SHANGHAI GENCH EDUCATION GROUP LIMITED
上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1525)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS

The Board of Directors of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		**Percentage change**
	2022	2021	
	RMB'000	*RMB'000*	
Revenue	**790,114**	683,580	15.6%
Gross profit	**504,983**	421,676	19.8%
Profit before tax	**305,306**	243,379	25.4%
Profit for the year	**224,932**	179,012	25.7%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
REVENUE	5	**790,114**	683,580
Cost of sales		**(285,131)**	(261,904)
GROSS PROFIT		**504,983**	421,676
Other income and gains	5	**27,632**	15,183
Selling and distribution expenses		**(2,930)**	(3,508)
Administrative expenses		**(197,857)**	(142,695)
Impairment losses on financial assets		**(205)**	(18)
Other expenses		**(1,248)**	(1,319)
Finance costs	6	**(25,069)**	(45,940)
PROFIT BEFORE TAX	7	**305,306**	243,379
Income tax expense	8	**(80,374)**	(64,367)
PROFIT FOR THE YEAR		**224,932**	179,012
Attributable to:			
Owners of the parent		**224,932**	179,012
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB0.56**	RMB0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**224,932**	179,012
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	**148**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**148**	—
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	**10,823**	(4,951)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**10,823**	(4,951)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**10,971**	(4,951)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**235,903**	174,061
Attributable to:		
Owners of the parent	**235,903**	174,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,083,060**	2,053,681
Right-of-use assets		**618,177**	628,250
Other intangible assets		**751**	1,027
Long-term prepayments and other receivables		**16,385**	57,616
Deferred tax assets		**86**	104
Equity investments designated at fair value through profit or loss		**1,085**	320
Total non-current assets		**2,719,544**	2,740,998
CURRENT ASSETS			
Inventories		**105**	—
Accounts receivable	11	**9,203**	5,357
Prepayments and other receivables		**128,069**	7,704
Cash and cash equivalents		**617,520**	488,735
Total current assets		**754,897**	501,796
CURRENT LIABILITIES			
Other payables and accruals	12	**176,610**	150,300
Dividend payable		**—**	427
Interest-bearing bank borrowings		**50,000**	42,000
Contract liabilities	13	**474,398**	395,082
Tax payable		**78,386**	64,489
Deferred income		**5,219**	6,468
Total current liabilities		**784,613**	658,766
NET CURRENT LIABILITIES		**(29,716)**	(156,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,689,828**	2,584,028

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**724,403**	742,280
Deferred income	**4,584**	13,509
Total non-current liabilities	**728,987**	755,789
NET ASSETS	**1,960,841**	1,828,239
EQUITY		
Equity attributable to owners of the parent		
Share capital	**3,677**	3,677
Share premium	**419,736**	489,484
Reserves	**1,537,428**	1,335,078
TOTAL EQUITY	**1,960,841**	1,828,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 May 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 undergraduate education and junior college education services in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

Information about subsidiaries

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

Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held:					
Shanghai Gench Education Holdings Limited		British Virgin Islands ("BVI") 15 May 2018	US$1	100%	Investment holding
Indirectly held:					
Gench Education Group (Hong Kong) Limited ("Gench HK")		Hong Kong 1 June 2018	HK$1	100%	Investment holding
Gench Education Group US, Inc ("Gench US")		United States 13 August 2018	No par value	100%	Degree-granting higher education institution
Wangting Education Technology (Shanghai) Limited 望亭教育科技(上海)有限公司 ("Gench WFOE")*	(2)	PRC/Mainland China 31 October 2018	RMB10,000,000	100%	Investment holding
Shanghai Jianqiao (Group) Co., Ltd. 上海建橋(集團)有限公司 ("Jian Qiao Group")	(1),(2)	PRC/Mainland China 7 November 2000	RMB175,000,000	100%	Investment holding
Shanghai Jian Qiao Investment Development Co., Ltd. 上海建橋投資發展有限公司 ("Jian Qiao Investment")	(1),(2)	PRC/Mainland China 3 August 1999	RMB37,500,000	100%	Investment holding
Shanghai Jian Qiao University Co., Ltd. 上海建橋學院有限責任公司 ("Jian Qiao University Company")	(1),(2)	PRC/Mainland China 28 September 2020	RMB50,000,000	100%	Provision of common undergraduate education services
Shanghai Wangting Logistics Management Service Co., Ltd. 上海望亭後勤管理服務有限公司 ("Wangting Logistics")	(2)	PRC/Mainland China 16 June 2021	RMB10,000,000	100%	Logistics management services
Shanghai Songjing Decoration Design Co., Ltd. 上海頌境裝飾設計工程有限公司 ("Songjing Decoration")	(2)	PRC/Mainland China 14 July 2022	RMB5,000,000	100%	Architectural design and services

* The entity is registered as a wholly-foreign-owned enterprise under PRC law

(1) These entities are owned through contractual arrangements.

(2) The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English name.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated 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 equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB29,716,000 as at 31 December 2022. The directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern.

The Directors believe that the Group has sufficient cash flows from operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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 parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and 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-Int 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-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, 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.

4. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

No services provided to a single customer contributed to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers		
Tuition fees	**694,810**	580,906
Boarding fees	**80,235**	92,007
Education related services	**12,893**	10,667
Other services	**2,176**	—
Total revenue from contracts with customers	**790,114**	683,580

(i) Disaggregated revenue information

	2022 *RMB'000*	2021 *RMB'000*
Recognised over time		
Tuition fees	**694,810**	580,906
Boarding fees	**80,235**	92,007
Education related services	**10,891**	9,470
Other services	**2,176**	—
Total revenue from contracts with customers	**788,112**	682,383
Recognised at a point in time		
Education related services	**2,002**	1,197
Total revenue from contracts with customers	**2,002**	1,197

(ii) Performance obligations

Tuition fees and boarding fees

The performance obligation is satisfied over time as services are rendered and tuition fees and boarding fees are generally paid in advance prior to the beginning of each academic year.

Other income and gains

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**6,560**	4,524
Interest income from loans to third parties	**729**	383
Operating lease income from operators of supermarkets, snap shops, etc. in the school campus	**5,591**	7,321
Fair value income on equity investments designated at fair value through profit or loss	**704**	—
Government grants	**11,371**	1,920
Others	**2,555**	1,034
	27,510	15,182
Gains		
Gain on disposal of items of property, plant and equipment	**122**	1
	27,632	15,183

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**28,252**	48,582
Less: Interest capitalised	**(3,183)**	(2,642)
	25,069	45,940

7. PROFIT BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**255,085**	214,447
Pension scheme contributions and social welfare	**39,258**	27,213
	294,343	241,660
Depreciation of property, plant and equipment	**55,737**	51,053
Depreciation of right-of-use assets	**15,243**	15,139
Amortisation of other intangible assets	**488**	569
Fair value gain/(loss) on equity investments designated at fair value through profit or loss	**704**	(1,169)
Auditors' remuneration	**2,400**	2,400
Impairment of financial assets, net		
Impairment of accounts receivable, net *(note 11)*	**205**	18

8. INCOME TAX

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

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

The Group was not liable for income tax in Hong Kong and the United States as the Group had no assessable profits derived from or earned in Hong Kong and the United States during the year.

All of the Group's subsidiaries operating in Mainland China were subject to the PRC corporate income tax of 25% during the year, except for Gench WFOE. In accordance with the requirements of the tax regulations in the PRC, Gench WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The certificate is effective for three years from 1 January 2020. In December 2021, Gench WFOE obtained the software enterprise and software product certification from the Shanghai Software Industry Association and was subject to a preferential corporate income tax rate of "two exemptions and three half" since the profit-making year. Gench WFOE was in the position of tax loss during the years ended 31 December 2022 and 2021. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Current — Mainland China	**80,356**	64,471
Deferred	**18**	(104)
Total tax charge for the year	**80,374**	64,367

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

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**305,306**	243,379
At the statutory income tax rate	**76,844**	61,748
Expenses not deductible for tax	**339**	537
Lower tax rate enacted by local authority	**335**	569
Additional deduction on research and development expenses	**(406)**	—
Adjustments in respect of current tax of previous periods	**1,970**	—
Tax losses not recognised	**1,292**	1,513
Tax charge at the Group's effective rate	**80,374**	64,367

9. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed final — HK$0.10 (2021: HK$0.10) per ordinary share	**34,659**	33,735
Interim — HK$0.10 (2021: HK$0.10) per ordinary share	**35,899**	34,476
	70,558	68,211

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB224,932,000 (2021: RMB179,012,000), and the weighted average number of ordinary shares of 398,642,934 (2021: 413,073,454) in issue during the year, as adjusted to reflect the rights issue during the year. The number of shares for the year ended 31 December 2022 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 14) and shares repurchased as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**224,932**	179,012

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	**398,642,934**	413,073,454

11. ACCOUNTS RECEIVABLE

	2022	2021
	RMB'000	*RMB'000*
Tuition and boarding fees receivable	**9,483**	5,432
Impairment	**(280)**	(75)
	9,203	5,357

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

	2022	2021
	RMB'000	*RMB'000*
Accounts receivable:		
Within 1 year	**7,447**	4,458
1 to 2 years	**1,435**	785
2 to 3 years	**300**	111
Over 3 years	**21**	3
	9,203	5,357

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**75**	57
Provision for impairment losses, net *(note 7)*	**205**	18
At the end of year	**280**	75

The increase (2021: increase) in the loss allowance was due to the significant changes in the gross carrying amount of the accounts receivables which were past due.

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's accounts receivable related to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Tuition fees receivable

31 December 2022

Collective assessment	**Past due**				
	Less than 12 months	**13–24 months**	**25–36 months**	**Over 36 months**	**Total**
Expected credit loss rate	**1.55%**	**7.25%**	**16.50%**	**53.57%**	**3.14%**
Gross carrying amount *(RMB'000)*	**7,014**	**1,394**	**297**	**28**	**8,733**
Expected credit losses *(RMB'000)*	**109**	**101**	**49**	**15**	**274**

31 December 2021

Collective assessment	Past due				
	Less than 12 months	13–24 months	25–36 months	Over 36 months	Total
Expected credit loss rate	0.68%	4.51%	13.46%	50.00%	1.60%
Gross carrying amount *(RMB'000)*	3,825	688	104	6	4,623
Expected credit losses *(RMB'000)*	26	31	14	3	74

Boarding fees receivable

31 December 2022

Collective assessment	**Past due**				
	Less than 12 months	**13–24 months**	**25–36 months**	**Over 36 months**	**Total**
Expected credit loss rate	**0.18%**	**1.39%**	**3.70%**	**11.11%**	**0.80%**
Gross carrying amount *(RMB'000)*	**543**	**144**	**54**	**9**	**750**
Expected credit losses *(RMB'000)*	**1**	**2**	**2**	**1**	**6**

31 December 2021

Collective assessment	Past due				
	Less than 12 months	13–24 months	25–36 months	Over 36 months	Total
Expected credit loss rate	0.07%	0.78%	2.18%	7.50%	0.12%
Gross carrying amount *(RMB'000)*	659	129	21	—	809
Expected credit losses *(RMB'000)*	—	1	—	—	1

12. OTHER PAYABLES AND ACCRUALS

	Note	2022 RMB'000	2021 RMB'000
Payables for purchase of property, plant and equipment		**1,578**	827
Payables for construction projects		**30,440**	40,268
Other tax payable		**8,110**	4,092
Rental advance		**377**	579
Miscellaneous advances received from students	(i)	**47,873**	34,063
Accrued bonuses and other employee benefits		**45,426**	39,445
Accrued interest expenses		**903**	875
Deposits		**5,461**	3,912
Other payables to a related party		**304**	—
Other payables		**36,138**	26,239
		176,610	150,300

(i) The advances represented expenses relating to textbooks, military training, medical examination, insurance, etc. collected from students which will be paid on behalf of the students.

The above balances are unsecured, non-interest-bearing and repayable on demand.

13. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as 31 December 2022 and are expected to be recognised as revenue within one year:

	2022 RMB'000	2021 RMB'000
Tuition fees	**395,486**	333,400
Boarding fees	**78,912**	61,682
Total contract liabilities	**474,398**	395,082

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

Significant changes in contract liabilities during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**395,082**	347,241
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(395,082)**	(347,241)
Increase due to cash received, excluding amounts recognised as revenue during the year	**474,398**	395,082
At the end of the year	**474,398**	395,082

There were no contract assets at the end of each reporting period recognised in the consolidated statement of financial position.

14. SHARE AWARD SCHEME

On 11 December 2020, the Board of Directors approved an employee share award scheme ("Share Award Scheme") under which: (i) an employee (whether full time or part time), executive or officer, (ii) a director (including any executive, non-executive and independent non-executive director), or (iii) any consultant or adviser (whether professional or otherwise being engaged whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of our Group (the "Eligible Participant"), will be entitled to participate. The purposes and objectives of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board pursuant to rules of the Share Award Scheme (the "Scheme Rules"), the Share Award Scheme shall be valid and effective from 11 December 2020 to the date the last of the number of shares determined by the Board and granted to such relevant Eligible Participant selected by the Board pursuant to the Scheme Rules for participating in the Share Award Scheme (the "Selected Participant") has been vested and transferred to the Selected Participant or has lapsed in accordance with the Scheme Rules provided that no award shall be made on or after the 10th anniversary of 11 December 2020.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the trust deed (the "Trust Deed") which was entered into between the Company as settlor and the trustee (as restated, supplemented and amended from time to time), namely CMB Wing Lung (Trustee) Limited (the "Trustee"), on 11 December 2020.

The Trustee shall hold the trust fund (including the awarded shares and related income) in accordance with the terms of the Trust Deed. The Board may from time to time issue implementation and operation manual for the Share Award Scheme.

The Board may, at any time and from time to time (a) cause the Company to issue and allot new Shares to the Trustee under a general mandate, or (b) cause to be paid an amount of cash to the Trustee for the purchase of the shares on and/or off the market for the operation of the Share Award Scheme.

Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all relevant vesting conditions, the respective awarded shares held by the Trustee on behalf of a Selected Participant shall vest in accordance with the vesting schedule (if any) and the Trustee shall cause the awarded shares to be transferred to such Selected Participant on the vesting date(s), provided that the Selected Participant remains at all times after the grant of the awarded shares and on each relevant vesting date(s) an Eligible Participant.

The following shares were purchased by the Trustee under the Share Award Scheme during the year ended 31 December 2022:

	Number of shares purchased for the Share Award Scheme	**Total**
		RMB'000
At 1 January 2022	10,808,500	46,538
Purchased and withheld	8,273,000	33,553
At 31 December 2022	19,081,500	80,091

Since 11 December 2020 and up to the date of this announcement, the Board neither granted, lapsed or cancelled any awards.

15. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2023, the Company has resolved to recommend the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2022 (the "2022 Final Dividend") to the shareholders whose names appear on the register of members of the Company on 15 June 2023. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a higher vocational education group which provides undergraduate education and junior college education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, at Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As measured by the number of full-time students enrolled in the 2022/23 school year, our University is the largest applied technology university in Shanghai and is also a leading private university in the entire Yangtze River Delta. According to CUAA.net (中國校友會網), our University ranked third among all category I private universities in China in 2022 and first among private universities in all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for four consecutive years from 2018 to 2021.

BUSINESS REVIEW AND OPERATIONAL UPDATE

Our University

Our University is an applied technology university which focuses on undergraduate education. As of 31 December 2022, our University offered 68 majors and concentrations in its formal undergraduate program and offered 12 majors and concentrations in its formal junior college program in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 Ministry of Education (MOE) comprehensive pilot reform undergraduate major, as well as 15 first-class undergraduate majors in Shanghai. Our University has a team of stable and professional teachers. As of 30 September 2022, 84.3% of our full-time teachers are with a master's or higher degree, 36.4% of our full-time teachers are with a senior title whereas 27.1% of our full-time teachers are with a doctoral degree.

DUAL SUPPORT FROM LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

(I) Strategic emerging industries gather in Lingang, accelerating the construction of a "core area of the Global Power City (全球動力之城核心區)"

After the launch of policies supporting the high level reform and opening up of Pudong and the policy of "first trial" in Lingang, including the "Opinion on Supporting the High-level Reform and Opening up in Pudong New Area and Building Leading Area with the Development of Socialist Modernization Promulgated by the State Council of Central Committee of the Communist Party of China" (《中共中央國務院關於支持浦東新區高水平改革開放打造社會主義現代化建設引領區的意見》) and the "Regulations on the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone" (《中國(上海)自由貿易試驗區臨港新片區條例》),

Shanghai re-issued the "Implementation Plan for Building Shanghai as a "Global Power City" in Lingang Core Area" (《聚焦臨港核心區打造上海「全球動力之城」實施方案》) in June 2022, which stipulates that Shanghai focuses on building a core area of the Global Power City (全球動力之城核心區) in Lingang to accelerate the construction of industrial systems in aviation, aerospace, automotive, marine, energy and power, endeavour to become the source of innovation and upgrading of the pillars of great power and as a major force to represent China in international power competition. Lingang New Area is rapidly becoming a gathering point of China's strategic emerging industries, increasing the exploration of differentiation system innovation in several areas, and putting effort into building a world-class industrial cluster. Under the favourable policy of Lingang National Core Pilot Area for Industry-education Integration, our University, as the only private university in Lingang, has a significant geographical advantage in admitting students and exploring new business model on industry-education integration.

(II) Successive implementation of national supporting policies promotes the high-quality development of modern vocational education

After the launch of the "Opinions on Promoting the High-quality Development of Modern Vocational Education" (《關於推動現代職業教育高質量發展的意見》) and the newly revised Vocational Education Law, which encourages listed companies and leading enterprises in the industry to engage in vocational education, and encourage application-oriented universities to carry out undergraduate vocational education, the General Office of the CPC Central Committee and the General Office of the State Council promulgated again "Opinions on Deepening the Reform of the Construction of the Modern Vocational Education System (《關於深化現代職業教育體系建設改革的意見》)" in December 2022, which states that we shall put the promotion of the high-quality development of modern vocational education in a more prominent position, by focusing on deepening the industry-education integration, exploring a new model of provincial modern vocational education system construction, building an industry-education integration community in the industry, establishing an open practice centre for regional industry-education integration, expanding the enrollment scale of application-oriented universities in the College Entrance Examination for vocational education and strengthening policy support.

OUTSTANDING ACHIEVEMENTS IN THE CONSTRUCTION OF HIGH-QUALITY VOCATIONAL EDUCATION SYSTEM

(I) High-quality brands benefiting the whole country

Our University has schooling quality ranked in the forefront of peer universities, which has accumulated a solid brand reputation. In January 2022, CUAA.net (中國校友會網) announced the 2022 CUAA University Rankings, which showed that our University ranked third among the 2022 CUAA category I private universities in China. Over 22 years of operation, our University was awarded "Shanghai Civilized Company (上海市文明單位)" from 2005 to 2020, awarded "Shanghai Garden Unit (上海市花園單位)" from 2015 to 2020 and won the title of "National Model Unit of Civilization (全國文明單位)"(only three private universities have won this title currently) from 2015 to 2021, and certified by Shanghai Audit Centre of Quality System to have implemented the ISO9001 quality management system in 2018, and passed the re-certification in May 2021. In February 2022, our University was selected as Shanghai Safe and Civilized Campus for 2019–2020 school year, which was the ninth-selection for eighteen consecutive years since its promotion as an undergraduate level college in 2005. In the same month, our University has also been approved by the Ministry of Education as an innovation and development centre for ideological and political work in colleges and universities, and is one of the four private universities that have been approved nationwide. In March 2022, our University was elected as a cultivation and creation unit of "National Party Building Demonstration Universities", one of the three private colleges and universities selected nationwide.

(II) Leading high-quality professional industry

Majors ranking of our University remained the top among application-oriented universities and colleges across the country and our majors closely kept pace with the needs. In March 2022, in further response to the demand for industry upgrading, our University was approved to add a new undergraduate major in intelligent manufacturing engineering to strengthen the construction of major systems. In May 2022, according to "2022 First-class Majors Ranking (Application-oriented) in China" published by CUAA.net (中國校友會網), 24 undergraduate majors of our University ranked among top 10 in China, representing approximately two-thirds of total undergraduate majors of our University, and 27 undergraduate majors ranked among top 20 in China, representing approximately three-fourths of total undergraduate majors of our University; and our University ranked 4th in Shanghai and 34th in China (including public universities) in terms of comprehensive strength. In June 2022, 9 majors of our University were included in 2021 Shanghai first-class undergraduate majors construction site, and provincial first-class undergraduate major construction points increased to 15, reaching 40.5% of the undergraduate majors of our University. In July 2022, eight courses of our University obtained project approval as municipal key course construction in colleges and universities in

Shanghai in 2022. In November 2022, two undergraduate majors of the University, tourism management and Japanese, were awarded the New Liberal Arts Major Accreditation by the Authentication League of New Liberal Arts Education Major in Yangtze River Delta (長三角新文科教育專業認證聯盟).

(III) The high teaching quality has strong capacity

The proportion of full-time teachers with doctoral degrees in our University remains in the forefront of peer universities, demonstrating strong practical teaching strength. As of 30 September 2022, among the full-time teachers of our University, the doctoral degree accounted for 27.1%, the senior title accounted for 36.4%, and the double-position accounted for 28.1%. Our University actively promotes the construction and reform of undergraduate practical teaching system, and continuously expands the depth and breadth of university-enterprise cooperation through the integration of industry and education, so as to cultivate students' practical ability. In the 2022/23 school year, the average proportion of credits of our University for practical teaching of undergraduate program accounted for 44.2% of the total credits. In 2022, a total of 1,462 students received awards in subject competitions at provincial and above level, representing an increase by 20.7% as compared to that in 2021.

(IV) The well-operated facilities stay at the first-tier in the industry

Teaching and scientific research instruments and equipment of our University has maintained a leading level among peer universities, and the construction of smart campus has won many awards. In 2021, our University signed a contract with Shanghai Nanlin Integrated Circuit Co., Ltd. (上海南麟集成電路有限公司) to jointly establish the "integrated circuit package test" industry-education integration and demonstration base. The enterprise invested approximately RMB40 million to establish a complete integrated circuit pilot test line as the base in the school. On this basis, the enterprise invested approximately RMB20 million to further improve and enrich hardware equipment in the base in 2022. In September 2022, phase three of campus of our University was put into use, which had a higher proportion of intelligence compared with the original campus. Our University also upgraded the south canteen, north canteen and commercial street of our campus so that the dining environment on our campus is more comfortable than before, with richer dining categories.

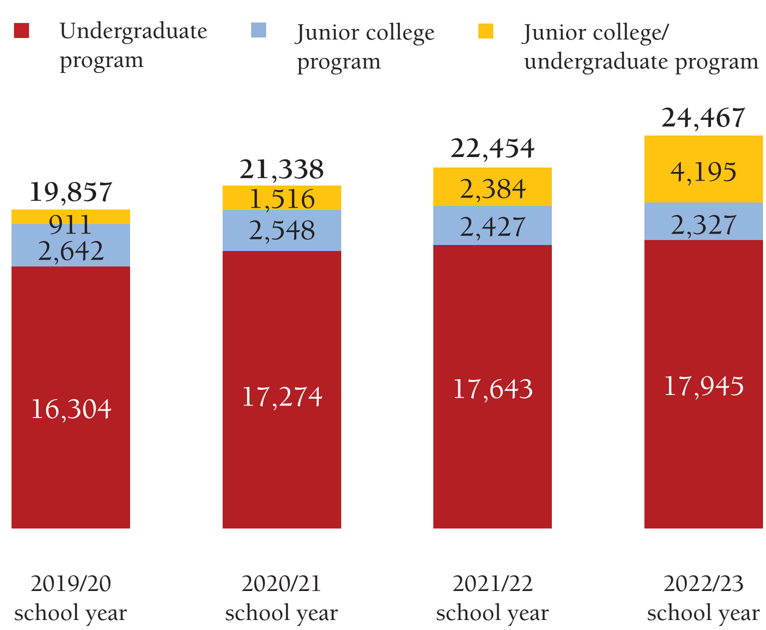
(V) The high rate of high-quality employment has remained stable

Our University always attaches great importance to the high-quality employment of students. In recent years, the employment rate of our graduates has always been stabling at 98% and above. Even if Shanghai was affected by COVID-19 in the first half of 2022, as of 31 August 2022, the employment rate of 2022 graduates of our University still reached 98.9%, of which 66.0% of graduates chose to stay in Shanghai for employment. The college-entrance rate reached 8.3%, and the rate of studying abroad reached 3.7%, with 17 students entering the top 50 universities in QS World University Rankings and 38 students entering the top 100 universities in QS World University Rankings.

Student enrollment

In the 2022/23 school year, the overall number of full-time enrolled students of our University reached 24,467, representing an increase of 2,013 as compared to that of the 2021/22 school year. Such increase in the number of enrolled students was mainly due to the increase in student enrollment of our University.

Student enrollment



Tuition rates

The following table sets forth tuition fee information for our full-time programs for the school years indicated:

	Tuition Fee of New Students[1]		
	2020/21 school year *RMB*	2021/22 school year *RMB*	**2022/23 school year** ***RMB***
Undergraduate program	23,000–38,000[2]	30,000–39,800[2]	**32,000–39,800[2]**
Junior college program	15,000–18,000	15,000–20,000	**20,000**
Junior college/undergraduate program	23,000–30,000	23,000–30,000	**23,000–38,000**

Notes:

(1) Tuition fees shown above are applicable to full-time students enrolled in the relevant school years only, excluding tuition fees charged for part-time students enrolled in our continuing education program.

(2) The tuition fee range of the undergraduate program includes (i) the undergraduate program; and (ii) the undergraduate program under the international program. It excludes tuition fee rate of RMB80,000 per school year for the international design college, the tuition fee rate of RMB58,000 per school year for the bilingual-lectured digital media technology program, the tuition fee rate of RMB45,000 per school year for the bilingual-lectured journalism program and the tuition fee rate of RMB45,000 per school year for the international project with Vaughn College of Aeronautics and Technology.

FUTURE OUTLOOK AND BUSINESS STRATEGY

The Group always adheres to the educational philosophy of running a high-quality school, strives to establish a high-quality applied technical talents training system and operate schools to the people's satisfaction and first-class private university in the nation. The Group's development connotation is highly in line with the national direction to promote the high-quality development of vocational education. We believe that based on the geographical advantages of Pudong and Lingang special zones and the development opportunities of Lingang as a cluster of China's strategic emerging industries, adherence to quality improvement and connotative development, building an ecological benchmark campus with the integration of industry and education, practicing the development thoughts of being a long-distance runner for high-quality development of higher education in China and scarce value of our University's for-profit transformation, the Group is expected to gain wider recognition in the industry. Looking forward, we will utilise the following strategies to promote our business development:

ENHANCING PROFITABILITY BY OPTIMIZING PRICING AND INCREASING STUDENT ENROLLMENT AT OUR UNIVERSITY

1) ***The Group will continue to promote schooling quality and gradually optimize the levels of tuition and boarding fees:***

   In the 2022/23 school year, we have optimized our tuition fee for new students of undergraduate and junior college programs. The minimum tuition fee for new students of undergraduate programs optimized from RMB30,000 per year to RMB32,000 per year and that of the junior college programs optimized from RMB15,000 per year to RMB20,000 per year. In addition, we charge students who are living in the two dormitory buildings under phase two of our construction plan boarding fees of RMB5,800 per student per school year, while we charge students who are living in the two smart dormitory buildings under phase three of our construction plan boarding fees of RMB7,800 per student per school year. For the dormitory buildings under phase one of our campus construction plan, we have also increased the boarding fees from RMB3,600 to RMB4,800 for new students enrolled in 2021 and 2022.

2) ***The Group believes that the on-going increase in student enrollment is also important to our success:***

   We intend to continue to increase our investment in new construction projects to build academic, administrative and boarding facilities to meet the needs of our expansion in the future. In this regard, our University has implemented the following measures:

   - Phase three of our campus of our University was put into use in September 2022. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function academic building with a total gross floor area of approximately 9,413 square meters; (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of approximately 3,984 beds; and (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms). The total capital expenditures on phase three of our new campus construction plan are estimated to be approximately RMB340 million (equivalent to approximately HK$377.4 million).

- Our University commenced phase four of our campus construction plan in December 2022. Such campus facilities, with a total gross floor area of approximately 86,400 square meters, mainly comprise (i) a teaching and training building (which will be conducive to connect university-enterprise resources and deepen the integration of industry and education), (ii) three talent apartments (which will increase the attraction of outstanding talents for the University and help the University to introduce various experts in the integration of industry and education), (iii) a multi-functional research and development centre (which will contribute to the research on the integration of industry and education and the joint talent training with the on-campus enterprises). The consideration for commencing the construction of campus facilities, installation, and related ancillary construction under phase four of the campus construction plan is estimated to be approximately RMB345.6 million (equivalent to approximately HK$387.1 million), subject to adjustment (which is not expected to be material) based on settlement audit. Phase four of the campus facilities are targeted to be put into use in 2024/25 school year.

BUILDING ON OUR EXISTING STRENGTHS AND EXPLORING NEW GROWTH AREAS

The period of "Fourteenth Five-year Plan" is a key five-year period for Shanghai to accelerate the construction of a modern socialist international metropolis with world influence, and also a key five-year period for the Lingang New Area to initially establish a special economic functional area with strong international market influence and competitiveness. Based on the strong demand for international and high-tech talents in the region, the Group will vigorously develop international education, adult continuing education and non-academic vocational education:

1) As to international education, in order to seize the opportunity of international talents of Lingang, our University established an international curriculum center to expand international curriculum programs, broaden the students' international horizons and facilitate studying aboard.

2) As to adult continuing education, the number of students of the Group has a gratifying growth. As of 30 June 2022, adult students of the continuing education programs of our University amounted to 6,166, representing an increase of 37.8% as compared to that of the corresponding period of last year.

3) As to non-academic vocational education, the Group actively responds to vocational education "1+X" certificate system (職業教育「1+X」證書制度), to deepen the vocational qualification training and enhance students' occupational skills. As of 31 December 2022, our University provided a total of 80 types of vocational qualification certificate training.

REAPING BENEFITS OFFERED BY THE LINGANG NEW AREA POLICY TO PURSUE THE INTEGRATED DEVELOPMENT OF INDUSTRY, EDUCATION AND CITY

Lingang is a dual special zone under the superposition of two national strategies: Pudong Pioneer Area and Lingang New Area, carrying an important national strategic mission as the first trial test field of "Pioneer Area for Socialist Modernization". Lingang focuses on the innovation and development of key technological links in the field of "Filling the Domestic Gaps (「填補國家空白」)" and emerging industries, which is to establish a special economic functional zone with more international market influence and competitiveness. As the national core area for pilot integration of industry and education, leveraging on the regional advantages of rapid gathering in the advanced manufacturing industry, Lingang will have more exploration opportunities for industry-education integration.

Based on the past, our University's industry-education integration is far ahead of peer universities. We have 262 school-enterprise collaboration projects and have operated 4 high-energy industry-education integration bases, involving high-tech fields such as communication technology, Internet, intelligent manufacturing and integrated circuit. Our University is both the high-tech talents cultivation base in Shanghai and the first batch of industry-education integration bases in Lingang New Area (臨港新片區首批產教融合基地). The "Digital Smart Manufacturing (「數聯智造」)" Industrial College is one of the first batch of Shanghai municipal key modern industrial colleges (首批上海市級重點現代產業學院) while the "Integrated Circuit (集成電路)" Industrial College is one of the second batch of Shanghai municipal key modern industrial colleges (第二批上海市級重點現代產業學院). The Group also commenced phase four of our campus construction plan in December 2022. Such facilities, upon being put into use, will enhance schooling conditions, increase teaching resources of our University, satisfy the accommodation needs of on-campus engineers, experts in the industry, and teachers and staff, improve the quality of campus life, optimize the teaching and training facilities, and meet the needs of the Group's expansion in the years to come.

Looking forward, the Group will grasp and fully utilise the opportunities brought by the policy of taking Lingang New Area as "The First Trial Test Field of Pioneer Area for Socialist Modernization" and the "National Core Area for Pilot Industry-education Integration", and actively take the initiative to serve the national strategy to promote the high-quality development of vocational education and the regional development strategy to build Lingang a "Core Area of the Global Power City". The Group will continue to adhere to the philosophy of "high-quality schooling standards", cultivating more high-quality technical and skilled talents, deepening the construction of integration, internationalization and digitalisation strategy, deepening the construction of modern vocational education system, building an ecological benchmark campus with the integration of industry and education, with a view to growing our University into a first-class private university in China with more unique features and international standing and a long-term practitioner for the high-quality development of higher education in China.

LATEST REGULATORY DEVELOPMENT

There has been no significant update since the publication of the 2021 Annual Report. Please refer to the 2021 Annual Report for details of the regulatory update.

Our Company will continue to monitor developments of relevant laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees, boarding fees, education related services and other services.

The Group's revenue increased by RMB106.5 million, or 15.6%, from RMB683.6 million for the year ended 31 December 2021 to RMB790.1 million for the year ended 31 December 2022, which was mainly due to the combined effects of, (i) the increase in the revenue derived from tuition fees, education related services and other services by approximately RMB118.3 million, or 20.0%, which was in turn due to the increase in the average tuition rates and the growth in the number of newly admitted students during the year ended 31 December 2022, and (ii) the decrease in the revenue derived from boarding fees by approximately RMB11.8 million, or 12.8%, from approximately RMB92.0 million for the year ended 31 December 2021 to approximately RMB80.2 million for the year ended 31 December 2022, as our University should refund the boarding fees amounting to approximately RMB24.7 million to our students in accordance with the boarding fees refund policy due to the COVID−19 pandemic during the Reporting Period.

Cost of Sales

Cost of sales primarily consisted of salary costs, depreciation and amortization, student-related expenses, cooperative education expenses, teaching material expenses, canteen catering costs and maintenance expenses, along with training expenses, research and development costs, travel expenses, office expenses, and others.

The Group's cost of sales increased approximately by RMB23.2 million, or 8.9%, from RMB261.9 million for the year ended 31 December 2021 to RMB285.1 million for the year ended 31 December 2022, which was primarily due to the salary costs increasing by approximately RMB23.9 million, or 17.7%, from approximately RMB135.0 million for the year ended 31 December 2021 to approximately RMB158.9 million for the year ended 31 December 2022, as a result of the increase in the number of teachers and the average salary rates.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. The Group's gross profit increased by approximately RMB83.3 million, or 19.8%, from approximately RMB421.7 million for the year ended 31 December 2021 to approximately RMB505.0 million for the year ended 31 December 2022.

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the year ended 31 December 2022, the Group achieved a gross profit margin of 63.9%, up by 2.2 percentage points as compared to last year, which was mainly due to the combined effects of (i) the increasing number of student enrollment and average tuition fees, and (ii) some of students did not live on campus under the outbreak of COVID–19 in Shanghai during the Reporting Period, which resulted in the cost saving on the student-related expenses, maintenance expenses and other miscellaneous costs.

Other Income and Gains

Other income and gains primarily consist of government grants, bank interest income, operating lease income from operators of supermarkets, snap shops, etc. in the school campus, and others.

The Group's other income and gains increased by RMB12.4 million, or 82.0%, from RMB15.2 million for the year ended 31 December 2021 to RMB27.6 million for the year ended 31 December 2022, which was mainly due to the combined effects of (i) the government grants, mainly the tax refund from the local government, increasing by approximately RMB9.5 million, and (ii) the increase in bank interest income amounting to RMB2.0 million.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of expenses incurred for relevant advertising of our University, including the cost of promotional brochures, transportation expenses, telecommunication expenses and business entertainment expenses.

The Group's selling and distribution expenses decreased by approximately RMB0.6 million, or 17.1%, from approximately RMB3.5 million for the year ended 31 December 2021 to approximately RMB2.9 million for the year ended 31 December 2022, which was mainly due to the decrease of travel expenses and promotional brochures, as our University primarily carried out online admission campaigns under the outbreak of COVID–19 in Shanghai during the Reporting Period.

Administrative Expenses

Administrative expenses consisted of salary expenses for administrative staff, logistic expenses, depreciation of vehicle and equipment for administrative purposes, professional service expenses, travel expenses, entertainment expenses, office expenses, and others.

The Group's administrative expenses increased by RMB55.2 million, or 38.7%, from RMB142.7 million for the year ended 31 December 2021 to RMB197.9 million for the year ended 31 December 2022，which was primarily due to, (i) the increase in the salary expenses by approximately RMB29.4 million, or 27.9%, from approximately RMB105.4 million for the year ended 31 December 2021 to approximately RMB134.8 million for the year ended 31 December 2022, as a result of the increase in the number of administrative staff and the average salary rates, and (ii) the increase in logistic expenses, office expenses and others amounting to approximately RMB27.1 million for canteen renovation and epidemic prevention supplies.

Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans.

Finance costs decreased by approximately RMB20.8 million, or 45.4%, from approximately RMB45.9 million for the year ended 31 December 2021 to approximately RMB25.1 million for the year ended 31 December 2022, which was primarily due to (i) the decrease in the average interest-bearing bank borrowings by RMB175.1 million, or 18.3%, from RMB954.4 million in 2021 to RMB779.3 million in 2022, (ii) the decrease in the annual average effective interest rate from 4.34% to 4.20%, and (iii) the effect of preferential interest policies such as the Opinions on the Implementation of the Loan Discount for Core Enterprises in the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (《中國（上海）自由貿易試驗區臨港新片區重點企業貸款貼息的實施意見》) .

Profit Before Tax

For the year ended 31 December 2022, the Group recorded a profit before tax of approximately RMB305.3 million, representing an increase of approximately 25.4% year-on-year from approximately RMB243.4 million of last year.

Income Tax Expense

Income tax expense increased by RMB16.0 million from approximately RMB64.4 million for the year ended 31 December 2021 to approximately RMB80.4 million for the year ended 31 December 2022, which was mainly due to the increase in service fees that our University received from the provision of formal educational services. There remain uncertainties in the interpretation and application of the 2016 Decision with respect to the preferential tax treatment which may be enjoyed by for-profit private schools, our University may be subject to PRC enterprise income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As a result, the Group has made a PRC enterprise income tax provision at a rate of 25% in respect of service fees received by our University from the provision of formal educational services.

Current Assets and Current Liabilities

The Group's net current liabilities decreased by approximately RMB127.3 million, or 81.1%, from approximately RMB157.0 million for the year ended 31 December 2021 to approximately RMB29.7 million for the year ended 31 December 2022, which was mainly due to that our cash and cash equivalents increased by approximately RMB128.8 million, which was in line with the growth of our Group's business during the Reporting Period.

Liquidity and Capital Resources

Our primary uses of cash were to fund our working capital requirements, our purchase of property, plant and equipment and to repay interest-bearing bank borrowings and related interest expenses. During the Reporting Period, we funded our operations principally with cash generated from our operations and interest-bearing bank borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, interest-bearing bank borrowings and the net proceeds from the initial public offering of the Company and other funds raised from the capital markets from time to time.

Treasury Policy

Our Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Property, Plant and Equipment

As at 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB 2,083.1 million, representing an increase of approximately 1.4% year-on-year from approximately RMB 2,053.7 million recorded as at 31 December 2021. Such an increase was due to the phase three of the construction of the school premises and maintaining and upgrading existing school premises for our University.

Cash and Cash Equivalents

As at 31 December 2022, the Group's cash and cash equivalents increased by approximately RMB128.8 million, or 26.4%, from RMB 488.7 million for the year ended 31 December 2021 to RMB 617.5 million for the year ended 31 December 2022, which was primarily due to the increase in tuition fees.

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises.

We borrowed loans from banks to supplement our working capital and finance our capital expenditure. As at 31 December 2022, our interest-bearing bank borrowings of RMB774.4 million were all denominated in Renminbi. The annual average effective interest rate of our bank borrowings decreased to 4.20% (2021: 4.34%).

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase three of the construction of the school premises, maintaining and upgrading existing school premises for our University. For the year ended 31 December 2022, the Group's capital expenditures were RMB 56.3 million.

Commitments

Our capital commitments primarily were related to the acquisition of property, plant and equipment. The following table sets forth our capital commitments as at the end of Reporting Period:

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for property, plant and equipment	**345,800**	751
Authorised, but not contracted for property, plant and equipment	**173,400**	110,341

Contingent Liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2021: nil).

Key Financial Ratios

	As at/for the year ended 31 December	
	2022	2021
Gross profit margin	**63.9%**	61.7%
Net profit margin	**28.5%**	26.2%
Return on assets	**6.5%**	5.5%
Return on Equity	**11.5%**	9.8%
Current Ratio	**1.0**	0.8
Interest coverage ratio	**13.2**	6.3
Net debt to equity ratio	**0.1**	0.2
Gearing ratio	**0.4**	0.4
Total debt to assets ratio	**0.2**	0.2

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the year.

(2) Net profit margin equals net profit after tax divided by revenue for the year.

(3) Return on assets equals net profit for the year divided by total assets as at the end of the year.

(4) Return on equity equals net profit for the year divided by total equity amounts as at the end of the year.

(5) Current ratio equals our current assets divided by current liabilities as at the end of the year.

(6) Interest coverage ratio equals profit before interest and tax of one year divided by finance cost for the year.

(7) Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.

(8) Gearing ratio equals total debt as at the end of the year divided by total equity as at the end of the year. Total debt includes all interest-bearing bank loans and other borrowings.

(9) Total debt to assets ratio equals total interest-bearing bank and other borrowings at the end of the year divided by total assets at the end of the year.

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group was 0.4, which remained stable compared with the gearing ratio as at 31 December 2021.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi (RMB). The majority of the Group's revenue and expenditures are denominated in RMB. During the year ended 31 December 2022, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

Significant Investments, Acquisitions and Disposals, Future Plan for Material Investments And Capital Assets

There were no significant investments held during the year ended 31 December 2022, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 31 December 2022, the Group did not have any immediate plans for material investments and capital assets.

Pledge of Assets

As at 31 December 2022, the Group's bank borrowings of RMB774.4 million were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 31 December 2022, the Group had 1,770 full-time employees (as at 31 December 2021: 1,596 employees). The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB294.3 million (as at 31 December 2021: RMB 241.7 million).

USE OF NET PROCEEDS FROM LISTING

On the Listing Date, 100,000,000 new Shares with nominal value of HK$0.01 each of the Company were issued at a price of HK$6.05 per Share in connection with the Company's initial public offering. On 11 February 2020, the Company further issued 15,000,000 Shares of HK$0.01 each at a subscription price of HK$6.05 per Share pursuant to the full exercise of over-allotment option.

Net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option) amounted to approximately HK$666.0 million, after deducting underwriting fee and relevant expenses. It was disclosed in the Prospectus and subsequent annual reports of the Company that the Company intended to use such net proceeds of approximately HK$666.0 million for the following purposes:

(1) approximately 34.8% (HK$231.7 million) is used for acquisitions or investments to expand our school network (the "Acquisitions and/or Investments");

(2) approximately 35.0% (HK$233.1 million) is used to finance construction projects on our campus and purchase furniture and equipment (the "Campus Construction");

(3) approximately 20.2% (HK$134.6 million) is used to repay our short-term loans and the current portion of our long-term loans as they become due (the "Bank Loans Repayment"); and

(4) approximately 10.0% (HK$66.6 million) is used to supplement our working capital and for general corporate purposes (the "General Working Capital").

Net proceeds were used according to the intentions previously disclosed in the Prospectus. As disclosed in the Company's announcement dated 26 August 2022, on 26 August 2022, the Board has reviewed and resolved to reallocate the use of the remaining unutilised net proceeds of approximately HK$231.7 million to Campus Construction for the following reasons:

(1) to implement the strategic decision of "Promoting the High-quality Development of Modern Vocational Education" from the central government, increasing the supply of high-quality higher education degrees, and building academic, administrative and boarding facilities to meet the needs of future expansion; and

(2) to seize the policy opportunities of the Lingang New Area as the "First Trial Test Field of the Pioneer Area for Socialist Modernization" and the "National Core Area for Pilot Industry-Education Integration", actively respond to the national and regional development strategies and deeply promote the integrated development of industry, education and city.

Set out below is the revised reallocation of use of the unutilised net proceeds as at 31 December 2022:

Unit: Hong Kong dollar million

Items	**Revised percentage**	**Revised allocation of net proceeds**	**Utilised**	**Unutilised**
Acquisitions and/or Investments	—	—	—	—
Campus Construction	69.8%	464.8	233.1	231.7
Bank Loans Repayment	20.2%	134.6	134.6	—
General Working Capital	10.0%	66.6	66.6	—
	100.0%	666.0	434.3	231.7

It is intended that the unutilised net proceeds will be utilised by 31 December 2025.

The Board considers that the reallocation of the unutilised net proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed above, the Board confirms that there are no other changes in the use of the net proceeds.

The Board will continuously assess the plans for the use of unutilised net proceeds and may adjust such plans as and when appropriate to cope with the changing market conditions in order to strive for a better business performance of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 31 March 2023, the Board has resolved to recommend the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2022 (the "2022 Final Dividend") to the shareholders whose names appear on the register of members of our Company on 15 June 2023. Such proposal is subject to the approval by the shareholders of our Company at the forthcoming annual general meeting of our Company.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 8 June 2023 and a notice convening the AGM will be published and despatched to the Shareholders in due course.

DIVIDEND

An interim dividend of HK$0.1 per Share for the six months ended 30 June 2022 was declared during the year ended 31 December 2022.

On Friday, 31 March 2023, the Board has resolved to recommend the payment of a final dividend of HK$0.10 per Share for the year ended 31 December 2022 (the "2022 Final Dividend"). The 2022 Final Dividend is intended to be paid out of the share premium account of our Company and thus is subject to the approval of Shareholders. The circular convening the AGM to be held on Thursday, 8 June 2023 will be dispatched in due course.

Upon the approval of the Shareholders, the 2022 Final Dividend will be payable on or around Tuesday, 27 June 2023 to the Shareholders whose names appear on the register of members of our Company on Thursday, 15 June 2023. Including the interim dividend of HK$0.1 per Share, the total dividend for 2022 was HK$0.20 per Share, which represents a payout ratio of 31.6% of the profit attributable to Shareholders for the year ended 31 December 2022.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, 8 June 2023, the register of members of our Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for determining the eligibility of the Shareholders to attend and vote at the AGM is Thursday, 8 June 2023. In order to be qualified for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Friday, 2 June 2023.

For determining the entitlement of the Shareholders to receive the 2022 Final Dividend, the register of members of our Company will be closed on Thursday, 15 June 2023, during which period no transfer of Shares will be registered. The record date for entitlement to the 2022 Final Dividend is Thursday, 15 June 2023. In order to be qualified for the entitlement to receive the 2022 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 14 June 2023. The payment date of the 2022 Final Dividend is expected to be on or around Tuesday, 27 June 2023.

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Our Company has adopted the code provisions set out in the CG Code as its own code of corporate governance. Our Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2022. The Board will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

Our Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions for the year ended 31 December 2022. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the year ended 31 December 2022.

At the same time, our Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard 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 our Company in respect of their dealings in our Company's securities.

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

Neither our Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of our Company during the year ended 31 December 2022.

Separately, during the year ended 31 December 2022, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 8,273,000 Shares at a total consideration of approximately HK$32,693,260.

AUDIT COMMITTEE AND REVIEW OF ANNUAL FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board, have reviewed our Group's audited consolidated financial statements for the year ended 31 December 2022.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute our Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of our Company, Ernst & Young in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (http://www.genchedugroup.com). The annual report for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITION

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

"AGM"	the annual general meeting of our Company
"Audit Committee"	the audit committee of our Company
"Board"	the board of Directors of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
"Company" or "our Company"	Shanghai Gench Education Group Limited

"COVID-19"	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
"Director(s)"	the director(s) of our Company
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and New PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jian Qiao Group"	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the New Registered Shareholders. It is an affiliated entity of the Company
"Jian Qiao Investment"	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is an affiliated entity of our Company
"Jian Qiao University Company"	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of our Company
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC
"New PRC Affiliated Entities"	collectively, Jian Qiao University Company and the School Holders, each an affiliated entity of our Company
"New Registered Shareholders"	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Ms. Huang Chunlan, and Mr. Zheng Juxing
"Prospectus"	the prospectus of the Company dated 31 December 2019
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"School Holders"	the shareholders of Jian Qiao University Company, namely, Jian Qiao Group and Jian Qiao Investment
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Share Award Scheme"	the share award scheme adopted by the Company on 11 December 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"University", "our University" or "Shanghai Jian Qiao University"	a university in the PRC operated as a private non-enterprise unit under the name of "Shanghai Jian Qiao University" (上海建橋學院) from 28 June 2000 to 9 August 2021 and as a limited liability company, under the name of "Shanghai Jian Qiao University Co., Ltd."* (上海建橋學院有限責任公司) since 10 August 2021, with the short name of "Shanghai Jian Qiao University" (上海建橋學院) in the relevant private school operating permit
"US$" or "USD"	United States dollars, the lawful currency of the United States

"Yangtze River Delta"	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
"%"	percent

By order of the Board
Shanghai Gench Education Group Limited
Zhou Xingzeng
Chairman

Shanghai, 31 March 2023

As at the date of this announcement, our executive Directors are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie, our non-executive Directors are Mr. Zhao Donghui and Mr. Du Jusheng and our independent non-executive Directors are Mr. Chen Baizhu, Mr. Hu Rongen and Ms. Liu Tao.

* *If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "*" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*