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 2023

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 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	**Percentage change**
	RMB'000	*RMB'000*	
Revenue	**929,885**	790,114	17.7%
Gross profit	**574,377**	504,983	13.7%
Profit before tax	**379,332**	305,306	24.2%
Profit for the year	**283,365**	224,932	26.0%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**929,885**	790,114
Cost of sales		**(355,508)**	(285,131)
GROSS PROFIT		**574,377**	504,983
Other income and gains	5	**44,032**	27,632
Selling and distribution expenses		**(3,635)**	(2,930)
Administrative expenses		**(199,342)**	(197,857)
Impairment losses on financial assets		**(2,605)**	(205)
Other expenses		**(8,688)**	(1,248)
Finance costs	6	**(24,807)**	(25,069)
PROFIT BEFORE TAX	7	**379,332**	305,306
Income tax expense	8	**(95,967)**	(80,374)
PROFIT FOR THE YEAR		**283,365**	224,932
Attributable to:			
Owners of the parent		**283,365**	224,932
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB0.72**	RMB0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**283,365**	224,932
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	**82**	148
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**82**	148
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	**(375)**	10,823
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(375)**	10,823
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(293)**	10,971
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**283,072**	235,903
Attributable to:		
Owners of the parent	**283,072**	235,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,318,467**	2,083,060
Right-of-use assets		**605,653**	618,177
Other intangible assets		**4,848**	751
Long-term prepayments and other receivables		**2,255**	16,385
Deferred tax assets		**131**	86
Equity investments designated at fair value through profit or loss		**—**	1,085
Total non-current assets		**2,931,354**	2,719,544
CURRENT ASSETS			
Inventories		**—**	105
Accounts receivable	11	**9,590**	9,203
Prepayments and other receivables		**14,935**	128,069
Financial assets at fair value through profit or loss		**340,516**	—
Cash and cash equivalents		**506,107**	617,520
Total current assets		**871,148**	754,897
CURRENT LIABILITIES			
Other payables and accruals	12	**259,782**	176,610
Interest-bearing bank borrowings		**72,652**	50,000
Lease liabilities		**1,251**	—
Contract liabilities	13	**511,183**	474,398
Tax payable		**90,994**	78,386
Deferred income		**1,031**	5,219
Total current liabilities		**936,893**	784,613
NET CURRENT LIABILITIES		**(65,745)**	(29,716)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,865,609**	2,689,828

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**686,774**	724,403
Lease liabilities	**1,254**	—
Deferred income	**7,752**	4,584
Total non-current liabilities	**695,780**	728,987
NET ASSETS	**2,169,829**	1,960,841
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**3,677**	3,677
Reserves	**2,166,152**	1,957,164
TOTAL EQUITY	**2,169,829**	1,960,841

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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 14 July 2022	RMB5,000,000	100%	Architectural design and services
Shanghai Wangting Business Management Co., Ltd. 上海望亭商業管理有限公司 ("Wangting Business")	(2)	PRC/Chinese Mainland 31 August 2023	RMB5,000,000	100%	Business management services
Shanghai Wangting Catering Management Co., Ltd. 上海望亭餐飲管理有限公司 ("Wangting Catering")	(2)	PRC/Chinese Mainland 1 September 2023	RMB5,000,000	100%	Catering management 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 and wealth management products 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 RMB65,745,000 as at 31 December 2023. 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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

   The Group has not applied the initial recognition exception and recognised deferred tax assets and deferred tax liabilities respectively for all transactions fallen within the scope of the amendments in prior years, the amendments had no impact on the Group's financial statements.

d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Tuition fees	**781,456**	694,810
Boarding fees	**125,996**	80,235
Education related services	**17,950**	12,893
Other services	**4,483**	2,176
Total revenue from contracts with customers	**929,885**	790,114

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Recognised over time		
Tuition fees	**781,456**	694,810
Boarding fees	**125,996**	80,235
Education related services	**13,171**	10,891
Other services	**4,483**	2,176
Total revenue from contracts with customers	**925,106**	788,112
Recognised at a point in time		
Education related services	**4,779**	2,002
Total revenue from contracts with customers	**929,885**	790,114

(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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**5,416**	6,560
Interest income from loans to third parties	**306**	729
Operating lease income from operators of supermarkets, snap shops, etc. in the school campus	**8,011**	5,591
Other interest income from financial assets at fair value through profit or loss	**2,298**	—
Government grants	**23,132**	11,371
Others	**3,725**	2,555
Total other income	**42,888**	26,806
Gains		
Fair value gain on equity investments designated at fair value through profit or loss	**529**	704
Fair value gain on financial assets at fair value through profit or loss	**516**	—
Gain on disposal of items of property, plant and equipment	**99**	122
Total gains	**1,144**	826
Total other income and gains	**44,032**	27,632

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**24,965**	28,252
Interest on lease liabilities	**21**	—
Subtotal	**24,986**	28,252
Less: Interest capitalised	**(179)**	(3,183)
Total	**24,807**	25,069

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	**2023** *RMB'000*	2022 *RMB'000*
Cost of services provided		**355,508**	285,131
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		**289,247**	255,085
Pension scheme contributions and social welfare		**49,413**	39,258
Total		**338,660**	294,343
Depreciation of property, plant and equipment*		**79,889**	55,737
Depreciation of right-of-use assets*		**15,583**	15,243
Amortisation of other intangible assets*		**829**	488
Lease payments not included in the measurement of lease liabilities		**500**	—
Fair value gain on equity investments designated at fair value through profit or loss		**529**	704
Fair value gain on financial assets at fair value through profit or loss		**516**	—
Auditors' remuneration		**2,000**	2,400
Impairment of financial assets, net			
Impairment of accounts receivable, net	11	**2,286**	205
Impairment of other receivables, net		**319**	—

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets of RMB79,874,000 (2022: RMB55,522,000), RMB15,266,000 (2022: RMB15,243,000) and RMB336,000 (2022: RMB488,000) for the year ended 31 December 2023, respectively, are recorded in "Cost of sales" in profit or loss.

8. INCOME TAX EXPENSE

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 Chinese Mainland were subject to the PRC corporate income tax ("CIT") of 25% during the year, except for Gench WFOE, Wangting Business and Wangting Catering. 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. Gench WFOE re-applied "High and New Technology Enterprise" qualification and obtained the certification on 15 November 2023 which is effective for another three years from 15 November 2023. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for 2023 and 2022. Wangting Business and Wangting Catering have been approved as Small and Micro Enterprise and are subject to a preferential income tax rate of 5%.

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

	2023	2022
	RMB'000	*RMB'000*
Current — Chinese Mainland	**96,012**	80,356
Deferred	**(45)**	18
Total tax charge for the year	**95,967**	80,374

A reconciliation of tax expense/(credit) applicable to profit before tax at the statutory tax rates 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:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**379,332**	305,306
At the statutory income tax rate	**95,858**	76,844
Expenses not deductible for tax	**1,346**	339
Lower tax rate enacted by local authority	**(1,521)**	335
Additional deduction on research and development expenses	**(623)**	(406)
Adjustments in respect of current tax of previous periods	**1,498**	1,970
Tax losses utilised from previous periods	**(1,405)**	—
Tax losses not recognised	**814**	1,292
Tax charge at the Group's effective rate	**95,967**	80,374

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed final — HK$0.10 (2022: HK$0.10) per ordinary share	**37,640**	34,659
Interim — HK$0.10 (2022: HK$0.10) per ordinary share	**36,284**	35,899

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 RMB283,365,000 (2022: RMB224,932,000), and the weighted average number of ordinary shares of 395,555,892 (2022: 398,642,934) in issue during the year. The number of shares for the year ended 31 December 2023 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.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**283,365**	224,932

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	**395,555,892**	398,642,934

11. ACCOUNTS RECEIVABLE

	2023	2022
	RMB'000	*RMB'000*
Tuition and boarding fees receivable	**10,102**	9,483
Impairment	**(512)**	(280)
Net carrying amount	**9,590**	9,203

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**7,351**	7,447
1 to 2 years	**1,683**	1,435
2 to 3 years	**492**	300
Over 3 years	**64**	21
Total	**9,590**	9,203

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of year	**280**	75
Provision for impairment losses, net *(note 7)*	**2,286**	205
Amount written off as uncollectible	**(2,054)**	—
At the end of year	**512**	280

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 groupings 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 2023

Collective assessment	**Past due** Less than 12 months	**13–24 months**	**25–36 months**	**Over 36 months**	**Total**
Expected credit loss rate	**2.00%**	**10.41%**	**21.10%**	**54.63%**	**5.37%**
Gross carrying amount *(RMB'000)*	**6,938**	**1,767**	**583**	**108**	**9,396**
Expected credit losses *(RMB'000)*	**139**	**184**	**123**	**59**	**505**

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

Boarding fees receivable

31 December 2023

Collective assessment	**Past due** Less than 12 months	**13–24 months**	**25–36 months**	**Over 36 months**	**Total**
Expected credit loss rate	**0.18%**	**1.96%**	**5.88%**	**11.76%**	**0.99%**
Gross carrying amount *(RMB'000)*	**553**	**102**	**34**	**17**	**706**
Expected credit losses *(RMB'000)*	**1**	**2**	**2**	**2**	**7**

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

12. OTHER PAYABLES AND ACCRUALS

	Note	2023 RMB'000	2022 RMB'000
Payables for purchase of property, plant and equipment		**1,615**	1,578
Payables for construction projects		**96,804**	30,440
Other tax payable		**7,200**	8,110
Rental advance		**437**	377
Miscellaneous advances received from students	(i)	**49,354**	47,873
Accrued bonuses and other employee benefits		**55,253**	45,426
Accrued interest expenses		**768**	903
Deposits		**4,612**	5,461
Amounts due to a related party		**—**	304
Other payables		**43,739**	36,138
Total		**259,782**	176,610

(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 2023 and are expected to be recognised as revenue within one year:

	2023 RMB'000	2022 RMB'000
Tuition fees	**426,233**	395,486
Boarding fees	**84,950**	78,912
Total contract liabilities	**511,183**	474,398

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:

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**474,398**	395,082
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(474,398)**	(395,082)
Increase due to cash received, excluding amounts recognised as revenue during the year	**511,183**	474,398
At the end of the year	**511,183**	474,398

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 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 2023:

	Number of shares purchased for the Share Award Scheme	**Total**
		RMB'000
At 1 January 2023	19,081,500	80,091
Purchased and withheld	517,000	1,853
At 31 December 2023	19,598,500	81,944

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 27 March 2024, 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 2023 to the shareholders whose names appear on the register of members of the Company on 6 June 2024. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

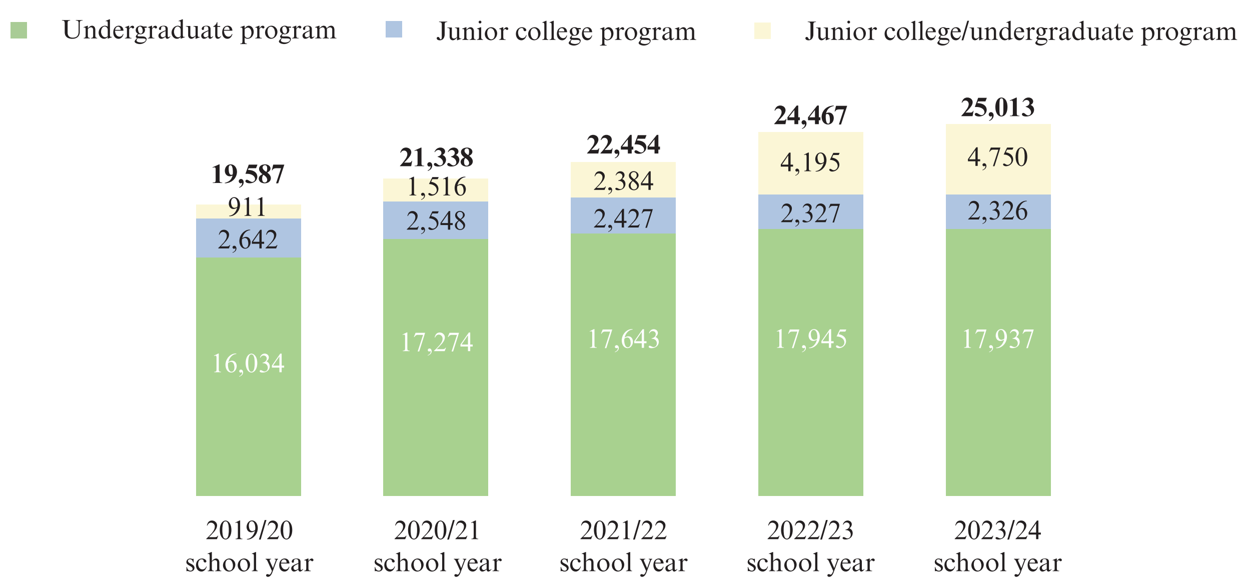
BUSINESS OVERVIEW

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 2023/24 school year, our University is the largest private 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 again ranked third among all category I private universities in China in 2023 and first among private universities in Yangtze River Delta for four consecutive years from 2020 to 2023.

Student enrollment

In the 2023/24 school year, the overall number of full-time enrolled students of our University reached 25,013, representing an increase of 546 as compared to that of the 2022/23 school year. Such increase in the number of enrolled students was due to the increase of student enrollment of our University. In the 2023/24 school year, the University enrolled 4,613 students in undergraduate program, 788 students in junior college program, 1,982 students in junior college/undergraduate program.

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 Student[1]		
	2021/22 school year *RMB*	2022/23 school year *RMB*	2023/24 school year *RMB*
Undergraduate program	30,000–39,800[2]	32,000–39,800[2]	32,000–39,800[2]
Junior college program	15,000–20,000	20,000	20,000
Junior college/undergraduate program	23,000–30,000	23,000–38,000	30,000–39,800

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.

BUSINESS REVIEW AND OPERATIONAL UPDATE

Our University

Our University is an applied technology university which focuses on undergraduate education. As of 31 December 2023, our University offers 39 undergraduate programs and 10 junior college programs in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 MOE comprehensive pilot reform undergraduate major, 15 first-class undergraduate majors in Shanghai, as well as 3 majors with Shanghai characteristics. Our University has a team of stable and professional teachers. As of 30 September 2023, 83.7% of our full-time teachers are with a master's or higher degree, 24.7% of our full-time teachers are with a doctoral degree, 35.5% of our full-time teachers are with a senior title and 35.9% of our full-time teachers are with "double-position".

DUAL SUPPORT FROM LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

(I) Strategic emerging industries gather in Lingang, building a new development pattern of industry and education integration

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》), 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》), and 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》), Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會) and Shanghai Municipal Education Commission (上海市教育委員會) issued the "Several Measures on Supporting the Lingang New Area to Promote the First Trial to Explore the City Construction of Deep Integration of Industry and Education (《支持臨港新片區加大先行先試探索 深化產教融合城市建設若干措施》)" in April 2023, further supporting the construction of the national pilot core area of industry-education integration in Lingang New Area, encouraging Lingang New Area to build a high-level industry-education integration base and demonstration base, and supporting the base to undertake and implement certain activities and projects of influential collaborative education, scientific research and innovation, vocational expertise to create key functional platforms and demonstration samples to promote the deep integration of industry and education. In September 2023, the Working Committee of Lingang New Area issued a notice on "Several Opinions on Accelerating the High-Quality Development of Education in Lingang New Area of China (Shanghai) Pilot Free Trade Zone" (《關於加快推進中國(上海)自由貿易試驗區臨港新片區教育高質量發展的若干意見》), proposing to improve the education services supply system, support the standardised development of private education, encourage and support colleges and universities, and vocational schools in the Lingang New Area to focus on the industrial system of the Lingang New Area, lay out the development of characteristic disciplines and majors, enhance the effectiveness of the collaborative scientific research between colleges and universities and enterprises, and promote the development of industry-education integration in an in-depth manner. 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》), the newly revised Vocational Education Law (《職業教育法》) and "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》)", which encourage listed companies and leading enterprises in the industry to engage in vocational education, encourage application-oriented universities to carry out undergraduate vocational education, and explore a new model of provincial modern vocational education system construction, eight departments, including the National Development and Reform Commission, the MOE, the Ministry of Human Resources and Social Security, jointly issued the "Implementation Plan for Enhancing the Integration of Industry and Education in Vocational Education (2023–2025)" (《職業教育產教融合賦能提升行動實施方案（2023–2025年）》) in June 2023, proposed to promote the formation of the leading effect of integration of industry and education, consolidate the development foundation of vocational colleges, build training bases for integration of industry and education, and deepen cooperation between schools and enterprises in integration of industry and education. Furthermore, they further improved the combined incentive of "finance + fiscal + land + credit" to accelerate the formation of a positive interaction between industry and education and a deep integration development framework of industry and education with complementary advantages of schools and enterprises. The launch of this implementation plan provided a strong support for integration of industry and education and high-quality development of vocational education.

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 April 2023, CUAA.net (中國校友會網) announced the 2023 CUAA University Rankings, which showed that our University ranked third among the 2023 CUAA category I private universities in China following 2022. Over 23 years of operation, our University was awarded "Shanghai Civilized Company (上海市文明單位)" for nine sessions over the past 18 consecutive years since 2004, awarded "Shanghai Garden Unit (上海市花園單位)" from 2015 to 2020 and awarded the "National Model Unit of Civilization (全國文明單位)" for the first time in 2015 (the first private university in Shanghai), and passed the reexamination twice in 2017 and 2020, continuing to retain the honorary title of the "National Model Unit of Civilization (全國文明單位)", 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, and passed the MOE undergraduate teaching quality assessment (教育部本科教學工作審核評估) in November 2019. In February 2022, our University was selected as Shanghai Safe and Civilized Campus for 2019–2020 school year. In the same month, our University has also been approved by the MOE as an innovation and development centre for ideological and political work in colleges and universities. In March 2022, our University was elected as a cultivation and creation unit of "National Party Building Demonstration Universities".

(II) High-quality majors leading in the 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 May 2023, according to "2023 First-class Majors Ranking (Application-oriented) in China" published by CUAA.net (中國校友會網), 25 majors of our University ranked among top 10 in China and 30 majors ranked among top 20 in China; and our University ranked 3rd in Shanghai and 38th in China (including public universities) in terms of comprehensive strength. In June 2023, advertising major of our University was awarded the New Liberal Arts Education 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), thus becoming the first major to receive such accreditation among private universities. Our University established two new undergraduate majors (i.e., (i) primary education; and (ii) digital economy) in the 2023/24 school year. The primary education major aims to nurture high-quality teachers who are passionate about primary education, fulfill the requirements of the MOE's professional certification for teacher education, and have good ethical qualities, solid subject knowledge, and comprehensive teaching skills; while the digital economy major focuses on nurturing digital economy talents with strong data analytical skills, familiarity with the operation of the digital economy, and Internet mindset as well as an international outlook. We believe that these majors will further expand our undergraduate majors categories, optimise our majors settings, better meet the functional and industrial positioning of the Lingang New Area of Shanghai Pilot Free Trade Zone and the city's objectives, promote the innovative development of the industry-education integration, and cultivate more applied technical talents for the society.

(III) The high teaching quality has strong strength

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 2023, among the full-time teachers of our University, the doctoral degree accounted for 24.7%, the senior title accounted for 35.5%, and the double-position accounted for 35.9%. 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, our University offered a total of 1,245 professional experimental courses for undergraduates, including 130 independent professional experimental courses, and we actively explored the online teaching of practical courses such as course design, simulation training, professional comprehensive experiments, and basic course experiments, and applied information technology means such as virtual simulation software to course teaching.

(IV) 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. As of 31 August 2023, the employment rate of 2023 graduates of our University reached 99.1%, of which 58.9% of graduates chose to stay in Shanghai for employment. The college-entrance rate reached 7.1%, and the rate of studying abroad reached 4.6%. In addition, according to the MyCOS report, the overall satisfaction rate of employers who have hired recent graduates of our University in 2022 and 2023 has reached over 95%.

FUTURE OUTLOOK AND BUSINESS STRATEGY

As always, the Group adheres to the educational philosophy of running a high-quality school, strives to establish a high-quality applied technical talents training system and operates 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 dual 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

(I) The Group will continue to promote schooling quality and gradually optimize the levels of tuition and boarding fees

In the 2023/24 school year, we continue to optimize the tuition fee, with the minimum tuition fee for new students of junior college/undergraduate programs being optimized from RMB23,000 per year to RMB30,000 per year. At the same time, we revamped two dormitory buildings to smart buildings under phase two of our campus construction plan and increase the boarding fees for the freshman from RMB5,800 per year to RMB7,800 per year, which is in line with two smart dormitory buildings under phase three of our campus construction plan.

(II) 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 campus facilities construction projects to build academic, administrative and boarding facilities to meet the needs of our expansion in the future. In this regard, 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); and (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 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 abroad. In April 2023, our University entered into a cooperation agreement with Beijing Chivast Education International Intercourse Co., Ltd. (北京嘉華世達國際教育交流有限公司), a wholly-owned subsidiary of the Chinese Service Center for Scholarly Exchange (教育部留學服務中心), to jointly promote the study abroad project of international curriculum and to provide students with more high-quality education resources abroad, as well as all-rounded training and services for smooth going abroad.

2) As to adult continuing education, as of 31 December 2023, the number of adult students of the continuing education programs of our University amounted to 6,383.

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 2023, 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. As of 31 December 2023, we have 189 school-enterprise collaboration projects. In 2022 and 2023, our University increased 46 off-campus internship, practice, and training bases, and established overseas internship bases in Japan, Thailand, Sri Lanka and the United Kingdom. Our University has operated 4 high-level 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 "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 2022 Annual Report. Please refer to the 2022 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 approximately RMB139.8 million, or 17.7%, from approximately RMB790.1 million for the year ended 31 December 2022 to approximately RMB929.9 million for the year ended 31 December 2023, which was mainly due to the increase in the revenue derived from tuition fees and boarding fees by approximately RMB132.4 million, or 17.1%. Such an increase was mainly due to (i) the growth in the number of students and average tuition and boarding fees per student during the year ended 31 December 2023; and (ii) the recovery of our University accommodation during the Reporting Period, while some of our students did not live in campus under the outbreak of COVID-19 pandemic during the corresponding period of last year.

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 RMB70.4 million, or 24.7%, from approximately RMB285.1 million for the year ended 31 December 2022 to approximately RMB355.5 million for the year ended 31 December 2023, which was primarily due to (i) the salary costs increased by approximately RMB28.4 million, or 17.9%, from approximately RMB158.9 million for the year ended 31 December 2022 to approximately RMB187.3 million for the year ended 31 December 2023, as the Group improved the quality of teaching team and enhanced the remuneration and benefits of teaching positions during the Reporting Period; (ii) the increase of the depreciation and amortization expenses, which was due to the changes in accounting estimates for depreciation period of buildings and facilities for the property, plant and equipment from 50 years to 30 years; and (iii) the increase of the student-related expenses and outsourced services provided for campus logistics services, as some of our students did not live in campus under the outbreak of COVID-19 pandemic in Shanghai in the first half of last year.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. The Group's gross profit increased by approximately RMB69.4 million, or 13.7%, from approximately RMB505.0 million for the year ended 31 December 2022 to approximately RMB574.4 million for the year ended 31 December 2023.

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the year ended 31 December 2023, the Group achieved a gross profit margin of 61.8%, down by 2.1 percentage points as compared to last year. The decrease was mainly due to (i) the increase of the salary costs, as the Group improved the quality of teaching team and enhanced the remuneration and benefits of teaching positions; (ii) the increase of the depreciation and amortization expenses, which was due to the changes in accounting estimates for depreciation period of buildings and facilities for the property, plant and equipment from 50 years to 30 years; and (iii) the increase of the student-related expenses and outsourced services provided for campus logistics services.

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 approximately RMB16.4 million, or 59.4%, from approximately RMB27.6 million for the year ended 31 December 2022 to approximately RMB44.0 million for the year ended 31 December 2023, which was mainly due to (i) the increase of the government grants amounting to RMB11.8 million, or 103.4%, mainly as the tax refund and other subsidies from the local government; (ii) the increase of operating leases income amounting to RMB2.4 million, or 43.3%, as the campus is normally open during the Reporting period, while the campus was closed in response to the COVID-19 pandemic prevention and control in the corresponding period of last year; and (iii) the increase of other interest income from financial assets at fair value through profit or loss amounting to RMB2.3 million during the Reporting Period.

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 increased by approximately RMB0.7 million, or 24.1%, from approximately RMB2.9 million for the year ended 31 December 2022 to approximately RMB3.6 million for the year ended 31 December 2023, which was mainly due to the increase of advertising expenses for strengthening the branding of our University 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 approximately RMB1.4 million, or 0.8%, from approximately RMB197.9 million for the year ended 31 December 2022 to approximately RMB199.3 million for the year ended 31 December 2023, which remained stable as compared with last year.

Finance Costs

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

For the year ended 31 December 2023, the Group's finance costs were approximately RMB24.8 million, which remained stable as compared to approximately RMB25.1 million of last year.

Profit Before Tax

For the year ended 31 December 2023, the Group recorded a profit before tax of approximately RMB379.3 million, representing an increase of approximately 24.2% year-on-year from approximately RMB305.3 million of last year.

Income Tax Expense

Income tax expense increased by approximately RMB15.6 million from approximately RMB80.4 million for the year ended 31 December 2022 to approximately RMB96.0 million for the year ended 31 December 2023, which was mainly due to the increase of the profit before tax.

Current Assets and Current Liabilities

The Group's net current liabilities increased by approximately RMB36.0 million, or 121.2%, from approximately RMB29.7 million for the year ended 31 December 2022 to approximately RMB65.7 million for the year ended 31 December 2023, which was primarily due to the increase of payables for phase four of the construction projects.

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 2023, the Group's property, plant and equipment amounted to approximately RMB2,318.5 million, representing an increase of approximately 11.3% year-on-year from approximately RMB2,083.1 million recorded as at 31 December 2022. Such an increase was mainly due to the phase four 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 2023, the Group's cash and cash equivalents decreased by approximately RMB111.4 million, or 18.0%, from RMB617.5 million for the year ended 31 December 2022 to approximately RMB506.1 million for the year ended 31 December 2023, which were primarily due to the purchases of financial assets measured at fair value through profit or loss to increase the return of funds during the Reporting Period.

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 2023, our interest-bearing bank borrowings of RMB759.4 million were all denominated in Renminbi. The annual average effective interest rate of our bank borrowings decreased to 3.83% (2022: 4.20%) as a result of downward trend of the market rate.

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase four of the construction of the school premises, maintaining and upgrading existing school premises for our University. For the year ended 31 December 2023, the Group's capital expenditures were RMB255.5 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:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted, but not provided for property, plant and equipment	**88,979**	345,800

Contingent Liabilities

As at 31 December 2023, 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 2022: nil).

Key Financial Ratios

	As at/for the year ended 31 December	
	2023	2022
Gross profit margin	**61.8%**	63.9%
Net profit margin	**30.5%**	28.5%
Return on assets	**7.5%**	6.5%
Return on Equity	**13.1%**	11.5%
Current Ratio	**0.9**	1.0
Interest coverage ratio	**16.3**	13.2
Net debt to equity ratio	**0.1**	0.1
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 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 2023, the gearing ratio of the Group was 0.4, which remained stable compared with the gearing ratio as at 31 December 2022.

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 2023, 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 2023, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 31 December 2023, the Group did not have any immediate plans for material investments and capital assets.

Pledge of Assets

As at 31 December 2023, the balance of secured bank borrowings of the Group was RMB759.4 million, of which RMB724.4 million was secured by the Group's rights over tuition fees and boarding fees, and the other was secured by the charging right of the talent center in the phase four of the campus construction.

Employees and Remuneration Policy

As at 31 December 2023, the Group had 1,793 full-time employees (as at 31 December 2022: 1,770 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 2023 was RMB338.7 million (as at 31 December 2022: RMB294.3 million).

EVENTS AFTER THE REPORTING PERIOD

On 27 March 2024, 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 2023 (the "2023 Final Dividend") to the Shareholders whose names appear on the register of members of our Company on 6 June 2024. Such proposal is subject to the approval by the Shareholders at the forthcoming AGM.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 30 May 2024 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 2023 was declared during the year ended 31 December 2023.

On Wednesday, 27 March 2024, the Board has resolved to recommend the payment of a final dividend of HK$0.1 per Share for the year ended 31 December 2023. The 2023 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, 30 May 2024 will be dispatched in due course.

Upon the approval of the Shareholders, the 2023 Final Dividend will be payable on or around Tuesday, 18 June 2024 to the Shareholders whose names appear on the register of members of our Company on Thursday, 6 June 2024. Including the interim dividend of HK$0.1 per Share for the six months ended 30 June 2023, the total dividend for 2023 was HK$0.20 per Share, which represents a payout ratio of 26.4% of the profit attributable to Shareholders for the year ended 31 December 2023.

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, 30 May 2024, the register of members of our Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024, 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, 30 May 2024. 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, 24 May 2024.

For determining the entitlement of the Shareholders to receive the 2023 Final Dividend, the register of members of our Company will be closed on Thursday, 6 June 2024, during which period no transfer of Shares will be registered. The record date for entitlement to the 2023 Final Dividend is Thursday, 6 June 2024. In order to be qualified for the entitlement to receive the 2023 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, 5 June 2024. The payment date of the 2023 Final Dividend is expected to be on or around Tuesday, 18 June 2024.

COMPLIANCE WITH THE CG 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. 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 2023. 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 2023. 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 2023.

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 2023.

Separately, during the year ended 31 December 2023, 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 517,000 Shares at a total consideration of approximately HK$2,041,850.

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 2023.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute our Group's audited consolidated financial statements for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 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 (www.genchedugroup.com). The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 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 C1 to the Listing Rules
"China", "PRC" or "Chinese Mainland"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan, China
"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 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 C3 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
"Reporting Period"	the year ended 31 December 2023
"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$0.01 each in the share capital of our Company
"Share Award Scheme"	the share award scheme adopted by our Company on 11 December 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"University", "our University" or "Shanghai Jian Qiao University"	a university in the PRC operated as a private non-enterprise unit under the name of "Shanghai Jian Qiao University" (上海建橋學院) from 28 June 2000 to 9 August 2021 and as a limited liability company, under the name of "Shanghai Jian Qiao University Co., Ltd."* (上海建橋學院有限責任公司) since 10 August 2021, with the short name of "Shanghai Jian Qiao University" (上海建橋學院) in the relevant private school operating permit
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Yangtze River Delta"	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
"%"	per cent

By order of the Board
Shanghai Gench Education Group Limited
Zhao Donghui
Chairman

Shanghai, 27 March 2024

As at the date of this announcement, our executive Directors are Mr. Zhao Donghui and Mr. Ding Zheyin, our non-executive Directors are Mr. Du Jusheng, Mr. Ye Qionghai and Ms. Zhao Jiaqiao, 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.*