attributable to:			
Owners of the Company		27,300	29,180
Non-controlling interests		<u>(582)</u>	<u>(440)</u>
		<u>26,718</u>	<u>28,740</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
— For profit for the year		<u>RMB2.39 cents</u>	<u>RMB2.56 cents</u>
Diluted			
— For profit for the year		<u>RMB2.39 cents</u>	<u>RMB2.56 cents</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT FOR THE YEAR	26,718	28,740
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>19,469</u>	<u>(7,139)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	<u>19,469</u>	<u>(7,139)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>46,187</u></u>	<u><u>21,601</u></u>
Attributable to:		
Owners of the Company	46,769	22,041
Non-controlling interests	<u>(582)</u>	<u>(440)</u>
	<u><u>46,187</u></u>	<u><u>21,601</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

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

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sainange Holdings Company Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the Period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i> ⁶
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

- ¹ Effective for annual periods beginning on or after 1 January 2023
- ² Effective for annual periods beginning on or after 1 January 2024
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
- ⁵ As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
- ⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

3. 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 2022

	Vocational education RMB'000	Non-vocational education RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	223,641	88,267	311,908
Other revenue	<u>17,798</u>	<u>2,492</u>	<u>20,290</u>
Revenue	<u><u>241,439</u></u>	<u><u>90,759</u></u>	<u><u>332,198</u></u>
Segment results	109,415	1,096	110,511
<i>Reconciliation</i>			
Finance costs (other than interest on lease liabilities)			(33,763)
Interest income			14,146
Unallocated income and expenses, net			<u>(63,480)</u>
Profit before tax			<u><u>27,414</u></u>
Segment assets	735,609	151,097	886,706
<i>Reconciliation</i>			
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			<u>583,683</u>
Total assets			<u><u>1,955,462</u></u>
Segment liabilities	(198,576)	(120,971)	(319,547)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(693,383)
Tax payable			(2,142)
Unallocated head office and corporate liabilities			<u>(214,529)</u>
Total liabilities			<u><u>(1,229,601)</u></u>
Other segment information:			
Depreciation and amortisation	37,113	19,301	56,414
Capital expenditure [^]	615,696	271,219	886,915
Impairment loss on goodwill and other intangible assets	—	8,629	8,629
Loss on disposal of items of property, plant and equipment	<u>59</u>	<u>56</u>	<u>115</u>

Year ended 31 December 2021

	Vocational education RMB'000	Non-vocational education RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	185,581	123,186	308,767
Other revenue	<u>41,711</u>	<u>2,968</u>	<u>44,679</u>
Revenue	<u>227,292</u>	<u>126,154</u>	<u>353,446</u>
Segment results	105,531	6,158	111,689
<i>Reconciliation</i>			
Finance costs (other than interest on lease liabilities)			(24,756)
Interest income			12,555
Unallocated income and expenses, net			<u>(71,094)</u>
Profit before tax			<u>28,394</u>
Segment assets	576,270	95,440	671,710
<i>Reconciliation</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			334,332
Financial assets at fair value through profit or loss			23,479
Unallocated head office and corporate assets			<u>117,562</u>
Total assets			<u>1,374,083</u>
Segment liabilities	(174,170)	(46,106)	(220,276)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(446,468)
Tax payable			(2,138)
Unallocated head office and corporate liabilities			<u>(19,414)</u>
Total liabilities			<u>(688,296)</u>
Other segment information:			
Depreciation and amortisation	29,329	18,197	47,526
Capital expenditure [^]	165,277	34,304	199,581
Impairment loss on goodwill and other intangible assets	—	16,808	16,808
Loss on disposal of items of property, plant and equipment	<u>420</u>	<u>749</u>	<u>1,169</u>

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

Geographical information

During the years ended 31 December 2022 and 2021, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets were located in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Notes:

- (a) The college operation service income comprises the service income derived from the provision of college operation services and the provision of accommodation services to the students.
- (b) Others represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.

Revenue from contracts with customers

(i) *Disaggregated revenue information*

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

The Group's contracts with students for college education programmes are normally with a duration of one year renewed up to a total duration of three to five years depending on the education programmes, while those for boarding fees are normally with a duration of one year. Tuition fees of preschool education are with a duration of one month and for the tutorial center, tuition is charged based on the number of tutoring hours to be taken by students and the type of class. Tuition and boarding fees are determined by the Group and paid by the students before the start of the school year.

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

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

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

(ii) *Performance obligations*

Education related services

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

Other services

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

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

An analysis of other income and gains is as follows:

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

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.

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of services provided		165,524	181,942
Depreciation of property, plant and equipment		25,705	24,215
Depreciation of right-of-use assets		26,051	20,677
Amortisation of intangible assets*		4,658	2,634
Lease payments not included in the measurement of lease liabilities		1,003	2,501
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		86,068	101,554
Pension scheme contributions (defined contribution scheme)		8,961	11,852
Equity-settled compensation expenses		2,200	3,622
		97,229	117,028
Auditor's remuneration:			
<i>Annual audit</i>		1,780	1,930
<i>Agreed-upon procedures</i>		350	—
		2,130	1,930
Foreign exchange differences, net		17,385	(9,223)
Impairment of/(reversal of impairment) trade receivables	<i>10</i>	205	(621)
Impairment of goodwill**		8,629	13,637
Impairment of other intangible assets**		—	3,171
Impairment of other receivable		1,940	—
Changes in fair value of financial assets/liabilities at fair value through profit or loss		780	8,383
Loss on disposal of items of property, plant and equipment		115	1,169

* Included in "Cost of sales" or "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank and other borrowings	44,039	24,187
Less: Interest capitalised	<u>(10,635)</u>	<u>—</u>
	33,404	24,187
Interest on lease liabilities	1,862	1,877
Financing consultancy service charges [^]	<u>359</u>	<u>569</u>
	<u><u>35,625</u></u>	<u><u>26,633</u></u>

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

7. INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current — Mainland China		
Charge for the year	412	463
Overprovision in prior years	(28)	(28)
Deferred	<u>312</u>	<u>(781)</u>
	<u><u>696</u></u>	<u><u>(346)</u></u>

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the adjusted weighted average number of the ordinary shares of 1,142,214,364 (2021: 1,139,256,694) in issue during the year.

The calculation of the diluted earnings per share amount for the years ended 31 December 2022 and 2021 is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>27,300</u>	<u>29,180</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	1,162,964,811	1,167,216,000
Weighted average number of shares held for the restricted share unit scheme	<u>(20,750,447)</u>	<u>(27,959,306)</u>
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	<u>1,142,214,364</u>	<u>1,139,256,694</u>
Effect of dilution — weighted average number of ordinary shares: restricted share unit scheme	<u>—</u>	<u>1,050,752</u>
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u>1,142,214,364</u>	<u>1,140,307,446</u>

10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Tuition receivables	12,997	12,406
Impairment	<u>(1,407)</u>	<u>(1,409)</u>
	<u>11,590</u>	<u>10,997</u>

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

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

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

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

11. OTHER PAYABLES AND ACCRUALS

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

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

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short term maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Business Profiles

The Company focuses on the operation and content incubation of the education industry. Since the establishment of its first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on new vocational education and actively put the development direction of industry-education integration into practice, with diversified revenue streams and a broad customer base.

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

1.2 Our Schools

1.2.1 Overview

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

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

1.2.2 Student enrollment

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

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

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

1.2.3 Charge and average tuition revenue

We charge our students fees comprising tuition (including tutoring fees) and boarding fees at Shijiazhuang Institute of Technology. Among them, the fee range under non-vocational education segment approximates to that for the year ended 31 December 2021, whereas the tutoring fee ranges for the junior college courses and secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2022–2023 school year		2021–2022 school year	
Vocational education				
Junior college courses	RMB8,800 to RMB17,000 per school year		RMB8,800 to RMB13,000 per school year	
Secondary college courses	<u>RMB9,360</u>		<u>RMB7,200</u>	
	For the year ended			
	31 December			
Average Revenue^①	2022	2021	Changes	Percentage
	RMB	RMB	RMB	of changes
Vocational education	8,398	7,662	736	9.6%
Including: Junior college	8,658	7,882	776	9.9%
Secondary college	6,861	6,578	283	4.3%
Non-vocational education				
Including: Ordinary				
high school ^②	9,119	—	9,119	100.0%
Kindergartens	<u>18,378</u>	<u>18,035</u>	<u>343</u>	<u>1.9%</u>

Notes:

- ① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition fees for a whole fiscal year and the number of students enrolled as at the end of the same year.
- ② Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) was consolidated into the Group in September 2022. Its average revenue is calculated based on the revenue generated from tuition fees for a total of 4 months from September to December 2022 and the number of students enrolled as at the end of 2022.

1.2.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for the society. Benefitting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the year ended 31 December 2022, Shijiazhuang Institute of Technology, its teachers and students have won 105 ministerial, provincial and municipal awards, including various awards such as Prokofiev International Music Competition (普羅科菲耶夫國際音樂比賽), the 7th “Bauhaus Award” International Design Competition (第七屆「包豪斯獎」國際設計大賽), “Xuechuang Cup” National College Students Entrepreneurship Comprehensive Simulation Competition (「學創杯」全國大學生創業綜合模擬大賽), the 10th National College Digital Art and Design Competition (第十屆全國高校數字藝術設計大賽), National College Students Live E-commerce Skills Competition (全國大學生直播電商技能大賽) and the National Vocational Institutes Cross Border E-commerce Skills Competition (全國職業院校跨境電商技能大賽).

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

Employment rate ^①	31 December 2022	31 December 2021	Changes	Percentage of changes
Vocational education	<u>97.1%</u>	<u>96.6%</u>	<u>0.5%</u>	<u>0.5%</u>

Note:

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

1.2.5 Our teachers

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

Notes:

- ① The acquisition of Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) led to a substantial increase in the number of full-time teachers.
- ② Increase in the number of outstanding part-time teachers, who become full-time teachers after passing the qualification assessment.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As at 31 December 2022, the percentage of our teachers with a bachelor's degree or above was 85.0%; and the percentage of teachers that had worked with us for more than two years was 76.3%.

1.3 Movements of Business Operations during the Reporting Period

1.3.1 Vocational education segment

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

In 2022, the Company focused on the new campus project of Shijiazhuang Institute of Technology, which was included in the Key Construction Projects in Hebei Province in 2022 (《河北省2022年省重點建設項目》). During the period from March to August 2022, the Group successfully bid the land use rights in Gaoyi County through public tender process, and acquired a total of 279,577.48 sq.m.

(approximately 419.37 mu.) of educational land and 46,269.12 sq.m. (approximately 69.40 mu.) of commercial land, and has commenced construction of comprehensive teaching buildings, canteens, dormitory, campus environment and related ancillary facilities. The new campus will increase the enrollment quota of Shijiazhuang Institute of Technology, which is expected to complete its first enrollment in September 2023, thus boosting further revenue growth of the Group.

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

The new campus will be developed into a new vocational and technical college with landmark attributes and industry-education integration features in the future, which is expected to have a total student capacity of approximately 30,000. It will be developed in accordance with the goal of cultivating technical application talents, with coordinated development of multiple disciplines, highlighting applied technologies, and forming a multi-disciplinary cross-penetration professional group. We strive to cultivate competitive application-oriented talents for the sustainable development of the region by providing quality education resources. This project will help Shijiazhuang Institute of Technology obtain more enrollment quota in short term. Thereby, the Group may further expand its scale of vocational education and improve the level and quality of education, so as to lay the foundation for Shijiazhuang Institute of Technology to upgrade to an undergraduate vocational university. It has played a positive role in promoting the Group's layout of the pan-vocational education industry ecology.

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

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

- School-enterprise Cooperation

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

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

As of 31 December 2022, 20 professional programs in Shijiazhuang Institute of Technology have worked with 13 enterprises to jointly offer featured majors, representing 25.32% of total professional training programs offered. 20 tailor-made classes were established with 2,308 students. There are 15 apprenticeship pilot programs, 13 key professional group training bases, 55 on-campus experimental training centers and 208 off-campus training bases. It has also established long-term cooperation relationship with more than 1,000 domestic and foreign renowned enterprises in total, including 13 top 500 global enterprises such as Haier Group Corporation, Panasonic Corporation and

Huawei Technologies Co., Ltd., providing more than 12,000 internships to fresh and previous graduates or interns of Shijiazhuang Institute of Technology, and invited enterprises to invest tens of millions RMB in total in the construction of practical training rooms on an accumulative basis, which considerably enriched our teaching practice.

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

- Government-school Cooperation

We work closely with the Government of Hebei Province. In the proposed cooperation with the Gaoyi County Government, Shijiazhuang City, we will obtain 200 mu. of industrial park commercial land in Gaoyi County for the construction of industrial parks or industrial technology parks. The internship and training for the students from Shijiazhuang Institute of Technology will be conducted in the industrial parks. In the future, we will further cooperate with the Gaoyi County Government for mutual benefits. On the one hand, Gaoyi County has abundant land resources, and on the other, it can share the urban functional facilities of Shijiazhuang City, bringing continuous convenience for talent attraction and high-quality public services required for industrial transformation and upgrading. Leveraging the Beijing-Tianjin-Hebei synergetic development strategy, it will promote the transformation and upgrading of existing industries and attract a number of new industrial clusters.

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

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

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

Shijiazhuang Institute of Technology has applied to join the National Security Emergency Industry Demonstration Base Project (《國家安全應急產業示範基地》項目) for the Luquan Economic Development Zone, Hebei Province (the “**Luquan Development Zone**”). After the joint review and assessment by the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Science and Technology, Luquan Development Zone was qualified as a founding unit of the National Security Emergency Industry Demonstration Base. In addition, Shijiazhuang Institute of Technology has won a bid on the Decision-making Consulting Project on Major Issues in the Financial and Economic Field (《財經領域重大問題決策諮詢項目》) awarded by the Development and Reform Commission of Hebei Province, prepared the “Implementation Plan of Establishing and Improving the Technology Brokerage Service System to Promote the Transformation of Scientific and Technological Achievements” (《關於建立完善技術經紀服務體系

促進科技成果轉化的實施方案》), conducted overall analysis for a project awarded by the Bureau of Science, Technology and Industry Information Technology of Luquan District Shijiazhuang City, namely the “Innovative Industrial Cluster of Communication Equipment Manufacturing and Application Service” (《通信設備製造與應用服務創新產業集群》). It also has been approved as the Women’s Homemaking Training Base of Luquan District Shijiazhuang City. As the president unit of the Ex-servicemen Employment and Entrepreneurship Promotion Association of Luquan District Shijiazhuang City (鹿泉區退役軍人就業創進促進會), Shijiazhuang Institute of Technology also undertook social training tasks from the Human Resources and Social Security Bureau of Luquan District and Bureau of Ex-servicemen affairs of Luquan District and provided training on the 14th Five-Year National Economic Plan of Luquan District (《鹿泉區十四五國民經濟規劃》) for ex-servicemen.

- Cooperation between industry and enterprise

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

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

resources sharing, knowledge structure upgrading and high-quality career development of faculty in e-commerce vocational education, thereby enhancing the institute's brand competitiveness.

1.3.2 Non-vocational education segment

1.3.2.1 Business extension to high school education

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

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

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

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

1.3.2.2 *New Gaokao* Business deepens regionally and expands nationally*

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

1.3.2.3 *Kindergarten business maintained stable operation*

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

1.4 **Our Technological Empowerment**

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

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

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

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

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

1.5 Our Licenses and Honors

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

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

On 24 March 2022, the Industry-Education Integration to Cultivate Craftsman & Teaching Reform to Promote Development — Talent Cultivation Model Based on “Four-Dimension, Three-Joint, Two-Integration and One-Whole (《產教融合育工匠教學改革促發展—基於「四維三同二融一體」的人才培養模式》)” declared by Shijiazhuang Institute of Technology was successfully included in the “Typical Cases of Industry-Education Integration and School-Enterprise Cooperation of Ministry of Education (教育部產教融合校企合作典型案例)”. In order to further improve the standards of talent training and build a long-term industry-education integration mechanism, the institute integrates the four dimensions of government, industry, enterprise and school to establish the first industrial college with government in

Hebei Province. It adheres to students as the center and serving students as the purpose, aiming to promote the close integration of industries, positions, majors, courses and teaching materials, smooth the communication channels between enterprises and schools, solve the problems of teachers' teaching skills training, realize the integration of resources, and ultimately achieve substantial improvement in teaching quality and enhance the ability to serve the society.

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

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

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

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

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

2. MARKET REVIEW AND NEW REGULATIONS

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

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

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

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

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

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

3. FUTURE PROSPECTS

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

We set our focus on new vocational education with Shijiazhuang Institute of Technology as the foundation and its new campus as the starting point of the new stage. In the meantime, we deepen the development of industry-education integration through internal construction layout of school-enterprise cooperation, external mergers and acquisitions and government-enterprise cooperation to link the talent requirement of companies with the employment demand of students, and carry out

vocational training with extension to life-long education. In addition, we rely on the experience and achievements of collectivized school operation to extend service scope. Taking Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) as the starting point, we have obtained a vocational high school license and explored the model of integrating vocational education and regular education. We have also extended our upstream and downstream businesses of the New Gaokao* (新高考) to become a comprehensive service provider for high school education, so as to nurture compound talents with integrated learning and practical abilities for the society.

4. FINANCIAL REVIEW

4.1 Revenue

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

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

4.2 Cost of Sales

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

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

4.3 Gross Profit and Gross Profit Margin

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

4.4 Other Income and Gains

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

4.5 Selling and Distribution Expenses

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

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

4.6 Administrative Expenses

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

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

4.7 Other Expenses

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

Other expenses decreased by approximately 25.2% to approximately RMB31.8 million for the year ended 31 December 2022 from approximately RMB42.5 million for the year ended 31 December 2021, mainly due to (1) the impairment of goodwill arising from the acquisition of Xin Tian Di Xian amounted to RMB8.6 million, which was due to the significant decline in

the company's operating results for the year ended 31 December 2022 as a result of shrinking demand; (2) exchange losses amounted to RMB17.4 million for an offshore RMB deposit which is settled in Hong Kong dollar, where there was a decrease in the exchange rate of RMB to Hong Kong dollar as at 31 December 2022 as compared with the beginning of the year; and (3) decrease in loss arising from fair value change of financial instruments amounted to RMB19.1 million.

4.8 Finance Costs

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

Finance costs increased by approximately 33.8% from approximately RMB26.6 million for the year ended 31 December 2021 to approximately RMB35.6 million for the year ended 31 December 2022, mainly due to the increasing amounts of loans from financial institutions.

4.9 Taxation

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

4.10 Profit for the Year

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

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

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

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

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

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

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

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the year ended 31 December 2022.

4.12 Gearing Ratio

As at 31 December 2022, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 62.9%, representing an increase of 12.8% from approximately 50.1% as at 31 December 2021, which was mainly due to the increase in total interest-bearing bank loans.

4.13 Major Investment

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

4.14 Major Acquisitions and Disposals

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

of 46,269.12 sq.m. (approximately 69.40 mu.) at a total consideration of RMB56.08 million. For details, please refer to the announcements of the Company dated 7 March 2022, 28 April 2022, 21 June 2022 and 23 June 2022 and the circular dated 26 June 2022, respectively.

4.15 Contingent Liabilities

As at 31 December 2022, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2021: Nil).

4.16 Foreign Exchange Risk

As at 31 December 2022, certain bank balances of certain subsidiaries were denominated in RMB, Hong Kong dollars or US dollars which were different from the certain subsidiaries' functional currencies. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.

4.17 Pledge of Asset

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

4.18 Human Resources

As at 31 December 2022, the Group had approximately 1,202 employees (31 December 2021: 1,330 employees). The remuneration policy and treatment of the Group's employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension insurance, medical insurance and unemployment insurance.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

dated 12 June 2019 in relation to the change in use of proceeds; and (iii) the announcement of the Company dated 9 March 2022 in relation to the change in use of proceeds (the “**Announcement**”), and the net proceeds from the initial public offering have been fully utilised.

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

	Original use of net proceeds ⁽¹⁾ (HK\$ million)	Revised use of proceeds as at the date of the Announcement ⁽²⁾ (HK\$ million)	Remaining balance up to the date of the Announcement (HK\$ million)	Actual use of net proceeds from the date of the Announcement up to 31 December 2022 (HK\$ million)	Remaining balance up to 31 December 2022 (HK\$ million)	Expected timeline of full utilization of the remaining balance
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	173.2	133.7	—	—	—	Fully utilized
Expand the Saintach Tutorial Center network in the Integrated Area through acquisition of third-party tutorial schools primarily engaged in providing small group tutoring services	86.6	62.2	—	—	—	Fully utilized
Investment in new campus of Shijiazhuang Institute of Technology, including the construction of teaching buildings, dormitories, campus environment and related supporting facilities	Not applicable	163.2	163.2	163.2	—	Fully utilized
Maintain, renovate and upgrade the facilities, equipment and infrastructure of the schools and tutorial centers of the Group and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	36.7	—	—	—	Fully utilized
Establish the Group’s presence overseas and obtain experience in operating schools abroad	43.3	—	—	—	—	Not applicable
Fund working capital and general corporate purposes	43.3	37.2	—	—	—	Fully utilized
Total	433.0	433.0	163.2	163.2	—	

Notes:

- (1) The original use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds.
- (2) The revised use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the Announcement.

PROFIT DISTRIBUTION

The Board recommends a final dividend of HK0.80 cents per Share for the year ended 31 December 2022. Subject to approval by the Shareholders at the forthcoming annual general meeting (the “AGM”) to be held on 30 June 2023, the final dividend will be paid on 31 July 2023 to the Shareholders whose names appear on the register of members of the Company on 24 July 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents of Shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 26 June 2023.

In order to determine the eligibility of Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Monday, 17 July 2023 to Monday, 24 July 2022, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of Shares together with the relevant share certificates must be delivered to the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 14 July 2023.

SUFFICIENT PUBLIC FLOAT

According to the information publicly available to the Company and to the knowledge of the Directors, at any time during the Reporting Period and up to the date of this results announcement, 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 of the Company were held by the public.

CORPORATE GOVERNANCE CODE

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 Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the year ended 31 December 2022, the Company has complied with all the applicable code provisions under part 2 of the CG Code, and adopted most of the recommended best practices set forth therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code during the year ended 31 December 2022.

For the year ended 31 December 2022, the Company also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

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

AUDIT COMMITTEE

For the year ended 31 December 2022, the audit committee of the Company (the "Audit Committee") consisted of three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom are independent non-executive Directors.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The annual results and the consolidated financial report of the Group for the year 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures set out in this annual results announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, Ernst & Young ("EY") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.21centuryedu.com. The 2022 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of directors of the Company
"Company"	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
"Education Department of Hebei Province"	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
"government" or "State"	the central government of the PRC, including all governmental subdivisions (such as provincial, municipal and other regional subdivisions) or local government entities
"Group" or "we"	the Company, its subsidiaries and the PRC Operating Entities owned by it from time to time
"Hebei Province"	Hebei Province, the PRC

“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, which is one of the PRC Operating Entities
“Integrated Area”	also known as the Beijing-Tianjin-Hebei integrated area. Its concept was raised according to a national strategic initiative to promote the region’s economic development
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Peijian New Gaokao* (新高考) Business”	college entrance examination channel services business conducted through Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a subsidiary indirectly owned as to 51% by the Company
“PRC” or “China”	the People’s Republic of China, for the purpose of this results announcement, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“PRC Operating Entity(ies)”	Zerui Education, Shijiazhuang Institute of Technology, Hebei Saintach, Shijiazhuang Saintach, Saintach Kindergarten(s), Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈學鼎教育科技有限公司) and Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司)
“private school(s)”	school(s) 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
“Reporting Period”	for the year ended 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC for the time being

“Saintach Kindergarten(s)”	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
“school sponsor(s)”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“school year”	the school year for all our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interest are wholly-owned by Zerui Education as at the date of this results announcement, and one of the PRC Operating Entities
“Shijiazhuang Saintach”	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 results announcement, and one of the PRC Operating Entities
“Shinedao Tutorial School”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), which is one of the PRC Operating Entities
“Sifang College”	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
“sq.m.”	square metre

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 under the laws of the PRC on 6 March 2015, wholly-owned by Zerui Education as at the date of this results announcement
“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
“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 results announcement, and one of the PRC Operating Entities
“%”	per cent

* *for identification purposes only*

By order of the Board
China 21st Century Education Group Limited
Li Yunong
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Ms. Yang Li and Mr. Li Yasheng; and the independent non-executive Directors are Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason.