



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

2023
ANNUAL REPORT

Stock code: 1525

(Incorporated in the Cayman Islands with limited liability)





CONTENTS

Corporate Information	2
Milestones	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion & Analysis	7
Directors and Senior Management	21
Report of the Directors	34
Corporate Governance Report	57
Environmental, Social and Governance Report	71
Independent Auditor's Report	125
Consolidated Statement of Profit or Loss	129
Consolidated Statement of Comprehensive Income	130
Consolidated Statement of Financial Position	131
Consolidated Statement of Changes in Equity	133
Consolidated Statement of Cash Flows	134
Notes to Financial Statements	136
Definition	198

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xingzeng (周星增) (*Chairman*)
(resigned on 27 December 2023)

Mr. Zhao Donghui (趙東輝) (*Chairman*)
(re-designated on 27 December 2023)

Mr. Zheng Xiangzhan (鄭祥展)
(resigned on 27 December 2023)

Mr. Shi Yinjie (施銀節) (resigned on 27 December 2023)

Mr. Ding Zheyin (丁哲寅) (appointed on 27 December 2023)

Non-executive Directors

Mr. Du Jusheng (杜舉勝)

Mr. Ye Qionghai (葉瓊海) (appointed on 27 December 2023)

Ms. Zhao Jiaqiao (趙佳俏) (appointed on 27 December 2023)

Independent Non-executive Directors

Mr. Chen Baizhu (陳百助)

Mr. Hu Rongen (胡戎恩)

Ms. Liu Tao (劉濤)

AUDIT COMMITTEE

Ms. Liu Tao (劉濤) (*Committee Chairman*)

Mr. Hu Rongen (胡戎恩)

Mr. Chen Baizhu (陳百助)

REMUNERATION COMMITTEE

Mr. Hu Rongen (胡戎恩) (*Committee Chairman*)

Mr. Zheng Xiangzhan (鄭祥展) (resigned on 27 December 2023)

Mr. Ding Zheyin (丁哲寅) (appointed on 27 December 2023)

Ms. Liu Tao (劉濤)

NOMINATION COMMITTEE

Mr. Zhou Xingzeng (周星增) (*Committee Chairman*)
(resigned on 27 December 2023)

Mr. Zhao Donghui (趙東輝) (*Committee Chairman*)
(appointed on 27 December 2023)

Mr. Hu Rongen (胡戎恩)

Mr. Chen Baizhu (陳百助)

COMPANY SECRETARY

Ms. Zhang Zhimo (張芷陌)

AUTHORISED REPRESENTATIVES

Mr. Zheng Xiangzhan (鄭祥展)
(resigned on 27 December 2023)

Mr. Ding Zheyin (丁哲寅)
(appointed on 27 December 2023)

Ms. Zhang Zhimo (張芷陌)

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1111, Huchenghuan Road
Pudong New Area, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

Morgan, Lewis & Bockius

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 Kings Road
Quarry Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

Agricultural Bank of China
(Shanghai Pilot Free Trade Zone New Area Branch)
China Construction Bank
(Shanghai Pilot Free Trade Zone New Area Branch)

COMPANY WEBSITE

<http://www.genchedugroup.com>

STOCK CODE

1525

MILESTONES

Year	Events
2000	<ul style="list-style-type: none">The predecessor of our University, namely, Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), and Jian Qiao Group were established.
2005	<ul style="list-style-type: none">Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院) transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to “Shanghai Jian Qiao University” (上海建橋學院).
2015	<ul style="list-style-type: none">Our University moved from its previous campus in Kangqiao County to a new campus in Lingang New City area in Pudong New Area, Shanghai.
2020	<ul style="list-style-type: none">Our Group was listed on the Main Board of the Stock Exchange on 16 January 2020 with stock code: 1525.
2021	<ul style="list-style-type: none">Our University successfully converted into a for-profit private school.
2022	<ul style="list-style-type: none">The phase three of our campus was officially put into use with approximately 4,000 additional beds. The phase four of our campus construction was commenced in December 2022 to satisfy the accommodation needs of on-campus engineers, experts in the industry, and teachers and staff, improve the quality of campus life, and optimize the teaching and training facilities.



(Phase Four of Campus Construction)

FINANCIAL HIGHLIGHTS

FIVE-YEAR FINANCIAL SUMMARY

Results of operation	For the year ended 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	501,442	554,895	683,580	790,114	929,885
Gross profit	279,913	335,410	421,676	504,983	574,377
Profit before tax	126,285	198,006	243,379	305,306	379,332
Profit for the year	125,420	193,056	179,012	224,932	283,365

Assets and liabilities	As at 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	348,858	722,131	501,796	754,897	871,148
Current liabilities	943,147	882,937	658,766	784,613	936,893
Net current liabilities	594,289	160,806	156,970	29,716	65,745
Total non-current assets	2,490,866	2,662,151	2,740,998	2,719,544	2,931,354
Total equity	1,014,975	1,762,387	1,828,239	1,960,841	2,169,829

Financial ratios	As at/for the year ended 31 December				
	2019	2020	2021	2022	2023
Gross profit margin	55.8%	60.4%	61.7%	63.9%	61.8%
Net profit margin	25.0%	34.8%	26.2%	28.5%	30.5%
Return on assets	4.4%	5.7%	5.5%	6.5%	7.5%
Return on equity	12.4%	11.0%	9.8%	11.5%	13.1%
Current ratio	0.4	0.8	0.8	1.0	0.9
Interest coverage ratio	3.6	4.6	6.3	13.2	16.3
Net debt to equity ratio	0.8	0.2	0.2	0.1	0.1
Gearing ratio ⁽¹⁾	1.1	0.6	0.4	0.4	0.4
Total debt to assets ratio	0.4	0.3	0.2	0.2	0.2

Note:

- (1) 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 borrowings.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2023 to the Shareholders and our sincere appreciation to the Shareholders for their long-term support and trust.

During the Reporting Period, the Group recorded a revenue of approximately RMB929.9 million, representing a year-on-year increase of 17.7% and a gross profit of approximately RMB574.4 million, representing a year-on-year increase of 13.7%. The Group recorded net profit of approximately RMB283.4 million throughout the year, representing a year-on-year increase of 26.0%. The recommended distribution of 2023 final dividend is HK\$0.1 per share. Together with the interim dividend, the dividend reached HK\$0.2 per share for the year with a dividend payout ratio of 26.4% for the year.

THE SIZE OF THE UNIVERSITY IS EXPANDING, WITH INDUSTRY-LEADING QUALITY OF EDUCATION

In the school year 2023/24, the size of the University was further expanded. The total number of full-time students enrolled amounted to 25,013, representing an increase of 546 full-time students as compared with the figure recorded in the school year 2022/23.

According to CUAANet (中國校友會網), our University ranked third among 2023 CUAANet category I private universities in China. There are 25 majors of our University ranking among top 10 in China, and 30 majors ranking among top 20 in China. As at 30 September 2023, among our full-time teachers, the doctoral degree accounted for 24.7%, the senior title accounted for 35.5%, and the double-position accounted for 35.9%. As at 31 August 2023, the employment rate of 2023 graduates of our University reached 99.1%. Our University actively promotes the construction and reform of undergraduate practical teaching system, and continuously expands the depth and breadth of university-enterprise cooperation so as to cultivate students' practical ability.

WE FOCUS MORE ON LINGANG NEW AREA TO PROMOTE 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 extensive exploration opportunities for industry-education integration.

Leveraging on the advantages of location, policies and industries in the Lingang New Area, our University's industry-education integration is far ahead of peer universities. We 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, which is a new exploration to further promote the integration of industry and education. In the future, we will actively promote the positive interaction between education and industry, share resources with enterprises and complement each other's strengths, so as to provide strong talent support for the development of the economy and society.

CHAIRMAN'S STATEMENT

BROAD PROSPECTS FOR FUTURE DEVELOPMENT IS SUPPORTED BY VOCATIONAL EDUCATION POLICIES

In recent years, China has launched 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, the “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》) and the “Implementation Plan for Enhancing the Integration of Production 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)》), all of which are policies to develop vocational education that have further enhanced our confidence.

Higher education is now entering into era of the popularisation. The industry has entered a new stage for high-quality development, and become the cradle of the country's new quality productivity talents. In the foreseeable future, the difference between the regions and quality may gradually appear, and against the backdrop of the escalated conflicts between the talent supply end and the enterprise demand end, there will be more new opportunities from industry-education integration. As the largest higher vocational education group in Shanghai, we will continue to practice our values of “Thanksgiving, Return, Loving, Responsibility”, remain steadfast in long-term development, and actively respond to national call by focusing on quality improvement as the core of vocational education. We will strike deep roots in Shanghai and Lingang New Area with the dual special regional advantages to continuously enhance the infrastructure construction of our University, optimise faculty structure and improve education quality so as to help more students to achieve a brighter future with high-quality education.

Finally, on behalf of the Board, I would like to extend my sincere gratitude for the contribution of all our faculty, the trust of our Shareholders, the support from all walks of life and the choice of our students, parents and partners.

Zhao Donghui
Chairman of the Board

27 March 2024

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

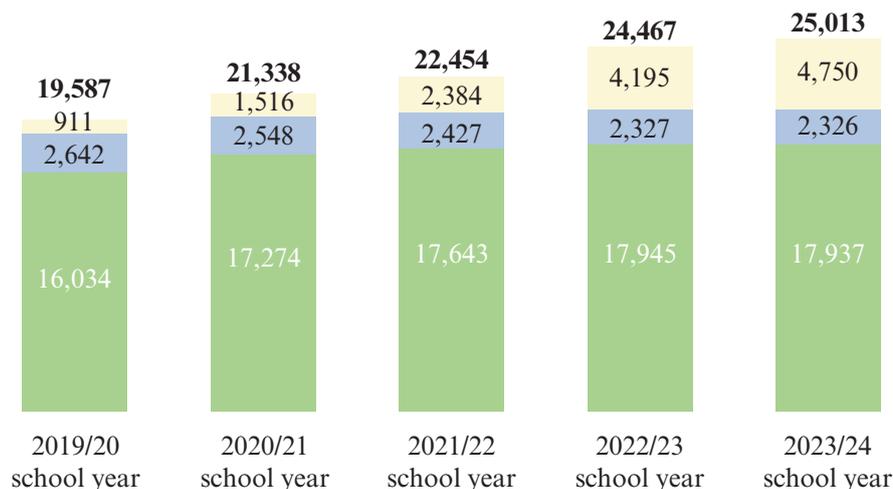
The Group is a higher vocational education group which provides undergraduate education and junior college education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, 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 CUAANet (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

■ Undergraduate program ■ Junior college program ■ Junior college/undergraduate program



MANAGEMENT DISCUSSION & ANALYSIS

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	2022/23	2023/24
	school year	school year	school year
	RMB	RMB	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.

MANAGEMENT DISCUSSION & ANALYSIS

(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, CUAANet (中國校友會網) announced the 2023 CUAANet University Rankings, which showed that our University ranked third among the 2023 CUAANet 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 ISO 9001 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”.

MANAGEMENT DISCUSSION & ANALYSIS

(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 CAAA.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 stabilising 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%.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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).

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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 annual report, 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).

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Donghui (趙東輝), aged 57, the chairman of the Board, joined our Group as a shareholder of Jian Qiao Group in March 2018 and was appointed as a non-executive Director on 20 December 2018. Mr. Zhao was re-designated as an executive Director on 27 December 2023 and is responsible for the overall management and strategic development of the Group. Mr. Zhao is the father of Ms. Zhao Jiaqiao, a non-executive Director of our Company. Mr. Zhao is also a substantial shareholder of our Company.

The following table shows the key work experience of Mr. Zhao:

Period	Company	Position	Roles and responsibilities
October 2003 to present	Zhejiang Fangzhen Industry Co., Limited* (浙江方陣實業有限公司), a company primarily engaged in building material sales	chairman	overall management, major decision making and strategic planning
January 2010 to present	Changjiu Industry Group Co., Limited* (長九實業集團有限公司), a company primarily engaged in real estate development and commercial hotels	chairman	overall management, major decision making and strategic planning
December 2018 to December 2023	our Company	non-executive Director	providing opinion and judgment to the Board
December 2023 to present	our Company	chairman of the Board, executive Director	overall management and strategic development of the Group

Save as disclosed above, Mr. Zhao did not hold directorship in other listed companies during the last three years.

Mr. Zhao obtained the qualification as a senior economist granted by Zhejiang Province Human Resources Bureau* (浙江省人事廳), currently known as Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳), in December 2005. He graduated as an undergraduate in civil engineering from Southwest University of Science and Technology (西南科技大學) in Sichuan Province, the PRC in January 2006.

Mr. Ding Zheyin (丁哲寅), aged 38, joined the Group as the financial controller on 2 March 2023 and was appointed as an executive Director on 27 December 2023. He is responsible for the financial strategic planning and financial management of our Group. He graduated with a Bachelor of Arts degree (English) from Northeastern University (東北大學) in 2008 and obtained his Master of Applied Commerce (accounting) from the University of Melbourne in 2010. Mr. Ding has been a member of the Chinese Institute of Certified Public Accountants since 2016.

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key work experience of Mr. Ding:

Period	Company	Position
October 2010 to July 2016	PwC Business Consulting (Shanghai) Co., Limited Xiamen Branch* (普華永道商務諮詢(上海)有限公司廈門分公司)	auditor/senior auditor/manager
August 2016 to July 2019	PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥))	manager/senior manager
August 2019 to June 2021	PricewaterhouseCoopers Zhong Tian LLP Xiamen Branch* (普華永道中天會計師事務所(特殊普通合夥)廈門分所)	senior manager
June 2021 to February 2023	Ping An Insurance (Group) Company of China, Ltd.* (中國平安保險(集團)股份有限公司), a listed company on the Stock Exchange (stock code: 02318)	financial manager
March 2023 to present	our Company	financial controller
December 2023 to present	our Company	executive Director

Save as disclosed above, Mr. Ding did not hold directorship in other listed companies during the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Du Jusheng (杜舉勝), aged 58, was appointed as a non-executive Director on 24 July 2020. He is responsible for providing opinion and judgement to the Board.

Mr. Du has more than 14 years of experience in education. He served as a teacher at Nanan Teacher Training College* (南安師範學校) from 1987 to 1988. Mr. Du worked in different positions at various governmental agencies and departments since 1988, including but not limited to, Shishi Education Bureau* (石獅市教育局), Organizational Department of Quanzhou City Committee of the CPC* (中共泉州市委組織部) and Shishi Municipal People's Government* (石獅市人民政府). Mr. Du also served as deputy secretary of the CPC committee at Quanzhou Vocational College of Optoelectronic Information* (泉州光電信息職業學院) from 2005 to 2008. He has been the general manager of Xiamen ITG Education Group Co., Ltd. (廈門國貿教育集團有限公司) since December 2017.

Save as disclosed above, Mr. Du did not hold directorship in other listed companies during the last three years.

Mr. Du graduated from Fujian Normal University (福建師範大學) in July 1987 with a bachelor's degree in school education and completed postgraduate courses in philosophy in Fujian Provincial Committee Party School of the CPC* (中共福建省委黨校) in January 2015.

Mr. Ye Qionghai (葉瓊海), aged 49, joined the Group as a non-executive Director on 27 December 2023. He is responsible for providing opinion and judgement to the Board. He graduated as an undergraduate in Finance from Xidian University (西安電子科技大學) in 2018.

The following table shows the key work experience of Mr. Ye:

Period	Company	Position
January 1998 to present	Wenzhou Dongtou Real Estate Development Co., Limited* (溫州市洞頭房地產開發有限公司)	partner
January 2007 to present	Taizhou Yongzhen Real Estate Co., Limited* (台州永臻房地產有限公司)	chairman and partner
August 2014 to present	Shanghai Shanggu Asset Management Co., Limited* (上海商谷資產管理有限公司)	chairman
December 2023 to present	our Company	non-executive Director

Save as disclosed above, as at the date of this report, Mr. Ye does not held any other directorships in other listed public companies in the last three years.

DIRECTORS AND SENIOR MANAGEMENT

As at the date of this report, Mr. Ye is subject to an unsatisfied court order ((2023) Ji 01 Zhi No. 2015) in relation to an enforcement amount of RMB120 million against him for being a joint owner of a mortgaged property with a mortgage amount of RMB120 million used to secure a loan in which the borrower defaulted under the judgment ((2018) Ji Minchu No. 87). The auction process in relation to the mortgaged property has not begun under the aforesaid judgment because the legal representative of the borrower is subject to another unsatisfied judgement. Based on information currently available to the Company, it is currently assessed that the above court order against Mr. Ye will not have material adverse effect on his involvement in the Company. The Company will make further announcement to inform the shareholders and potential investors of the development, if any, of the final judgement or court order.

Ms. Zhao Jiaqiao (趙佳倩), aged 28, joined the Group as a non-executive Director on 27 December 2023. She is responsible for providing opinion and judgement to the Board. She graduated with a Bachelor of Science degree (Management Science) from University College London in 2018 and obtained her Master of Science (Project and Enterprise Management) from the University College London in 2020.

The following table shows the key work experience of Ms. Zhao:

Period	Company	Position
January 2021 to September 2021	Shanghai Changjiu Real Estate Development Co., Limited* (上海長九房地產開發有限公司)	investment manager
October 2021 to present	Changjiu Industry Group Co., Limited* (長九實業集團有限公司)	deputy general manager
December 2023 to present	our Company	non-executive Director

Ms. Zhao is the daughter of Mr. Zhao Donghui, an executive Director of our Company. Save as disclosed above, at the date of this report, she does not have any other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and has not held any other directorships in other listed public companies in the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Chen Baizhu (陳百助), aged 60, was appointed as an independent non-executive Director on 20 December 2018.

The following table shows the key work experience and major offices of Mr. Chen:

Period	Company/Organization	Position
1994 to present	University of Southern California in California, the US	professor
May 2008 to November 2014	Aegon-Industrial Fund Management Co., Ltd. (興業基金管理有限公司), a company primarily engaged in investment and financial services	independent director
December 2018 to present	our Company	independent non-executive Director

Save as disclosed above, Mr. Chen did not hold directorship in other listed companies during the last three years.

Mr. Chen was awarded the 2002–2003 Golden Apple Teaching Award by Marshall School of Business of University of Southern California.

Mr. Chen graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in science in July 1985 and graduated from University of Rochester in the State of New York, the United States with the doctor of philosophy degree in May 1992.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hu Rongen (胡戎恩), aged 54, was appointed as an independent non-executive Director on 20 December 2018.

The following table shows the key work experience of Mr. Hu:

Period	Company	Position
July 2001 to September 2007	Shanghai University of Political Science and Law (上海政法學院)	deputy director of marketing department
October 2007 to September 2008	Doctor service group in western district* (西部博士服務團)/Prefectural Administrative Office in Tongren District* (銅仁地區行政公署)	specialist assistant (專員助理)
October 2009 to May 2015	Shanghai University of Political Science and Law (上海政法學院)	director of training department
June 2015 to present	Shanghai University of Political Science and Law (上海政法學院)	dean of the faculty of financial law
December 2018 to present	our Company	independent non-executive Director

Save as disclosed above, Mr. Hu did not hold directorship in other listed companies during the last three years.

Mr. Hu was accredited as one of Top 10 Outstanding Youths* (十大傑出青年) in Shanghai Judicial Administration System* (上海司法行政系統) by Political Department of Shanghai Bureau of Justice* (上海司法局政治部) in April 2009.

Mr. Hu graduated from National Court Cadre Amateur Law University* (全國法院幹部業餘法律大學), currently known as National Judges College (國家法官學院), in Beijing, the PRC in September 1988. He also graduated as an undergraduate in law in July 1996 and with a master's degree in law in July 2000, and a doctoral degree in law in July 2006 from Peking University (北京大學) in Beijing, the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Tao (劉濤), aged 59, was appointed as an independent non-executive Director on 20 December 2018.

The following table shows the key work experience of Ms. Liu:

Period	Company	Position
August 2001 to present	Shanghai Jiao Tong University (上海交通大學)	associate professor of Antai College of Economics & Management
September 2015 to present	Glorious Property Holdings Ltd. (恆盛地產控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 00845)	independent non-executive director
May 2016 to May 2022	Shanghai SafBon Water Service (Holding) Inc. (上海巴安水務股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300262)	independent director
June 2017 to July 2019	Shanghai No. 1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600833)	independent director
August 2017 to December 2019	Zhe Jiang Songyuan Automotive Safety Systems. Co., Ltd. (浙江松原汽車安全系統股份有限公司), a company primarily engaged in developing and manufacturing automobile safety belts	independent non-executive director
February 2018 to present	Changjiang Investment Industrial Co., Ltd.* (長江投資實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600119)	independent director
May 2018 to November 2020	Shanghai Jielong Industry Group Co., Ltd. (上海界龍實業集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600836)	independent director
December 2018 to present	our Company	independent non-executive Director
February 2022 to present	Westingarea Smart Supply Chain (Shanghai) Co., Ltd.* (西域智慧供應鏈(上海)股份有限公司), a company operating an e-commerce platform	independent director

DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position
April 2023 to present	MedSci Healthcare Holdings Limited (梅斯健康控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 02415)	independent non-executive director

Save as disclosed above, Ms. Liu did not hold directorship in other listed companies during the last three years.

Ms. Liu has received several recognitions and awards related to teaching. From 2006 to 2018, Ms. Liu was awarded the Teaching Excellence Award of Antai College of Economics & Management* (安泰經管學院教學優秀獎), the Most Welcomed MBA Teacher of Antai College of Economics & Management* (安泰經管學院年度最受MBA學生歡迎教師獎) and Nomination Award of Teaching and Education Award of Shanghai Jiao Tong University* (上海交通大學教書育人獎提名獎).

Ms. Liu graduated from Shaanxi Institute of Finance* (陝西財經學院), currently known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院), in Shaanxi Province, the PRC with a bachelor's degree in economics (經濟學) in July 1986, and a master's degree in economics in July 1989.

SENIOR MANAGEMENT

Mr. Zheng Xiangzhan (鄭祥展), aged 67, joined our Group in August 1999 and was appointed as the chief executive officer of our Company on 20 December 2018. He was an executive Director from 20 December 2018 to 27 December 2023. Mr. Zheng has also been a director of Jian Qiao Group since November 2000 and a director of our University since its establishment, respectively. He is responsible for the overall operation of our Group.

Mr. Zheng has more than 23 years of experience in education. The following table shows the key work experience of Mr. Zheng:

Period	Company	Position	Roles and responsibilities
August 1999 to present	Jian Qiao Investment	successively served as general manager, director, chairman and supervisor	supervision of financial management and senior management execution
June 2000 to present	our University	concurrently/successively served as vice chairman, director, deputy principal and financial controller	operational and financial management
November 2000 to present	Jian Qiao Group	vice chairman, director and president	overall management, major decision making and strategic planning
December 2018 to December 2023	our Company	executive Director	overall operation of our Group
December 2018 to present	our Company	chief executive officer	operation management of our Group

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the major offices of Mr. Zheng:

Period	Organization	Experience
March 2003 to July 2009	Shanghai Nanhui District Municipal People's Congress* (上海市南匯區人民代表大會), currently known as Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
July 2009 to January 2017	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy

Save as disclosed above, Mr. Zheng did not hold directorship in other listed companies during the last three years.

Mr. Zheng was accredited as Advanced Individual in the Shanghai United Front* (上海市統一戰線先進個人) by the United Front Work Department of the CPC of Shanghai* (中共上海市委統戰部) and Shanghai Human Resources Bureau* (上海市人事局) in August 2006.

Mr. Zheng obtained a master's degree in management at Shanxi University (山西大學) in Shanxi Province, the PRC in July 2005.

Dr. Zhu Ruiting (朱瑞庭), aged 58, joined our Group in January 2003 and was appointed as a professor of our University in January 2007 and the principal of our University in November 2017. He is responsible for the overall operation of our University.

Dr. Zhu has more than 24 years of experience in teaching and academic research. The following table shows the key work experience and major offices of Dr. Zhu:

Period	Company/Organization	Position
November 1991 to October 1995	Wenzhou University (溫州大學), in Zhejiang Province, the PRC	lecturer
January 2003 to present	our University	concurrently/successively served as professor, dean of commerce department, head of research department, vice principal, principal and director
March 2016 to present	Expert Committee for China Association of Trade in Services* (中國服務貿易協會專家委員會)	vice chairman
July 2017 to present	Jiangxi University of Finance and Economics (江西財經大學), in Jiangxi Province, the PRC	part-time tutor

DIRECTORS AND SENIOR MANAGEMENT

Period	Company/Organization	Position
December 2017 to present	The Chinese People's Political Consultative Conference (CPPCC) Shanghai Committee (中國人民政治協商會議上海市委員會)	member
April 2018 to present	Eighth council of the China Economics Association* (中國商業經濟學會第八屆理事會)	standing director
September 2018 to present	China Humanities and Social Sciences Journal Evaluation Expert Committee of China Social Science Evaluation Institute* (中國社會科學評價研究院中國人文社會科學期刊評價專家委員會)	member

Dr. Zhu did not hold any directorship in any listed companies during the last three years.

Dr. Zhu has received several awards and recognitions in recognition of his achievement in education. The following table sets forth some of the awards and recognition he has received:

Year	Award/Accreditation	Awarding Organization
September 2004	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會), Shanghai Education Development Foundation (上海市教育發展基金會) and Shanghai Teacher's Union (中國教育工會上海市委員會) jointly
November 2008	Baosteel Excellent Teacher Award* (寶鋼優秀教師獎)	Baosteel Education Foundation (寶鋼教育基金會)
September 2009	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會) and Shanghai Education Development Foundation (上海市教育發展基金會) jointly
September 2022	May 1 Labour Medal of Shanghai* (上海市五一勞動獎章)	Shanghai Municipal Federation of Trade Unions (上海市總工會) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) jointly

Dr. Zhu graduated as an undergraduate in economic management in July 1986 from Hangzhou University, currently known as Zhejiang University (浙江大學) in Zhejiang Province, the PRC, and obtained a master's degree in economics from Shanghai Academy of Social Science (上海社會科學院) in Shanghai, the PRC in July 1989. He also graduated from University of Marburg in Marburg Town, Germany with a doctoral degree in economics in June 2001.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Bangyong (王邦永), aged 42, joined our Group in August 2005 and was appointed as the deputy chief executive officer of our Company on 20 December 2018. Mr. Wang has also been the assistant to the chairman of our University since November 2011 and the secretary of the board of our University since March 2011, and assistant to chairman of Jian Qiao Group since June 2011, respectively. He is responsible for administrative and public relations management of our Group.

Mr. Wang has more than 18 years of experience in education. The following table shows the key working experience and major offices of Mr. Wang:

Period	Company/Organization	Position
August 2005 to present	our University	successively/concurrently served as secretary of the board and assistant to the chairman
June 2011 to present	Jian Qiao Group	assistant to chairman
January 2017 to present	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
December 2018 to present	our Company	deputy chief executive officer of our Company

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Wang was awarded the Shanghai May Fourth Youth Medal* (上海市青年五四獎章) by Communist Youth League Shanghai Committee* (共青團上海市委員會) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) jointly, in April 2017. Meanwhile, he was conferred the title of Shanghai Labour Model (上海市勞動模範榮譽稱號) by Shanghai Municipal Federation of Trade Unions (上海市總工會) in December 2020.

Mr. Wang graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in law in July 2005, obtained a master's degree in public management from Fudan University (復旦大學) in June 2011, and obtained the doctoral degree majoring in educational leadership and management (教育領導與管理) at East China Normal University (華東師範大學) in Shanghai, China in June 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou Qiaoqi (周喬琪), aged 36, joined our Group in September 2017, was appointed as joint company secretary and chief investment officer of our Company on 20 December 2018, and was appointed as deputy chief executive officer of our Company on 24 July 2020. He resigned as the joint company secretary of our Company on 24 November 2021. Mr. Zhou Qiaoqi has also been the assistant to the chairman of Jian Qiao Group since September 2017. He is responsible for overall corporate governance, investment and overseas operations management of our Group. Mr. Zhou Qiaoqi is the spouse of Ms. Zhang Zhimo, the company secretary of our Company.

The following table shows the key work experience and major offices of Mr. Zhou Qiaoqi:

Period	Company/Organization	Position/Experience
October 2012 to July 2013	Shanghai Tiantian Fund Distribution Co., Ltd (上海天天基金銷售有限公司), a fund sales company	fund researcher
August 2013 to March 2015	Allied Fortune Management Ltd (聯裕管理有限公司), an asset management company	vice president
April 2017 to present	Beta Gamma Sigma	lifetime member
September 2017 to present	Jian Qiao Group	assistant to the chairman
December 2018 to present	our Company	concurrently and/or successively served as joint company secretary, deputy chief executive officer and chief investment officer of our Company

Mr. Zhou Qiaoqi did not hold any directorship in any listed companies during the last three years.

Mr. Zhou Qiaoqi passed the fund qualification examination by Asset Management Association of China (中國證券投資基金業協會) in September 2017 and has become a Chartered Financial Analyst Charter-holder since April 2019. Mr. Zhou Qiaoqi graduated from Fudan University (復旦大學) in Shanghai, the PRC with bachelor of science in information and computing science degree in July 2010 and University of Southern California in Los Angeles, California, the United States with a master of science in mathematical finance degree in May 2012 and master of business administration degree in August 2017.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Zhang Zhimo (張芷陌), aged 34, joined our Group in May 2020 as director of administration department, and was appointed as company secretary of our Company on 24 November 2021. She is responsible for our Group's overall corporate governance, and performs her role of company secretary, including compliance matters related to the Listing Rules and other regulatory requirements in Hong Kong. Ms. Zhang is the spouse of Mr. Zhou Qiaoqi, a deputy chief executive officer and the chief investment officer of our Company.

The following table sets out the key work experience and positions of Ms. Zhang:

Period	Company	Position
October 2013 to November 2016	PricewaterhouseCoopers Limited, Hong Kong	senior associate in risk assurance practice (last position)
October 2018 to April 2019	Quantflag Investment Management Ltd.* (上海量旗投資管理有限公司) (an assets management company)	industry analyst and senior market manager
April 2019 to May 2020	Shenwan Hongyuan Securities Co., Ltd. (a securities company)	vice president of fixed-income business division
May 2020 to present	our Group	concurrently and/or successively served as director of administration department of our Group and company secretary of our Company

Ms. Zhang Zhimo did not hold directorship in any listed companies during the last three years.

Ms. Zhang is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an International Certified Internal Auditor of Institute of Internal Auditors and a Certified Information Systems Auditor of the Information Systems Audit and Control Association. In September 2018, Ms. Zhang also passed the fund qualification exam (基金從業資格考試) of the Asset Management Association of China (中國證券投資基金業協會). In December 2018, Ms. Zhang passed the securities qualification examination (證券從業資格考試) of the Securities Association of China* (中國證券業協會). Ms. Zhang graduated from City University of Hong Kong in July 2013 with a bachelor's degree of business administration (honours) in accountancy and management information systems and from The University of Hong Kong in November 2018 with a master's degree in finance.

Ms. Zhang is also recognised for her social responsibilities, as she holds multiple social positions and cares about the sustainable development of the community and the diversified growth of women.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of our Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

Our Group operates the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta. Analysis of the principal activities of our Group during the year ended 31 December 2023 is set out in the note 1 to the consolidated financial statements.

SUBSIDIARIES

Details of the principal subsidiaries of our Company are set out in note 1 to the consolidated financial statements.

RESULTS

The results of our Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 129 to 130 of this annual report.

DIVIDEND

An interim dividend of HK\$0.10 per Share for the six months ended 30 June 2023 was declared and paid 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\$0.10 per Share for the year ended 31 December 2023 (the “2023 Final Dividend”). 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\$0.10 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.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

BUSINESS REVIEW AND FUTURE OUTLOOK

A review of business and future outlook of our Group during the year ended 31 December 2023 is set out in the section headed “Management Discussion and Analysis” of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2023, our Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against our Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, our Group has complied with the relevant laws and regulations that have a significant impact on our Company.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

Our Group is exposed to various risks in the operations of its business and our Group believes that risk management is important to its success. Key operational risks faced by our Group include, among others, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC private higher education industry, its ability to offer quality education to its students, its ability to increase student enrollment and/or raising tuition rates, its potential expansion, availability of financing to fund our expansion and business operations, and competition from other university operators that offer similar or higher quality of educational services.

In addition, our Group also faces numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business.

Interest Rate Risk

Our Group's exposure to risk for changes in market interest rates relates primarily to our Group's interest-bearing bank borrowings. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using variable rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for our Group's variable rate bank loans and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by RMB3,699,000 and RMB2,887,000, respectively. This is mainly attributable to our Group's exposure to interest rates on our bank balances and borrowing with variable rates.

Credit Risk

Our Group only trades with recognized and creditworthy third parties. It is our Group's policy that all customers who wish to receive credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

Liquidity Risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. Cash flows are closely monitored on an ongoing basis.

Risk Management

To properly manage these risks and uncertainties, our Group has established the following risk management structures and measures. The details are set out in the paragraph headed "Risk Management and Internal Control" of the corporate governance report.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of our Group's results, assets and liabilities for the last five financial years are set out in the section headed "Financial Highlights" of this annual report. This summary does not form part of the audited consolidated financial statements.

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.

REPORT OF THE DIRECTORS

Set out below is the revised reallocation of use of the unutilised net proceeds as at 31 December 2023:

Unit: Hong Kong dollar million

Items	Revised percentage	Revised allocation of net proceeds	Utilized net	Unutilized	Utilized net	Unutilized
			proceeds as at 31 December 2022	net proceeds as at 31 December 2022	proceeds as at 31 December 2023	net proceeds as at 31 December 2023
Acquisitions and/or Investments	—	—	—	—	—	—
Campus Construction	69.8%	464.8	233.1	231.7	450.8	14.0
Bank Loans Repayment	20.2%	134.6	134.6	—	134.6	—
General Working Capital	10.0%	66.6	66.6	—	66.6	—
	<u>100.0%</u>	<u>666.0</u>	<u>434.3</u>	<u>231.7</u>	<u>652.0</u>	<u>14.0</u>

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.

MAJOR CUSTOMERS AND SUPPLIERS

Our Group's customers primarily consist of its students. We did not have any single customer who accounted for more than 5% of our revenue for the year ended 31 December 2023. The aggregate percentage of revenue attributable to the five largest customers is less than 30% of our revenue for the year ended 31 December 2023.

Our Group's suppliers primarily consist of construction service providers, enterprise partners who provide training to its students, technology service providers, and teaching equipment suppliers. For the year ended 31 December 2023, purchases from our five largest suppliers amounted to RMB311.1 million, accounting for 74.1% of our Group's total purchases for the year ended 31 December 2023. For the same period, purchases from our largest supplier amounted to RMB276.8 million, accounting for 65.9% of our total purchases for the year ended 31 December 2023. Our Group's largest supplier in 2023 is a construction service provider. The amount of purchases from our Group's five largest suppliers and from our Group's largest supplier went up due to the construction services our Group procured for the construction of school building, dormitory and auxiliary building.

None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, had any interest in any of our Group's five largest customers or suppliers for the year ended 31 December 2023.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Our Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. Our Group maintains a good relationship with employees, suppliers and customers. During the Reporting Period, there were no material and significant dispute between our Group and its employees, suppliers and/or customers.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of our Group during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of our Company during the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of our Company, amounted to approximately RMB259.0 million.

Details of movements in the reserves of our Group and our Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 133 and note 29 to the consolidated financial statements.

BANK BORROWINGS

The bank borrowings of our Group primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. Details of the bank borrowings of our Group as at 31 December 2023 are set out in note 25 to the consolidated financial statements.

DIRECTORS

The Directors of our Company during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. Zhao Donghui (*Appointed as Chairman on 27 December 2023*)

(*Re-designated from a non-executive Director to an executive Director on 27 December 2023*)

Mr. Ding Zheyin (*Appointed on 27 December 2023*)

Mr. Zhou Xingzeng (*Chairman prior to 27 December 2023*) (*Resigned on 27 December 2023*)

Mr. Zheng Xiangzhan (*Resigned on 27 December 2023*)

Mr. Shi Yinjie (*Resigned on 27 December 2023*)

Non-executive Directors

Mr. Du Jusheng

Mr. Ye Qionghai (*Appointed on 27 December 2023*)

Ms. Zhao Jiaqiao (*Appointed on 27 December 2023*)

Independent Non-executive Directors

Mr. Chen Baizhu

Mr. Hu Rongen

Ms. Liu Tao

REPORT OF THE DIRECTORS

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Accordingly, Mr. Ding Zheyin, Mr. Ye Qionghai, and Ms. Zhao Jiaqiao shall hold office till the AGM and, being eligible, will offer themselves for re-election at the AGM.

In accordance with articles 84(1) and 84(2) of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election, and any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Hu Rongen and Ms. Liu Tao shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract or letter of appointment which is not determinable by our Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Details of the Directors to be re-elected at the AGM are set out in the circular will be sent to the Shareholders in due course.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of our Company are set out in the section headed “Directors and Senior Management” of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive Director should inform our Company as soon as possible if there is any change of circumstances which may affect his/her independence. No such notification was received during the financial year. Our Company considers all the independent non-executive Directors to be independent because they were free from any business or other relationship which could affect their ability to discharge their duties independently.

DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed “Non-exempt Continuing Connected Transaction” and otherwise disclosed in this annual report, no Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of our Group to which our Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed for the Reporting Period.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing our Group’s remuneration policy and structure for all remuneration of the Directors and senior management of our Group, having regard to our Group’s operating results, individual performance of the Directors and senior management and comparable market practices.

REPORT OF THE DIRECTORS

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the paragraph headed “Share Option Scheme” below.

Our Company has adopted the Share Award Scheme in which (i) an employee (whether full time or part time), executive or officer, (ii) a director (including any executive, non-executive and independent 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 our Group who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of our Group will be entitled to participate. For further details of the Share Award Scheme, please refer to the paragraph headed “Share Award Scheme” below.

Details of the remuneration of the Directors and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements. None of the Directors waived any emoluments during the Reporting Period.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of our Company are set out in note 27 to the consolidated financial statements.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules were as follows:

I. Interest in Shares or underlying Shares of our Company

Name	Capacity/Nature of interest	Number of Shares	Long/short Position	Approximately Percentage of Shareholding in our Company ⁽⁵⁾
Mr. Zhao Donghui	Interest in a controlled corporation ⁽¹⁾	100,000,000	Long position	24.10%
	Person having a security interest in shares ^{(1), (2)}	87,350,000	Long position	21.05%
Mr. Ye Qionghai	Beneficial owner	4,728,000	Long position	1.14%
Mr. Zheng Xiangzhan ⁽³⁾	Interest in a controlled corporation ⁽⁴⁾	30,600,000	Long position	7.37%

REPORT OF THE DIRECTORS

Notes:

- (1) On 21 January 2022, Ai Xin Limited and Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership) entered into a sale and purchase agreement pursuant to which Fwin Limited (a wholly-owned subsidiary of Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)) agreed to acquire 70,000,000 ordinary shares of the Company from Ai Xin Limited for a consideration of HK\$423,500,000. Ai Xin Limited and Fwin Limited are controlled corporations of Mr. Zhao Donghui.

Further information in relation to interests of corporations controlled by Mr. Zhao Donghui are set out below:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Long/Short position	Number of Shares
Ai Xin Limited	Mr. Zhao Donghui	100.00	Y	Long position	117,350,000
Changjiu Industrial Group Co., Ltd.	Mr. Zhao Donghui	90.00	N	Long position	70,000,000
Shanghai Jiu hao Enterprise Management Consulting Co., Ltd.	Changjiu Industrial Group Co., Ltd.	100.00	N	Long position	70,000,000
Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Shanghai Jiu hao Enterprise Management Consulting Co., Ltd.	0.01	N	Long position	70,000,000
Hanzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Changjiu Industrial Group Co., Ltd.	99.99	N	Long position	70,000,000
Fwin Limited	Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	100.00	Y	Long position	70,000,000

- (2) As at 31 December 2023, eight shareholders of our Company has pledged a total of 87,350,000 Shares (excluding voting rights and rights to receive income) to Ai Xin Limited. For details of the pledge, please refer to the announcement of our Company dated 11 June 2021.
- (3) Mr. Zheng Xiangzhan resigned as an executive Director on 27 December 2023 but retain the position of a chief executive officer of the Company.
- (4) Mr. Zheng Xiangzhan is the sole shareholder and the sole director of Ze Ren Limited and he is therefore deemed to be interested in the 30,600,000 Shares held by Ze Ren Limited. As at 31 December 2023, Ze Ren Limited has pledged such 30,600,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of our Company dated 11 June 2021.
- (5) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 31 December 2023.

II. Interest in shares of associated corporation of our Company

Name	Name of associated corporation	Capacity/Nature of interest	Amount of registered share capital (RMB)	Approximate percentage of shareholding
Mr. Zhao Donghui	Jian Qiao Group	Beneficial owner	17,500,000	10.00%
Mr. Zheng Xiangzhan	Jian Qiao Group	Beneficial owner	17,850,000	10.20%

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of our Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/Short position	Approximate Percentage of Shareholding in our Company ⁽⁶⁾
Ai Xin Limited	Beneficial owner ⁽¹⁾	100,000,000	Long position	24.10%
	Person having a security interest in shares ⁽²⁾	87,350,000	Long position	21.05%
Fwin Limited	Beneficial owner ⁽¹⁾	70,000,000	Long position	16.87%
Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Shanghai Jiu hao Enterprise Management Consulting Co., Ltd.	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Changjiu Industrial Group Co., Ltd.	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Ze Ren Limited	Beneficial owner ⁽³⁾	30,600,000	Long position	7.37%
Xiamen ITG Education Group Co., Ltd.	Beneficial owner	25,880,000	Long position	6.24%
Mr. Zhou Xingzeng	Interest in a controlled corporation ⁽⁴⁾	25,692,000	Long position	6.19%
Gan En Limited	Beneficial owner	18,700,000	Long position	4.51%
She De Limited	Beneficial owner	6,992,000	Long position	1.68%

Notes:

- (1) Further information are set out in note 1 on page 41 of this annual report.
- (2) As at 31 December 2023, eight shareholders of the Company pledged a total of 87,350,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of the Company dated 11 June 2021.
- (3) As at 31 December 2023, Ze Ren Limited (a company in which Mr. Zheng Xiangzhan is the sole shareholder and the sole director) pledged its 30,600,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of the Company dated 11 June 2021.
- (4) Mr. Zhou Xingzeng is the sole shareholder and the sole director of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited.
- (5) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 31 December 2023.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, the Directors and the chief executive of our Company were not aware of any persons (who were not Directors or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was our Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, our Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of our Company or any other body corporate or had exercised any such right.

SHARE AWARD SCHEME

On 11 December 2020, our Company adopted the Share Award Scheme in 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 our 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. Pursuant to the Chapter 17 of the Listing Rules as amended on 1 January 2023, the Company may continue to make grants to directors and employees of the Group under the Share Award Scheme (i) to award existing shares, and (ii) to award new shares using general mandate until the second AGM after 1 January 2023, upon which the Company would be required to amend the terms of the Share Award Scheme to comply with the amended Chapter 17 and seek shareholders’ approval for a new scheme mandate. The Share Award Scheme was adopted before Chapter 17 of the Listing Rules was amended on 1 January 2023. As such, the Company will comply with the amended Chapter 17 in accordance with the transitional arrangement provided for the existing share schemes. The Company will continue to grant existing Shares to directors and employees of the Group under the Share Award Scheme, but it will not grant new Shares under the Share Award Scheme before any applicable amendments required pursuant to the amended Chapter 17.

1. Purposes and Participants

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 our Group; and (ii) to attract suitable personnel for further development of our Group.

2. Duration

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 date of 11 December 2020. The remaining life of the Share Award Scheme is around 7 years as at 31 December 2023.

REPORT OF THE DIRECTORS

3. Scheme Limit

The Board shall not make any further award of awarded shares which will result in the number of existing and new Shares awarded by the Board under the Share Award Scheme exceeding 5% (i.e. 20,750,000 Shares) of the issued share capital of our Company as at 11 December 2020. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% (i.e. 4,150,000 Shares) of the issued share capital of our Company as at 11 December 2020.

The total number of new Shares available for issue under the Share Award Scheme utilising the general mandate granted by the Shareholders at the annual general meeting on 8 June 2023 was 20,750,000 Shares, representing approximately 5% of the issued Shares as at the date of this annual report. The total number of new Shares available for issue under the Share Award Scheme and the Share Option Scheme shall not in aggregate exceed 40,000,000 Shares, representing approximately 9.6% of the issued Shares as at the date of this annual report. The Company will not grant new Shares under the Share Award Scheme before any applicable amendments required pursuant to amended Chapter 17 of the Listing Rules.

4. Vesting Period of Awards

Under the terms of the Share Award Scheme, there is no vesting period for any award granted under the Scheme. However, awarded shares shall vest to relevant Eligible Participants in according with the vesting schedule (if any) determined at the discretion of the Board.

5. Amount Payable for Awards and Purchase Price

Under the terms of the Share Award Scheme, there is no specified amount payable on acceptance of any award granted under the Scheme, no specified period within which payments must be made, and no purchase price of Shares awarded. However, the Board is entitled to impose any conditions (including, without limitation, the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Participant), as it deems appropriate in its sole and absolute discretion before the Awarded Shares can vest.

6. Share Purchase Pursuant to the Share Award Scheme

On 11 December 2020, the Board resolved to provide from time to time but in any event a total sum of not exceeding HK\$100 million for the trustee, namely CMB Wing Lung (Trustee) Limited, to purchase existing Shares at appropriate time and hold such Shares for future award of Shares under the Share Award Scheme. Since the adoption of the Share Award Scheme, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, has purchased on the Stock Exchange a total of 19,598,500 Shares at a total consideration of approximately HK\$91,578,995, among which during the Reporting Period, the trustee 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.

The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any Shares held by it.

For more details of the Share Award Scheme, please refer to the announcements of our Company dated 11 December 2020 and 22 December 2020.

No award has been granted, lapsed or cancelled under the Share Award Scheme during the Reporting Period and since its adoption up to the date of this annual report.

The number of awards over existing and new Shares available for grant under the Share Award Scheme at the beginning and the end of the Reporting Period are both 20,750,000.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholders of our Company passed on 19 December 2019 and adopted by a resolution of the Board on 19 December 2019 (the “Adoption Date”).

1. Purpose and Participants

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the Prospectus) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in the Prospectus), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to the Eligible Persons. Pursuant to the Chapter 17 of the Listing Rules as amended on 1 January 2023, the Company may continue to make grants to directors and employees of the Group under the Share Option Scheme until the refreshment or expiry of the existing scheme mandate, upon which the Company would be required to amend the terms of the Share Option Scheme to comply with the amended Chapter 17 and seek shareholders’ approval for a new scheme mandate.

2. Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 40,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company.

Assuming no award has been granted under the Share Award Scheme, the total number of Shares available for issue under the Share Option Scheme was 40,000,000 Shares, representing approximately 9.6% of the issued Shares as at the date of this annual report. The total number of new Shares available for issue under the Share Award Scheme and the Share Option Scheme shall not in aggregate exceed 40,000,000 Shares, representing approximately 9.6% of the issued Shares as at the date of this annual report.

3. Maximum Entitlement of Each Participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company’s issued share capital from time to time.

4. Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

REPORT OF THE DIRECTORS

5. Exercise Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may impose any conditions, restrictions or limitations when offering the grant of an Option. Subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) under the terms of the Share Option Scheme, there is no specific period within which the option may be exercised by the grantee, and there is no vesting period for any option granted under the Scheme, and there is no performance target which need to be achieved by the grantee before the Option can be exercised.

6. Amount Payable for Options and Offer Period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date. Participants of the Share Option Scheme are required to pay our Company HK\$1.00 upon acceptance of the grant on or before 28 days after the offer date.

7. Subscription Price

The subscription price shall be such price as the Board may determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

8. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 7 years as at 31 December 2023.

No option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption up to the date of this annual report.

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Reporting Period are both 40,000,000.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Award Scheme" and "Share Option Scheme" of this annual report and in the Prospectus, during the Reporting Period, neither our Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in our Company issuing Shares; or (ii) any agreement requiring our Company to enter into any agreement specified in (i).

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF OUR COMPANY

Neither our Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of our Company during the Reporting Period.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige our Company to offer new Shares on a pro rata basis to existing Shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of our Company from and against all actions, costs, charges, losses, damages and expenses which they or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to our Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to our Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the following transactions carried out by our Group and the connected persons of our Company constituted non-exempt continuing connected transactions of our Company pursuant to Chapter 14A of the Listing Rule:

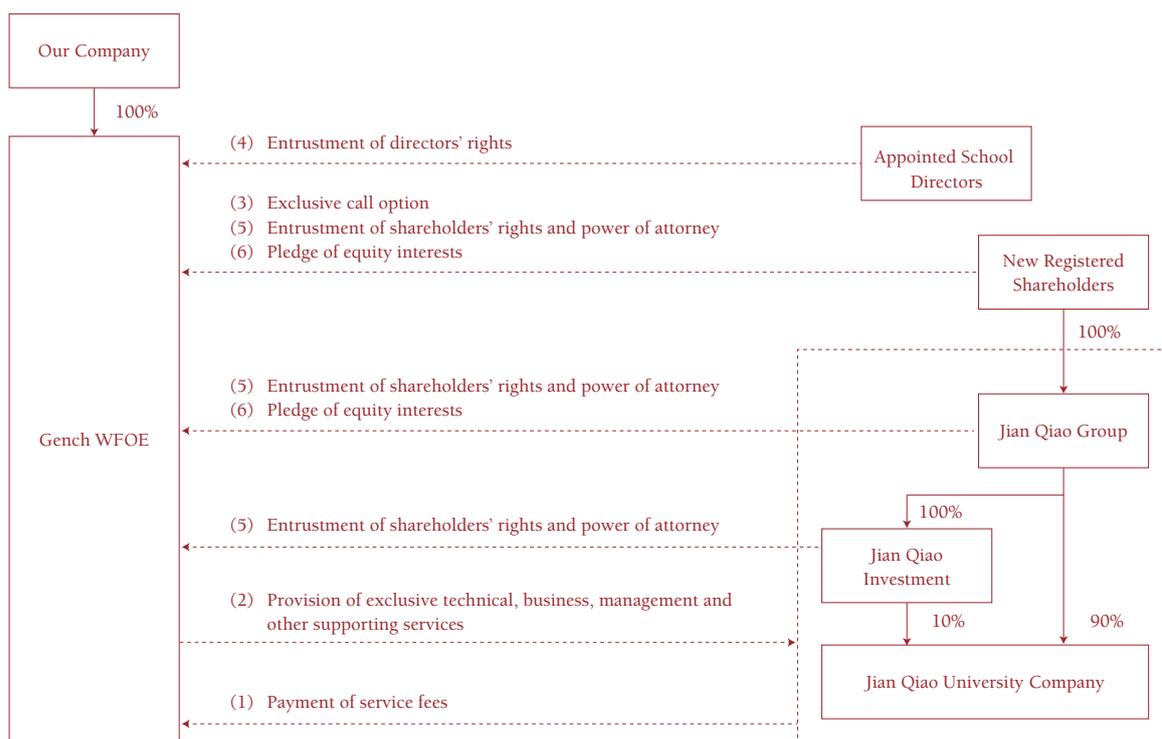
REPORT OF THE DIRECTORS

New Contractual Arrangements

A. Overview

The PRC laws and regulations currently restrict the operation of formal higher education to sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. As a result, upon internal restructuring of our Group as described in the announcement of our Company dated 20 January 2021, our Group, through our wholly-owned subsidiary, Gench WFOE, the New PRC Affiliated Entities and the New Registered Shareholders entered into the New Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through the New PRC Affiliated Entities while complying with applicable PRC law and regulations. The New Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of the New PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest and/or school sponsor's interest in the New PRC Affiliated Entities through Gench WFOE. As we operate our education business indirectly through the New PRC Affiliated Entities and we do not hold any direct equity interest or school sponsor's interest in the New PRC Affiliated Entities, the New Contractual Arrangements were entered into on 29 January 2021 pursuant to which all material business activities of the New PRC Affiliated Entities are instructed and supervised by our Group through Gench WFOE, and all economic benefits arising from such business of the New PRC Affiliated Entities are transferred to our Group.

The following simplified diagram illustrates the flow of economic benefits from the New PRC Affiliated Entities to our Group stipulated under the New Contractual Arrangements:



“—————” denotes direct legal and beneficial ownership in the equity interest
 “-----” denotes New Contractual Arrangements

REPORT OF THE DIRECTORS

B. Summary of the Material Terms of the New Contractual Arrangements

The New Contractual Arrangements consist of a series of agreements, including the New Business Cooperation Agreement, the New Exclusive Technical Service and Management Consultancy Agreement, the New Exclusive Call Option Agreement, the New Directors' Rights Entrustment Agreement, the New Directors' Power of Attorney, the New Shareholders' Rights Entrustment Agreement (I), the New Shareholders' Rights Entrustment Agreement (II), the New Shareholders' Power of Attorney (I), the New Shareholders' Power of Attorney (II), the New Spouse Undertakings, the No Spouse Undertaking, and the New Equity Pledge Agreements, each of which is an integral part of the New Contractual Arrangements. For summary of material terms of these agreements, please refer to the announcement of our Company dated 20 January 2021.

C. Business Activities of the New PRC Affiliated Entities

The business activities of the New PRC Affiliated Entities of our Group, namely the School Holders and Jian Qiao University Company, are primarily to offer higher educational services to our Group's students.

D. Significance and Financial Contributions of the New PRC Affiliated Entities

Pursuant to the New Contractual Arrangements, our Group obtains control over and derives the economic benefits from the New PRC Affiliated Entities. The table below sets out the financial contribution of the New PRC Affiliated Entities to our Group, including revenue, net profit and total assets of the New PRC Affiliated Entities consolidated into our Group's financial statements pursuant to the New Contractual Arrangements:

	Significances and financial contribution to our Group					
	Revenue for the year ended		Net profit for the year ended		Total assets as at	
	31 December		31 December		31 December	
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
New PRC Affiliated Entities	909,947	778,613	242,491	201,540	3,477,312	3,083,368

Note:

(1) include Shanghai Jian Qiao University, a private non-enterprise unit established on 28 June 2000 and de-registered on 9 August 2021.

E. Regulatory Update

1. Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and taken concrete steps which our Company believes to be meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed "Contractual Arrangements" in the Prospectus for our Group's efforts and actions undertaken to comply with the Qualification Requirement.

As advised by our PRC Legal Advisors, there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

REPORT OF THE DIRECTORS

2. *Foreign Investment Law*

The Foreign Investment Law, which took effect on 1 January 2020, replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises and became the legal foundation for foreign investment in the PRC.

Conducting operations through contractual arrangements has been and will be further adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List, the New Contractual Arrangements as a whole and each of the agreements comprising the New Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether the New Contractual Arrangements will be recognized as foreign investment, whether the New Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the New Contractual Arrangements will be handled are uncertain.

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under the PRC laws, Gench WFOE will exercise the equity call option under the New Exclusive Call Option Agreement to acquire the equity interest in the New PRC Affiliated Entities and unwind the New Contractual Arrangements subject to re-approval by the relevant authorities.

F. *Risks Associated with the New Contractual Arrangements*

1. *Loss sharing and Economic Risks of our Company*

In the event that the New PRC Affiliated Entities incur any loss or encounter any operational crisis, Gench WFOE may, but is not obliged to, provide financial support to the New PRC Affiliated Entities.

None of the agreements constituting the New Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, Gench WFOE, is obligated to share the losses of the New PRC Affiliated Entities or provide financial support to the New PRC Affiliated Entities. Further, the New PRC Affiliated Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Gench WFOE, is not expressly required to share the losses of the New PRC Affiliated Entities or provide financial support to the New PRC Affiliated Entities. Despite the foregoing, given that the New PRC Affiliated Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if the New PRC Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the New Contractual Arrangements as disclosed in the respective paragraphs headed "(1) New Business Cooperation Agreement" and "(3) New Exclusive Call Option Agreement" in the announcement dated 20 January 2021, the potential adverse effect on Gench WFOE and our Company in the event of any loss suffered from the New PRC Affiliated Entities can be limited to a certain extent.

REPORT OF THE DIRECTORS

2. Limitations in Exercising the Option to Acquire Ownership in the New PRC Affiliated Entities

Our Group may incur substantial cost on our part to exercise the option to acquire the equity interest in the New PRC Affiliated Entities. Pursuant to the New Exclusive Call Option Agreement, Gench WFOE or its designated purchaser has the exclusive right to purchase all or part of the equity interest in the New PRC Affiliated Entities at the lowest price permitted under the PRC laws and regulations.

In the event that Gench WFOE or its designated purchaser acquires such equity interest and the relevant PRC authorities determine that the purchase price for acquiring the equity interest is below market value, Gench WFOE or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

3. The PRC government may find that the New Contractual Arrangements do not comply with applicable PRC laws and regulations

If the New Contractual Arrangements that establish the structure for operating the Group's China business are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of Education, which regulates the education industry, would have broad discretion in dealing with such violations.

4. The New Registered Shareholders may have conflicts of interest with the Group

The New Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings.

5. The New Contractual Arrangements may not be as effective in providing control over the New PRC Affiliated Entities as direct ownership

The Group has relied and expects to continue to rely on the New Contractual Arrangements to operate the majority of our education business in China. The New Contractual Arrangements may not be as effective in providing us with control over the New PRC Affiliated Entities as direct ownership of equity interest ownership. If the parties under such New Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of the New PRC Affiliated Entities. If we were to lose effective control over the New PRC Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of the New PRC Affiliated Entities with our financial results.

6. The New Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the New Exclusive Technical Service and Management Consultancy Agreement we have with the New PRC Affiliated Entities does not represent an arm's length price and adjust any of those entities' income in the form of a transfer pricing adjustment. In addition, PRC tax authorities may have reason to believe that Gench WFOE or the New PRC Affiliated Entities are dodging their tax obligations, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

REPORT OF THE DIRECTORS

7. Our Company does not have any insurance which covers the risks relating to the New Contractual Arrangements and the transactions contemplated thereunder

The insurance of our Group does not cover the risks relating to the New Contractual Arrangements and the transactions contemplated thereunder, and our Group has no intention to purchase any new insurance in this regard. If any risk arises from the New Contractual Arrangements in the future, such as those affecting the enforceability of the New Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of our Group, the results of our Group may be adversely affected. However, our Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, there are relevant internal control measures to reduce the operational risk.

G. Changes to the New Contractual Arrangements

Development during the Reporting Period

As disclosed in the announcement of the Company dated 6 January 2023, a director of Jian Qiao University Company, Ms. Jing Xiaohuai (荆筱槐) (“Ms. Jing”), resigned due to personal reasons on 6 January 2023, and Ms. Xia Yu (夏雨) (“Ms. Xia”), deputy secretary of the party committee (黨委副書記) of the University, has been appointed as a director of Jian Qiao University Company accordingly. As a result of the aforesaid change in directors of Jian Qiao University Company, Ms. Jing is no longer required to comply with the relevant agreements under the New Contractual Arrangements and Ms. Xia entered into a director’s power of attorney (the “POA”) on 6 January 2023. The scope of power of attorney under the POA are the same as the directors’ power of attorney currently in place under the New Contractual Arrangements. In addition, under the POA, Ms. Xia agreed to be bound by the rights and obligations of the directors’ rights entrustment agreement currently in place under the New Contractual Arrangements.

In addition, Mr. Chen Zhiyong (陳智勇), a director of Jian Qiao University Company, resigned on 9 June 2023 due to personal reasons and no new director has been appointed as the director of Jian Qiao University Company. As a result of the aforesaid resignation, Mr. Chen Zhiyong is no longer required to comply with the relevant agreements under the new Contractual Arrangements with effect from 9 June 2023. For more details, please refer to the announcements of the Company dated 6 January 2023 and 9 June 2023.

As at the date of this annual report, save for the aforesaid, there were no changes in the New Contractual Arrangements and/or the circumstances under which the New Contractual Arrangements were adopted.

H. Unwinding of the New Contractual Arrangements

As at the date of this annual report, there has not been any unwinding of any New Contractual Arrangements, nor has there been any failure to unwind any New Contractual Arrangements when the restrictions that led to the adoption of the New Contractual Arrangements are removed. For more details, please refer to the section headed “Termination of the New Contractual Arrangements” of the announcement of our Company dated 20 January 2021. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Gench WFOE will exercise the equity call option in full to hold all of the interest in our New PRC Affiliated Entities and unwind the New Contractual Arrangements accordingly as permitted by the applicable PRC laws and regulations at the relevant time.

REPORT OF THE DIRECTORS

Compliance with the New Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the New Contractual Arrangements and our compliance with the New Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the New Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the New Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the New Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Foreign Investment Law; and
- (e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the New Contractual Arrangements, review the legal compliance of Gench WFOE and the New PRC Affiliated Entities to deal with specific issues or matters arising from the New Contractual Arrangements.

In addition, notwithstanding that certain executive Director (namely, Mr. Zhao Donghui) is also the New Registered Shareholder, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefits and in the best interests of our Group;
- (c) we have appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

For the year ended 31 December 2023, the Board had reviewed the overall performance of the New Contractual Arrangements and believes that our Group had complied with the New Contractual Arrangements in all material respects.

REPORT OF THE DIRECTORS

Confirmation of Independent Non-executive Directors

The independent non-executive Directors reviewed the New Contractual Arrangements on an annual basis and confirmed that, during the Reporting Period:

- (i) the New Contractual Arrangements have been entered into in the ordinary and usual course of business of our Group;
- (ii) the New Contractual Arrangements are on normal commercial terms;
- (iii) the New Contractual Arrangements have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iv) the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the New Contractual Arrangements, and have been operated so that the profit generated by our New PRC Affiliated Entities have been substantially retained by our Group; and
- (v) no dividends or other distributions have been made by our New PRC Affiliated Entities to School Holders which are not otherwise subsequently assigned or transferred to our Group.

Confirmation of Auditor of Our Company

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedures related to continuing connected transactions, Ernst & Young confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- b. for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of our Group;
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the disclosed continuing connected transactions with the PRC Affiliated Entities under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Affiliated Entities to the holders of the equity interests of our company which are not otherwise subsequently assigned or transferred to our Group.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by our Group during the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements. The related party transactions described in note 32(2) to the consolidated financial statements were connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) of the Listing Rules. “Directors’ and chief executive’s remuneration” described in note 8 to the consolidated financial statements were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Listing Rules.

Our Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES

As a responsible and leading higher educational service supplier, our Group is committed to protecting the environment and fulfilling social responsibility in order to achieve our goals in sustainable development. We adopt a comprehensive approach in environmental management and climate change mitigation by carrying out green and low-carbon operation in our University, minimizing the negative impact of our Group’s business operating activities on the environment and strictly complying with the applicable environmental laws and regulations.

We understand that our employees are our valuable assets. Our Group is dedicated to providing a fair, equal, healthy and safe working environment to our employees. We offer competitive remuneration and benefits to our employees and provide them various promoting opportunities, strong academic and research atmosphere, and the international training programs, etc.

Our Group cares about our students and is committed to providing various effective communication channels to our students and establishing a healthy and safe campus. We strive to maintain a good relationship with our suppliers and other relevant stakeholders to establish a sustainable supply chain in excellent quality. We are dedicated to contributing to society and livelihood by fully engaging in charity activities and community services together with our employees and our students for community care and development.

As far as the Board and the management are aware, our Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of our Group. During the year ended 31 December 2023, there was no material breach of or non-compliance with applicable laws and regulations by our Group.

Please refer to the Environmental, Social and Governance Report in this annual report for more details.

DONATIONS

During the Reporting Period, the charitable and other donations made by our Group amounted to RMB3,100,000.

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 (the “2023 Final Dividend”) 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 at the forthcoming AGM.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

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, has reviewed our Group's audited consolidated financial statements for the year ended 31 December 2023.

CORPORATE GOVERNANCE

Our Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by our Company is set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to our Company and to the best knowledge of the Directors, at least 25% of our Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times for the Reporting Period and up to the date of this annual report.

AUDITOR

Ernst & Young was appointed as our Company's auditor for the year ended 31 December 2023. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young. Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as our Company's auditor will be proposed at the AGM. The auditor has not changed in the past three financial years.

TAX RELIEF AND EXEMPTION

Our Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of our Company's securities.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If the shareholders of our Company are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant Shares of our Company, they are recommended to consult independent experts for advice.

On behalf of the Board
Shanghai Gench Education Group Limited
Zhao Donghui
Chairman

Shanghai, China, 27 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Our 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 under 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 Reporting Period. Our Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

GENCH'S CULTURE

The Company firmly believes that our purpose, values and strategies are aligned with our culture. We remain steadfast in upholding our core values: “Thanksgiving, Return, Loving, Responsibility”, take “building bridges for students to achieve success, for teachers to fulfill their career goals, and for society to satisfy its need for educated talents (為學生建成才之橋，為教師建立業之橋，為社會建育人之橋)” as its mission, and strive to achieve our vision of building the University into a first-class private university in China with more distinctive characteristics and international influence. We have adhered to our core strategies — “integration, internationalisation and digitization” and our quality policy of “People-oriented, Moral Education Prioritised, Law-Abiding, Strict Management”. For details of our core strategies, please refer to the “Management Discussion and Analysis” section of this annual report. The Board strives to adhere to the principles of good corporate governance and adopt sound corporate governance practices to promote such culture by focusing on areas such as internal control, fair disclosure, and accountability to all shareholders.

THE BOARD

Responsibilities, accountabilities and contributions of the Board and senior management

The Board is responsible and accountable for the overall leadership of our Group, oversees our Group's strategic decisions and monitors business and performance. The Board is also responsible for establishing the purpose, values and strategy of our Group and ensuring that they are aligned with the culture of our Group. The Board has delegated the authority and responsibility for day-to-day management and operation of our Group to the senior management of our Group. To oversee particular aspects of our Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of our Company and the Shareholders at all times.

Non-executive Directors

Non-executive Directors (including independent non-executive Directors) should make a positive contribution to the development of our Company's strategy and policies through independent, constructive and informed comments.

The responsibilities of non-executive Directors include, but are not limited to, the following:

- participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise for other Directors;
- serving on the Board Committees, if invited; and

CORPORATE GOVERNANCE REPORT

- scrutinising our Group's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

Directors' and Senior Management's Liability Insurance and Indemnity

Our Company has arranged appropriate liability insurance to indemnify the Directors and senior management of our Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at 31 December 2023, the Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this annual report.

During the Reporting Period, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Our Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each independent non-executive Director should inform our Company as soon as possible if there is any change of circumstances which may affect his/her independence as set out in Rule 3.13 of the Listing Rules. No such notification was received during the Reporting Period. Our Company considers all the independent non-executive Directors to be independent because they were free from any business or other relationship which could affect their ability to discharge their duties independently.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management", none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to our Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of our Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. Our Company also arranges regular seminars to provide Directors with updates on latest development

CORPORATE GOVERNANCE REPORT

and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on our Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of our Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

The attendance record of professional training received by the Directors for the year ended 31 December 2023 is as follows:

Name of Director	Nature of continuous professional development programmes
Mr. Zhao Donghui	A/B
Mr. Ding Zheyin (<i>Appointed on 27 December 2023</i>)	B
Mr. Zhou Xingzeng (<i>Resigned on 27 December 2023</i>)	A/B
Mr. Zheng Xiangzhan (<i>Resigned on 27 December 2023</i>)	A/B
Mr. Shi Yinjie (<i>Resigned on 27 December 2023</i>)	A/B
Mr. Du Jusheng	A/B
Mr. Ye Qionghai (<i>Appointed on 27 December 2023</i>)	B
Ms. Zhao Jiaqiao (<i>Appointed on 27 December 2023</i>)	B
Mr. Chen Baizhu	A/B
Mr. Hu Rongen	A/B
Ms. Liu Tao	A/B

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals.

Mr. Zhou Xingzeng (*Resigned on 27 December 2023*) or Mr. Zhao Donghui (*Appointed on 27 December 2023*) is the chairman of the Board and is responsible for overall management and strategic development of our Group, while Mr. Zheng Xiangzhan is the chief executive officer and is responsible for operation management of our Group. As a result, the roles of the chairman and chief executive are separate and performed by two different individuals.

The chairman provides leadership for the Board and takes the lead to ensure the Board acts in the best interests of our Company. The responsibilities of the chairman include, but are not limited to, the following:

- ensuring all Directors are properly briefed on issues arising at Board meetings;
- ensuring that Directors receive, in a timely manner, adequate information, which are accurate, clear, complete and reliable;
- providing leadership for the Board and ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner;

CORPORATE GOVERNANCE REPORT

- ensuring that good corporate governance practices and procedures are established;
- encouraging all Directors to make full and active contributions to the Board's affairs;
- ensuring sufficient time for discussion of issues among Directors;
- ensuring that Board decisions fairly reflect Board consensus;
- at least annually hold meetings with the independent non-executive directors without the presence of other Directors;
- enhancing effective communication with shareholders and ensure the views of shareholders are communicated to the Board as a whole; and
- facilitating the effective contribution of non-executive Directors (including independent non-executive Directors) in particular and ensuring constructive relations between executive Directors and non-executive Directors (including independent non-executive directors).

Dividend Policy

The dividend policy of our Company (the “Dividend Policy”) is in place to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of our Group. Accordingly, the Dividend Policy aims to allow Shareholders to participate in our Company's profits whilst preserving our Company's liquidity to capture future growth opportunities. The declaration and recommendation of dividends is subject to the decision of the Board after considering our Company's ability to pay dividends. The Board has complete discretion on whether to recommend and/or pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, the Laws and the Articles of Association, and other factors affecting our Group. The Board shall review and reassess the Dividend Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

Appointment and Re-election of Directors

During the Reporting Period, each of Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie has resigned as an executive Director, effective from 27 December 2023. Further, Mr. Zhao Donghui has been re-designated from a non-executive Director to an executive Director, Mr. Ding Zheyin has been appointed as an executive Director, and each of Mr. Ye Qionghai and Ms. Zhao Jiaqiao has been appointed as a non-executive Director, effective from 27 December 2023.

Each of Mr. Zhao Donghui, Mr. Ding Zheyin, Mr. Ye Qionghai and Ms. Zhao Jiaqiao has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law on 27 December 2023 before their appointment became effective. Each of them has confirmed that he/she understood his/her obligations as a director of a listed issuer.

Each of Mr. Zhao Donghui and Mr. Ding Zheyin, being the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from 27 December 2023.

Each of Mr. Ye Qionghai and Ms. Zhao Jiaqiao, being the non-executive Directors, has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from 27 December 2023. Mr. Du Jusheng, being the non-executive Director, has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from 24 July 2020.

CORPORATE GOVERNANCE REPORT

Each of the independent non-executive Directors has entered into an letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date.

All the service contracts and letters of appointment of Directors will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term. Save as aforesaid, none of the Directors has a service contract or letter of appointment with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Pursuant to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The re-appointment of an independent non-executive Director (e.g. an independent non-executive Director who has served for more than nine years) at annual general meeting of the Company shall be subject to any other requirements that may be required by the Listing Rules from time to time.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors. Directors should be aware that they must be able to contribute sufficient time and attention to the affairs of our Company before accepting their appointment.

Board Meetings

Our Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary of our Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board and the general meetings of our Company held during the year ended 31 December 2023 are set out in the table below:

Name of Director	Attended/Eligible to attend the Board meeting	Attendance/Number of general meeting held during a Director's tenure
Mr. Zhao Donghui	4/4	2/2
Mr. Ding Zheyin (<i>Appointed on 27 December 2023</i>)	0/0	0/0
Mr. Zhou Xingzeng (<i>Resigned on 27 December 2023</i>)	4/4	2/2
Mr. Zheng Xiangzhan (<i>Resigned on 27 December 2023</i>)	4/4	2/2
Mr. Shi Yinjie (<i>Resigned on 27 December 2023</i>)	4/4	2/2
Mr. Du Jusheng	4/4	2/2
Mr. Ye Qionghai (<i>Appointed on 27 December 2023</i>)	0/0	0/0
Ms. Zhao Jiaqiao (<i>Appointed on 27 December 2023</i>)	0/0	0/0
Mr. Chen Baizhu	4/4	2/2
Mr. Hu Rongen	4/4	2/2
Ms. Liu Tao	4/4	2/2

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors, without the presence of other Directors during the Reporting Period.

Delegation by the Board

The Board reserves its decision for all major matters of our Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at our Company's expense and are encouraged to access and to consult with our Company's senior management independently, the Board has reviewed and is satisfied with the implementation and effectiveness of such mechanism.

The daily management, administration and operation of our Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Securities Transactions By Directors

Our Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions since its Listing on 16 January 2020. 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 Reporting Period.

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.

CORPORATE GOVERNANCE REPORT

DIVERSITY

Board Diversity

Our Company has adopted a Board diversity policy (the “Board Diversity Policy”) which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that our Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our Group’s business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based on a range of measurable objectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The Nomination Committee will: (1) report annually, in the corporate governance report contained in our annual report, on the Board’s composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (2) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee has conducted their annual review of the Board’s composition and the implementation of our Board Diversity Policy. Considering multiple measurable objectives including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service, it considered that board diversity was achieved. As at 31 December 2023, two out of nine members of the Board are female Directors. Gender diversity as required under Rule 13.92 of the Listing Rules was also achieved as the Board is not a single gender board.

Workforce Diversity

The Board also recognises the importance of diversity at the workforce level. The gender ratio in our workforce as at 31 December 2023 are as follows:

Total workforce (including senior management): 1,793 Male 43.6%; Female 56.4%

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, and oversee the audit process, risk management process and external audit functions. The Audit Committee consists of three members, all of whom are independent non-executive Directors, namely, Ms. Liu Tao, Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the Audit Committee is Ms. Liu Tao.

During the year ended 31 December 2023, the Audit Committee mainly performed the following duties:

- reviewed our Group’s the audited annual results for the year ended 31 December 2022 and the unaudited interim results for the six months ended 30 June 2023, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- reviewed the accounting principles and practices adopted by our Group, and recommended the appointment of the external auditors;

CORPORATE GOVERNANCE REPORT

- review of the risk management and internal control systems, the effectiveness of our internal audit function;
- reviewed the corporate governance function; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year ended 31 December 2023, four meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/Number of Audit Committee meeting held during a Director's tenure
Ms. Liu Tao	4/4
Mr. Hu Rongen	4/4
Mr. Chen Baizhu	4/4

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of members of the Board. The Nomination Committee consists of three members (one executive Director and two independent non-executive Directors), namely, Mr. Zhou Xingzeng (Resigned on 27 December 2023), Mr. Zhao Donghui (Appointed on 27 December 2023), Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the Nomination Committee is Mr. Zhou Xingzeng (Resigned on 27 December 2023) or Mr. Zhao Donghui (Appointed on 27 December 2023).

During the year ended 31 December 2023, the Nomination Committee mainly performed the following duties:

- reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence;
- reviewed the structure, size and composition of the Board and whether the composition of the Board complied with the requirements of the Board Diversity Policy;
- reviewed the background of the retiring Directors and determined whether the retiring Directors continues to meet the criteria to be re-elected in the annual general meeting of our Company on 8 June 2023, and made recommendations to the Board on the re-election of retiring Directors; and
- reviewed and made recommendations to succession planning of directors (in particular the chairman and chief executive).

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, two meetings were held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meetings of the Nomination Committee is set out below:

Name of Director	Attendance/Number of Nomination Committee meeting held during a Director's tenure
Mr. Zhao Donghui (<i>Appointed on 27 December 2023</i>)	0/0
Mr. Zhou Xingzeng (<i>Resigned on 27 December 2023</i>)	2/2
Mr. Hu Rongen	2/2
Mr. Chen Baizhu	2/2

The Nomination Committee will identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships by considering factors including perspective, skills and experience that the individual can bring to the Board, and the contribution to diversity of the Board. And the Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account our Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

Remuneration Committee

Our Company established a remuneration committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management, to ensure none of the Directors determine their own remuneration, and to review and approve any material matter relating to the Share Award Scheme and the Share Option Scheme during the financial year. The Remuneration Committee consists of three members (one executive Director and two independent non-executive Directors), namely Mr. Hu Rongen, Mr. Zheng Xiangzhan (*Resigned on 27 December 2023*), Ms. Liu Tao and Mr. Ding Zheyin (*Appointed on 27 December 2023*). The chairman of the Remuneration Committee is Mr. Hu Rongen.

During the year ended 31 December 2023, the Remuneration Committee has mainly performed the following duties:

- reviewed our Group's remuneration policy and reviewed the performance of executive Directors and remuneration package of the executive Directors and senior management for the Reporting Period; and
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

No material matters relating to Share Award Scheme and Share Option Scheme were reviewed and/or approved by the Remuneration Committee during the Reporting Period.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, two meetings were held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance/Number of Remuneration Committee meeting held during a Director's tenure
Mr. Hu Rongen	2/2
Mr. Zheng Xiangzhan (<i>Resigned on 27 December 2023</i>)	2/2
Mr. Ding Zheyin (<i>Appointed on 27 December 2023</i>)	0/0
Ms. Liu Tao	2/2

Remuneration of Directors and Senior Management

Details of the remuneration of each of the Directors and the five highest paid employees for the year ended 31 December 2023 as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 8 and 9 to the consolidated financial statements.

Details of the remuneration by band of the members of the senior management (other than the Directors) of our Company for the year ended 31 December 2023 are set out below:

Remuneration band	Number of individual
Nil to HK\$1 million	3
Above HK\$1 million	1

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review our Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) to review our Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor our Company's compliance with our Company's whistleblowing policy.

CORPORATE GOVERNANCE REPORT

Board Independence

The Company has put in place mechanisms to ensure independent views and input are available to the Board, including but not limited to the following:

Board meetings: Independent non-executive Directors participate in the Board and/or Board Committee meetings (including Audit Committee, Remuneration Committee, and Nomination Committee) to bring independent views, advice and judgment on important issues relating to the Company (including strategy, policy, performance, accountability, resources, key appointments and standards of conduct), and take the lead on matters where potential conflicts of interests arise.

No equity-based remuneration for independent non-executive Directors with performance-related elements: Independent non-executive Directors receive remuneration for their role as member of the Board and Board Committees to attract and retain them to devote time and energy to the Company. Generally, no equity-based remuneration (e.g. share options) is granted to independent non-executive Directors with performance-related elements, and they are not entitled to participate in any share option schemes and share award schemes (if any), to avoid leading to bias in their decision-making and compromise their objectivity and independence.

Conflict of Interest: If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution and the individual is required to declare such interest and to abstain from voting. The matter would be considered at a Board meeting attended by Directors who have no material interest in the transaction.

Annual review of independent non-executive Directors' commitment and independence: Independent non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration.

Professional advice: All Directors may, upon reasonable request, seek advice from independent professional advisers in appropriate circumstances at the Company's expenses and are encouraged to access and to consult with the Company's senior management independently.

The Board has reviewed the implementation and effectiveness of the above mechanisms on an annual basis and is of the view that such mechanisms were effective during the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023 which give a true and fair view of the affairs of our Company and our Group and of our Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of our Company's financial statements, which are put to the Board for approval. Also, management provides all Directors with regular updates giving a balanced and understandable assessment of our Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

CORPORATE GOVERNANCE REPORT

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon our Group's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of our Company is set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems and reviewing the effectiveness of such systems on an ongoing basis and annual basis.

The risk management and internal control systems of our Group are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks (including ESG risks), and to safeguard assets of our Group. Our Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board is responsible and has the general power to manage the operations of our University, and is in charge of managing the overall risks (including ESG risks) of our University. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our Group's school network into new geographic areas, to raise its tuition, and to enter into cooperative business relationships with third parties to launch new education programs. Also, our Group has made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

Our Company has established an internal audit department to carry out its internal audit functions by assisting the Board to implement our Group's risk management framework. The internal audit department is also required to review the continued connected transactions periodically and perform sampling inspections to ensure the internal control procedures were followed. The work of the internal audit department will be reviewed by the Audit Committee and the Board annually. For the Reporting Period, the Audit Committee, with reference to and based on the internal audit report issued by the internal audit department, conducted a review on the effectiveness of our Group's risk management and internal control systems, including financial, operational and compliance controls and risk management functions, adequacy of resources, qualifications and experience of staff of our Company's accounting, internal control and financial reporting functions, as well as those relating to the issuer's ESG performance and reporting, and training programmes and budget. The Board has considered and discussed the internal audit report issued by the internal audit department, the work conducted by the internal audit department and the independent auditor, the Audit Committee's view on our Group's risk management and internal control systems and their effectiveness. The Board and the Audit Committee are satisfied with the effectiveness and adequacy of the risk management and internal control of our Group.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of our Company are promptly assessed and that any material information which comes to the knowledge of any one or more officers of our Group is promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

CORPORATE GOVERNANCE REPORT

WHISTLEBLOWING POLICY

Our Company has a whistleblowing policy in place for employees and those who deal with our Company to raise concerns in confidence and anonymity. For details, please refer to our Company's Environmental, Social and Governance Report below.

ANTI-CORRUPTION POLICY

For details of our Company's anti-corruption policy, please refer to our Company's Environmental, Social and Governance Report below.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors (Ernst & Young) to our Group during the year ended 31 December 2023 was approximately as follows:

Type of Services	Amount RMB
Audit services ⁽¹⁾ provided by Ernst & Young	2,000,000
Total	2,000,000

Note:

(1) There were no other non-audit services.

COMPANY SECRETARY

Ms. Zhang Zhimo is the company secretary of the Company, who is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. For biographies of Ms. Zhang Zhimo, please refer to the section headed "Directors and Senior Management" of this annual report.

For the year ended 31 December 2023, Ms. Zhang Zhimo has undertaken not less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Our Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of our Group's business, performance and strategies. Our Company also recognizes the importance of timely and nonselective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of our Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairperson of the Board Committees of our Company will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

To promote effective communication, our Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between our Company and the Shareholders and maintains a website of our Company at www.genchedugroup.com, where up-to-date information on our Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board has conducted the annual review of the implementation and effectiveness of the shareholders' communication policy of our Company, and concluded that the policy was implemented effectively during the Reporting Period.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of our Company and the Stock Exchange in a timely manner after each general meeting. The chairman of general meetings will ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of our Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or company secretary of our Company, to require an extraordinary general meeting of our Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

As regards proposing a person for election as a Director, the procedures are available on the website of our Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about our Company to the Board could send their enquiries to Ms. Zhang Zhimo, the company secretary of our Company at No. 1111, Huchenghuan Road, Pudong New Area, Shanghai, PRC.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and Articles of Association during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Company, together with its subsidiaries, are delighted to publish our environmental, social and governance report (the “Report”) for the year 2023 with an aim to disclose our Group’s environmental, social and governance performance in relation to corporate social responsibility and sustainable development.

BASIS FOR PREPARATION

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the scope and content of which are also in compliance with the disclosure requirements of the “comply or explain” provisions in the Guide. In addition, the Report was also prepared under the disclosure requirements of the newly-revised Environmental, Social and Governance Reporting Guide.

Our Group has observed and applied the four reporting principles, namely, materiality, quantification, balance and consistency, set out in the Guide in the preparation of the Report. We have communicated with key stakeholders to understand their degree of concern on the environmental, social and governance issues relating to our business, in order to determine the framework and content of the Report and prioritise the disclosures based on the principle of materiality. The Report has adopted the principles of quantification and consistency for the calculation. If there are any changes in the calculation method or any other relevant factors affecting a meaningful comparison in the future, we will clearly explain in the Report. Our reporting gives a view of our Group’s sustainable development performance during the Reporting Period in a balanced and impartial manner.

SCOPE OF THE REPORT

The Report focuses on disclosing our Group’s overall and quantitative sustainable development performance during the Reporting Period. Unless otherwise specified, the scope of the Report is consistent with that of our Group’s annual report for the year ended 31 December 2023, including our Company, Gench BVI, Gench HK, Gench US, Gench WFOE, Shanghai Wangting Logistics Management Service Co., Ltd.* (上海望亭後勤管理服務有限公司), Shanghai Wangting Catering Management Co., Ltd.* (上海望亭餐飲管理有限公司), Shanghai Wangting Business Management Co., Ltd.* (上海望亭商業管理有限公司), Songjing Decoration Design* (頌境裝飾設計), Jian Qiao Group, Jian Qiao Investment and Shanghai Jian Qiao University.

SOURCE OF DATA

All the data and cases in the Report come from the statistics reports and relevant documents of our Group. Our Group warrants that there are no false representations or misleading statements in the Report, and is responsible for the truthfulness, accuracy and completeness of the contents herein.

APPROVAL OF AND ACCESS TO THE REPORT

The Report has been considered and approved for publication by the board of directors (the “Board”) of the Group on 27 March 2024. The Report includes both Chinese and English versions. If there is any discrepancy, the Chinese version shall prevail. The electronic version of the Report is available at the section under the “Investors Relations” on the official website of our Company (www.genchedugroup.com).

OPINIONS AND FEEDBACK

We attach high importance to your opinions and feedback on the Report. If you have any queries or suggestions, please feel free to contact us through the following channels:

Address: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wan Chai, Hong Kong

E-mail address: ir@gench.edu.cn

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. RELEVANT HONOURS

Our Group has been working hard in respect of ESG work and has achieved remarkable results in 2023. Our ESG-related honours obtained during the year are as follows:

Awardee	Name of award	Issuing authority	Time of award
Shanghai Jian Qiao University	Education Practice Base of Shanghai Education System Youth Concern Committee (上海市教育系統關心下一代工作委員會教育實踐基地)	Shanghai Education System Youth Concern Committee (上海市教育系統關工委)	March 2023
Shanghai Jian Qiao University	First Batch of Pilot Unit for the Construction of Elderly University (首批老年大學建設試點單位), and National Elderly University Co-construction Unit (國家老年大學共建單位)	China Association for Non-Government Education, and National Elderly University (國家老年大學)	July 2023
Party Committee of Shanghai Jian Qiao University	Research Base for Ideological and Political Work of Teachers at Private Universities in Shanghai (上海民辦高校教師思政工作研究基地)	Working Committee of CPC Shanghai Municipal Non-Government Universities (中共上海市民辦高校工作委員會)	November 2023

2. SUSTAINABLE DEVELOPMENT PLAN

2.1 FOURTEENTH FIVE-YEAR PLAN

This plan was formulated in accordance with the spirits of such documents as Outline of 2035 Vision Goal of PRC Modern Education (《中國教育現代化2035遠景目標綱要》), Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development in Shanghai, the Education Modernisation in Shanghai by 2035, the Fourteenth Five-Year Plan for Educational Reform and Development in Shanghai, and the Plan for the Construction of a National Core Area for Pilot Integration of Industry and Education in Lingang New Area of China (Shanghai) Pilot Free Trade Zone. This plan will also serve as an important programmatic document in the formulation of sustainable development management policies and strategies by our Group.

1. Goal of Development

Fourteenth Five-Year Goal: Through integration, internationalisation and digitalisation strategies, we will strive to achieve a more enhanced application-oriented talent training system, more distinguished internationalised school operation, comprehensively improved quality of talent cultivation, further strengthened school operation at the end of the Fourteenth Five-Year Plan, thereby becoming a first-class private university in China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Positioning of Development

- **Positioning in education level:** We will insist on the education positioning of a university of applied technology to carry out multi-level application-oriented higher education which is based on applied undergraduate education
- **Positioning in talent cultivation:** We will insist on cultivating innovative, versatile and high-quality applied technical talents with international visions
- **Positioning in service orientation:** We will keep a foothold in Lingang, integrate with Pudong, serve Shanghai and radiate the Yangtze River Delta
- **Positioning in social role:** We will place emphasis on environmental protection, energy conservation and consumption reduction and social welfare, and advocate low-carbon life with the sustainable development of mankind as the objective

III. Key Development Tasks

- Constructing a green and low-carbon campus and maintaining garden campus, safe campus and civilized campus
- Safeguarding health and safety of school staff and students
- Campus digital transformation
- Improving overall quality of students
- Promoting international cooperation and industry-education-city integration
- Advancing community development and participating in charity
- Managing school according to law and compliance operation
- Establishing a reasonable HR management mechanism



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

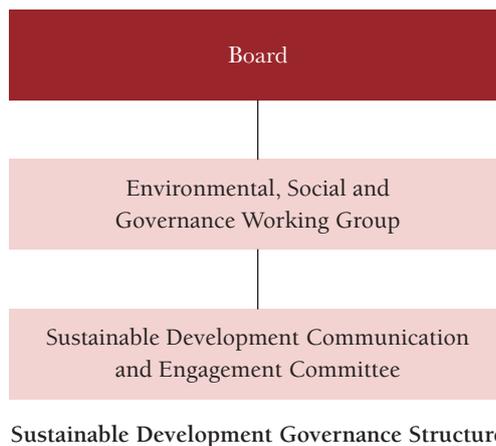
3. SUSTAINABLE DEVELOPMENT GOVERNANCE

STATEMENT OF THE BOARD

Our Group has established a sustainable development governance structure to strengthen our management of sustainable development. The Board is responsible for the overall supervision of the sustainable development of our Group, and conducts regular discussion, review and check on our Group's management approach, strategies, risks, performance and progress in respect of environmental, social and governance aspects. The Board has allowed our Group to set up an Environmental, Social and Governance Working Group and authorised it to supervise and promote the implementation of various environmental, social and governance issues. Under the authority of the Board, the Environmental, Social and Governance Working Group will consider the opinions collected during the communication with various stakeholders and the results of the materiality assessment when formulating the environmental, social and governance management approach and strategies, to determine our Group's sustainable development focus and priorities, and submit the same for approval and confirmation by the Board. The Board and the Environmental, Social and Governance Working Group have met regularly or through communication tools to discuss the above matters and review the progress of annual work and key work on energy conservation and emission reduction in line with the Group's goals relating to environment, society and governance to monitor and improve the work of sustainable development.

3.1 ORGANISATION STRUCTURE

Our Group's sustainable development governance structure is built on good corporate governance and strict ethical standards.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Board

The Board listens to material issues of sustainable development reported by the Environmental, Social and Governance Working Group and fulfilment progress of relevant targets at the Board meeting and monitors the performance and progress of our Group's sustainable development. The Board is also responsible for monitoring our risk management, regularly identifying and analysing various risks in business operations, and reviewing management procedures, and keeping the summary in the enterprise risk register for review by the Audit Committee.

II. Environmental, Social and Governance Working Group

Our Group's Environmental, Social and Governance Working Group is chaired by our deputy chief executive officer, Mr. Wang Bangyong. Other members comprise our senior management and middle level management from departments to ensure employees with different backgrounds and varying levels of expertise, seniority and business functions are incorporated. We have developed a rational performance assessment system to actively encourage our employees to take part in our Group's sustainable development initiatives.

The Environmental, Social and Governance Working Group reports relevant material sustainable development matters to the Board on a regular basis via the chairman, and also reviews the fulfilment of our Group's performance in terms of our goals relating to environment, society and governance and the feasibility of the sustainable development initiatives that have been recommended by the person-in-charge of each functional department via the Sustainable Development Communication and Engagement Committee.

III. Sustainable Development Communication and Engagement Committee

The Sustainable Development Communication and Engagement Committee is responsible for identifying and prioritising the communication and engagement plans relating to environment, society and governance and overseeing the implementation thereof. Members of the Sustainable Development Communication and Engagement Committee are composed of representatives from different departments within our Group.

3.2 BUSINESS INTEGRATION AND BUDGETING

In addition, our Group has integrated sustainable development initiatives into the decision-making at functional level of Shanghai Jian Qiao University under our Group. The logistics and security office, assets management office and other departments of our Group have also incorporated sustainable development strategy into their annual budgets, for which the Board is willing to provide funds and resources to the Environmental, Social and Governance Working Group, and submitted proposed budget allocations to the Environmental, Social and Governance Working Group via the Sustainable Development Communication and Engagement Committee.

3.3 RISK MANAGEMENT

In 2023, we conducted a “top-down, bottom-up and all levels combined” risk identification exercise, as led by the quality and planning office of our University and facilitated by an external consultant. By doing this, new risk areas were identified for further research and evaluation of their impacts on our business, whilst existing risks were also analysed from a new perspective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 CORPORATE SUSTAINABLE DEVELOPMENT POLICY

In addition to extensive development of our education cause, our Group also actively fulfils its corporate social responsibilities. In order to effectively promote sustainable development, we have established the following measures targeting various environmental and social impacts:



Fourteenth Five-year Plan



Internal Control Manual for Risks to Anti-corruption Governance



Various Health and Safety Management Measures



Information Security Management Measures



Patent Management Measures



Management Measures for Students' Assessment on Teachers



Administrative Measures for Handling Opinions and Complaints



Supplier Management Procedures



Various Management Measures on Human Resources



Various Implementation Measures on Teachers' Trainings



Various Implementation Measures on Energy Saving and Environmental Protection



Safety Management Rules on Prevention of Flood and Typhoon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 STAKEHOLDER ENGAGEMENT

It is an integral part of our daily operations to communicate with various stakeholders and promote their participation in sustainable development governance. Our Group regularly engages with its stakeholders in appropriate ways so that we can understand their expectations and demands and actively respond to their concerns through our operations in respect of the environment, society and governance. Stakeholder groups and their methods of engagement are as follows:



Shareholders/investors:

- General meeting
- Interim and annual reports and other announcements
- Corporate communication
- Results announcement
- Roadshow and reverse roadshow
- Investor meetings
- Environmental, social and governance meetings



Students and parents:

- Feedback in class
- Online assessment on teachers
- Letters and visits
- “Principal Online” platform
- Phone calls and mailboxes
- Seminars and campus open day
- Regular visits and parents’ meetings



Public:

- Official website
- Activities open to the public
- Media reports
- WeChat official accounts



Business partners:

- Strategic cooperation projects
- Exchange activities
- Meetings
- Visits



Suppliers:

- Supplier management procedures
- Supplier/contractor appraisal system
- Field inspections
- Meetings



Governments and regulators:

- Meetings
- Consultations
- Lectures



Alumni:

- School website
- School alumni activities
- Media reports



Communities and non-governmental organisations:

- Community activities
- Volunteer activities
- Donations
- Education funds/scholarships
- Seminars/lectures/workshops
- Meetings



Teachers and other employees:

- Survey on employees’ views
- Work performance appraisals and interviews
- Group discussions
- Meetings and interviews
- Seminars/workshops/lectures
- Teacher/staff training



Industry associations:

- Organisation of industry activities
- Consultations
- Lectures
- Visits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

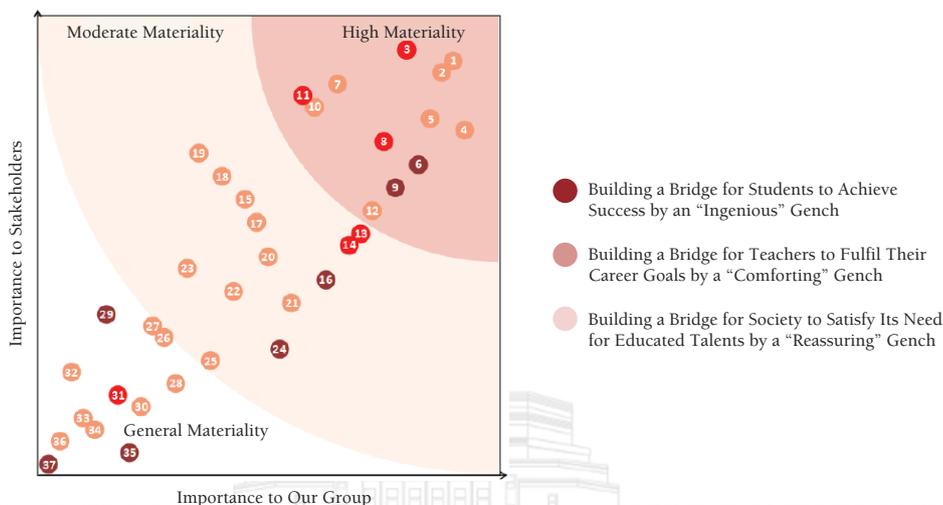
3.6 MATERIALITY ASSESSMENT AND ANALYSIS

I. *Material Issues on Sustainable Development*

For the purposes of our Group and our Report, materiality is defined as any factor that has a present or future impact on our ability to achieve our sustainable development vision. We have conducted a materiality assessment to identify the most material ESG issues while maintaining regular communications with our stakeholders. The steps of our materiality assessment during the Reporting Period are as follows:

1. **Identifying key stakeholders and material ESG issues**
 - We identified our key stakeholders and 37 material ESG issues through industry research and analysis of business operations, development strategies and plannings
2. **Stakeholder engagement**
 - In 2023, we conducted online questionnaires, interviews and communications with over 200 stakeholders to understand their concerns and expectations on our Group in respect of the environment, society and governance
3. **Ranking material ESG issues**
 - By quantitative analysis and prioritising of various ESG issues shown in the results of surveys on our stakeholders, we identified 12 issues of high materiality, 13 issues of moderate materiality and 12 issues of general materiality
4. **Confirmation by the management of our Group**
 - The analysis results of material ESG issues were submitted to the Board of our Group for discussions on the demands highly concerned by our stakeholders and adjustments to our Group’s sustainable development strategies and management policies as appropriate. Meanwhile, other types of issues of stakeholders’ concern are fed back to the Board of the Group to raise the Group’s attention to other sustainable development issues closely related to stakeholders

II. *Materiality Matrix for ESG Issues*



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues of high materiality		Responding sections
1	Health and safety assurance for students	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
2	Health and safety assurance for staff	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
3	Nurturing virtues of teachers	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
4	Compliant operation and integrity	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
5	Student mental construction	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
6	Teaching quality control and management	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
7	Anti-fraud management on campus	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
8	Equal employment system	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
9	Educational philosophy and goal	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
10	Personal information security	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
11	Teaching team management	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
12	Student satisfaction	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues of moderate materiality		Responding sections
13	Staff training and development	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
14	Staff support and assistance	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
15	Participation in public welfare and charity	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
16	Student skill development	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
17	Protection of intellectual property rights	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
18	Pandemic-related control measures	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
19	Care for community	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
20	Environmental education for staff and students	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
21	Campus facilities management	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
22	Green campus and office	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
23	Waste management	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
24	Teaching resources	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
25	Energy consumption and efficiency	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues of general materiality		Responding sections
26	Pollution and emission reduction	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
27	Greenhouse gas emissions and management	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
28	Utilisation of resources and materials	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
29	Employment rate of graduates	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
30	Water consumption and efficiency	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
31	Employment interests and benefits	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
32	Communication with students and parents and handling of complaints	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
33	Canteen catering quality	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
34	Responsible procurement	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
35	Innovative teaching and research system	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
36	Combating climate change	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
37	Smart campus	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. BUILDING A BRIDGE FOR STUDENTS TO ACHIEVE SUCCESS BY AN “INGENIOUS” GENCH

PRESENTATION OF HONOURS OF OUR STUDENTS

By virtue of our excellent educational philosophy and rich teaching resources, our students have won many honours and awards at international level, national level, regional level and municipal level, and got the best results ever in 2023. 1,922 students obtained awards in provincial and above discipline competitions, representing an increase of 31.5% over that of the previous year. The major awards at international level and state level are as follows:

Name of award	Level of competition	Level of award	Organiser	Time of award
2023 U.S. Collegiate Mathematical Modeling Competition (2023年美國大學生數學建模競賽)	International level	1 U.S. competition level M prize 3 U.S. competition level S prizes	Consortium for Mathematics and Its Application (美國數學及其應用聯合會)	May 2023
The 13th Session of “Challenge Cup” China University Students’ Entrepreneurship Project Competition (第十三屆「挑戰杯」中國大學生創業計劃競賽)	State-level	1 silver prize	Central Committee of the Communist Youth League, Ministry of Education, Ministry of Human Resources and Social Security, China Association for Science and Technology, Beijing Municipal People’s Government (共青團中央、教育部、人社部、中國科協、北京市人民政府)	March 2023
The 14th Session of National College Students Mathematics Competition (第十四屆全國大學生數學競賽)	State-level	1 second prize	Chinese Mathematical Society (中國數學會)	May 2023
The 16th Session of China College Student Computer Design Competition (第十六屆中國大學生計算機設計大賽)	State-level	2 third prizes	China College Student Computer Design Competition Organising Committee (中國大學生計算機設計大賽組織委員會)	July 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
The 16th Session of National Social Practice and Technology Competition for College Students in respect of Energy Conservation and Emission Reduction (第十六屆全國大學生節能減排社會實踐與科技競賽)	State-level	1 first prize 5 third prizes	Department of Higher Education, Ministry of Education (教育部高等教育司)	August 2023
The 11th Session of “Future Designer” National University Digital Art Design Competition (第十一屆「未來設計師」全國高校數字藝術設計大賽)	State-level	4 first prizes 5 second prizes 6 third prizes	Talent Exchange Centre of the Ministry of Industry and Information Technology (工業和信息部人才交流中心)	August 2023
The 2nd Session of National University Digital and Intelligent Business Decision Making Innovation Competition (全國第二屆高校數智化商業決策創新大賽)	State-level	1 first prize 14 second prizes 8 third prizes	The Commerce Economy Association of China (中國商業經濟學會)	November 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.1 EXCELLENT EDUCATIONAL PHILOSOPHY

Our Group takes “Thanksgiving, Return, Loving, Responsibility” as its motto, and “building bridges for students to achieve success, for teachers to fulfil their career goals, and for society to satisfy its need for educated talents (為學生建成才之橋，為教師建立業之橋，為社會建育人之橋)” as its mission. With the quality policy of “People-oriented, Moral Education Prioritised, Law-Abiding, Strict Management”, our University provides students with quality education centering on applied talent cultivation. We have implemented the Follow-up and Improvement Measures on Quality of Major Cultivation. We centre on the target of applied talent cultivation, closely integrating with the economic and social development of the Yangtze River Delta, Shanghai and Pudong, and promoting the integrated development of “Industry • Education • City” based on the Lingang New Area. We strive to construct an “ability-based and results-oriented” talent cultivation model, continue to promote education and teaching reform and make more available paths and possibilities for student growth, thereby cultivating high-quality applied technical talents featured by “employment upon graduation, quick adaptability to positions and sustainable development”, and endeavouring to provide the society with quality education services at multiple levels.

Our Group maintains a focus on applied undergraduate education, to cultivate high-quality applied technology specialists with good moral cultivation, solid theoretical foundation, strong practical ability, and innovative spirit and international vision who are engaged in the front-line work of production, construction, management and service. Relying on the industrial development and social development needs of Pudong New Area, especially the Lingang New Area, and focusing on key areas such as intelligent manufacturing, modern services, culture and creativity, we strive to establish 8 professional clusters which are closely connected to the Lingang industrial chain, including the intelligent manufacturing professional cluster, ICT professional cluster, finance/trade/logistics professional cluster, leisure service professional cluster, aviation service professional cluster, jewelry/new media and creative design professional cluster, applied foreign language professional cluster and modern livelihood service professional cluster.

During the year, our excellent educational philosophy is mainly reflected in the following aspects:

I. Deepening the Construction of Aesthetic and Labour Education Courses

Our Group attaches importance to the construction and reform of aesthetic and labour education courses. The Labour Education course has been included in our talent cultivation plan and is set as a required course. We continuously improved the labour education module courses with Gench characteristics in every school year, so that students could understand and form the Marxist concept of labour in labour education, and have taken labour literacy as an important evaluation indicator to measure students’ all-round development. Besides, we actively explored an aesthetic education curriculum system focusing on general aesthetic education course and supported by art education, discipline aesthetic education and aesthetic education practice, to cultivate college students’ aesthetic ability and artistic accomplishment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Insisting on Organising “Teaching Festival” and “Academic Atmosphere Festival” to Further Improve Academic Atmosphere

From May to June 2023, our University held the 6th “Teaching Festival”, which focused on major construction, curriculum construction, and industry-teaching integration. Each college has carried out numerous seminars and brainstorming sessions to arouse attention and thinking about undergraduate education, and to continuously improve the quality of education and teaching. From November to December 2023, our University held the 3rd “Academic Atmosphere Festival”, which aimed to guide teachers to promote academic atmosphere through teaching style and explore the construction of a harmonious teacher-student relationship; and to guide students to promote academic atmosphere through hard work and create a learning atmosphere of hard work and study. We have launched a series of activities such as “Teacher-Student Discussion (師生大討論)”, “Building Harmonious Teacher-Student Relationships (構建和諧師生關係)”, graduation thesis (design) guidance experience exchange meeting, seminars on further education guidance and academic exchanges, training on enhancement of counselling capability in groups of academic themes, and psychological counselling in groups of academic themes.

III. Establishing a Mechanism for Nurturing Quality Talents and Promoting Quality and Efficient Employment of Graduates

For three consecutive years, our University and the Shanghai Municipal Student Affairs Centre (上海市學生事務中心) jointly organised the Autumn Campus Recruitment Fair for Shanghai Colleges and Universities (上海市高校秋季校園招聘會), tapped into the resources of school-enterprise collaboration and alumni drive, paid special attention to and explored the blue ocean market of employment, made good use of the benefits of the digital economy, and opened up new fields and new tracks for employment positions. In addition, by strengthening employment guidance, our University guided and encouraged graduates to work and start businesses in the west and at the grassroots level. The number of our students conscripted into the army, the three branches and one support, community workers, and specially recruited students has always been at the forefront of Shanghai’s colleges and universities.



Autumn Campus Recruitment Fair for Shanghai Colleges and Universities
(上海市高校秋季校園招聘會)

It is precisely because of such excellent teaching philosophy that our Group has delivered nearly 66,000 qualified graduates to the society since its establishment, and the employment rate of graduates has been stable at 98% and above in recent years. As of 31 August 2023, the employment rate of 2023 graduates reached 99.14%, of which 62.32% of graduates chose and managed to stay in Shanghai for employment. 129 of them went on to graduate school (of which 23.26% were admitted by double first-class colleges and universities), and the rate of further studying abroad reached 4.61% (among them, 43 students entering the top 50 universities in QS World University Rankings and 69 students entering the top 100 universities in QS World University Rankings).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 RICH TEACHING RESOURCES

I. Teaching Facilities and Teaching Conditions

Our University has a site area of approximately 532,600 sq.m., with a gross floor area of approximately 565,000 sq.m. In-campus facilities include (i) classrooms, laboratories and training studios, conference halls, gymnasiums, outdoor sports venue, libraries, administrative offices, canteens and student dormitories. It has 173 multi-media classrooms, 18 voice classrooms, a high-quality recording classroom and 3 intelligent classrooms; (ii) ten experimental centres including economic and trade management experimental centre, mechanical and electronic engineering experimental centre, language experimental centre, journalism and communications experimental centre, information technology experimental centre, art creation and design centre, gemology experimental centre, nursing experimental training centre and university computing centre, and 171 different laboratories; (iii) a large integrated gymnasium, a track field, a football field, a basketball court, a tennis court, a volleyball court, a golf practicing area and so on; and (iv) through years of construction, our University has achieved full wireless network coverage, and has successively built informatisation platforms, such as scientific research management information system, personnel management system, teaching management system, library management system, student management system, card management system and logistics service system, to build a digital campus. In terms of book resources, our library has a collection of 1.717 million printed books as of September 2023.

In addition, the construction of phase four project was also carried out in an orderly way in 2023. Relevant campus facilities mainly include (i) a teaching building, which will be mainly used for all kinds of training and continuing education; (ii) three talent apartments and supporting commercial facilities, which will increase the attraction of outstanding talents for our Group; and (iii) a multi-functional research and development centre, which will be attributable to the research on the integration of industry and education and the joint talent training with the on-campus enterprises.

Meanwhile, we have a team of teachers with appropriate scale, reasonable structure, high quality and student satisfaction, which provides a strong guarantee for undergraduate teaching and the cultivation of applied talents. Our University currently has distinguished young scholars, including 1 national high-level talent, 2 provincial high-level talents, 1 provincial-level expert with outstanding contribution, 2 provincial-level top teachers and 6 provincial-level teaching teams.

II. Major Setting and Curriculum Construction

Our University has 14 colleges, including the Business College, the College of Mechanical and Electronic Engineering, the College of Journalism and Communications, the College of Information Technology, the College of Foreign Languages, the College of Art Design, the College of Jewelry, the College of Health Management, the School of Marxism, the Vocational College, the International Design College, the College of International Education, the College of Education, and the College of Continuing Education.

As of 31 December 2023, our University offered 39 undergraduate programs and 10 junior college programs in a wide range of areas including economics, management, literature, art, science and pedagogy. As of November 2023, Our University has 1 major with national characteristics, 1 MOE pilot reform major, 1 national excellent course as well as 15 first-class undergraduate majors in Shanghai.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to accelerate the optimisation of the major structure, promote the transformation and upgrading of professions, improve the quality of cultivation of applied talents to enable the school to better meet the needs of integrated development of the Lingang New Area and the Yangtze River Delta, we have formulated the “Implementation Plan for the Reform of Majors of Shanghai Jian Qiao University”, which will give priority to the construction of first-class undergraduate majors, focus on building iterative and upgraded majors, cultivate and build new complex and cross-cutting majors with strong demand for talents, and eliminate and integrate majors that are not suitable for the economic and social development. At the same time, our Group proactively adapted to the needs of the country, regional economic and social development and industrial development for versatile talents, promoted the organic convergence of the education chain, the talent chain and the industry chain and the innovation chain, and formulated the “Implementation Plan for Micro-profession Construction of Shanghai Jian Qiao University (Trial)”, actively established micro-professions, and set up 12 micro-majors in the first batch, such as “Business English”, and started the enrollment thereof.

Our Group adhered to the combination of in-campus cultivation with off-campus introduction, and brought in quality external online open courses through multiple pathways to enrich course resources. Meanwhile, our Group continued to tap in-campus potential and encouraged teachers to carry out online courses construction through project establishment. In the school year 2022/23, our University has built 24 key courses at the municipal level, with a total of 103 courses; 4 first-class undergraduate courses at the municipal level, with a total of 11 courses; 9 municipal demonstration courses on Civics and Politics; 5 municipal demonstration teams on Civics and Politics; 1 university-level Civics and Politics Demonstration Centre, 4 professions with demonstration of Civics and Politics, 5 demonstration courses on Civics and Politics and 9 demonstration teams on Civics and Politics; 13 provincial- and ministerial-level high-quality online courses; and 1 MOOC course, with 1,638 SPOC courses.

III. School-enterprise Cooperation and Construction of an Industrial College

Our Group closely combined the economic and social development of the Yangtze River Delta, Shanghai and Pudong District, and promoted the integration development of “Industry, Education and City” based on Lingang New Area. Shanghai Jian Qiao University is among the first batch of pilot units in Shanghai to cultivate high-skilled talents through school-enterprise cooperation, the first batch of entrepreneurial guidance stations in Shanghai universities, the first batch of Shanghai municipal-level key modern industrial colleges, and the integration base of production and education in Lingang New Area of China (Shanghai) Pilot Free Trade Zone. Our University has been approved by the Ministry of Education for 2 innovation bases of integration of production and education, and 34 collaborative education projects of production and education. The CNC training base of the College of Mechanical and Electronic Engineering of our University is a national demonstration CNC training base.

By taking the training of applied talents as the core, our University has formed the training characteristics of deep industry-teaching integration of applied talents of “employment upon graduation, quick adaptability to positions and sustainable development”. Fully leveraging on the important roles of industries and enterprises in the training of applied talents, our University has successively established different forms of cooperation with more than one hundred enterprises and institutions, such as ZTE, Disney, Haichang, Yuyuan Group, iFlyTek, Shanghai Electric, Lingang Group, Nanlin Integrated Circuit, and Oriental Satellite TV, thus achieving school-enterprise co-operation in nurturing talents. In 2022 and 2023, 46 new off-campus internship, practice and training bases were added, and overseas internship bases were built in Japan, Thailand, Sri Lanka and the United Kingdom. At present, there are two high-level industry-education fusion demonstration bases on campus, the “Shanghai Intelligent Manufacturing System Innovation Centre” industry-education fusion demonstration base and the “integrated circuit design, packaging and testing” base, which are our on-campus practice bases for the majors of Microelectronics Science and Technology, Electronics Science and Technology and Intelligent Manufacturing Engineering, and can accommodate 100 students for internships and training at the same time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, our Group is also deeply involved in the construction and management of the Industrial College in the Lingang New Area in the school year 2022/23. Our Group has played a key role in the improvement of the organisational structure and management system of the Industrial College in the Lingang New Area, the development and construction of the secondary colleges, the construction of the curriculum system and curriculum development, the public service platform for industry-teaching integration and the construction of the training base for high-skilled personnel, etc. In addition, our University has also fully integrated its own educational resources with the Industrial College, constantly innovating and broadening the mode and path of talent cultivation, and achieving fruitful results in the cultivation of applied talents in our University and the cultivation of industrial talents in the Lingang New Area. During the year, we have officially inaugurated two secondary colleges, namely the College of International Education and the College of Modern Service Industry, in cooperation with Lingang Industrial College, which are primarily for the purpose of providing new momentum for the realisation of a special economic functional zone with international market influence and competitiveness, as well as providing students with more targeted and applicable practice and training for the purpose of precise, efficient and high-quality employment.

4.3 STRICT QUALITY MANAGEMENT

The Group has established the quality policy of “People-oriented, Moral Education Prioritised, Law-Abiding, Strict Management” according to its school orientation and talent cultivation objectives. With the eight core qualities as the core, the Group has built a system for cultivating applied talents with “core qualities, competence-based, result-oriented and continuous improvement” based on the concept of OBE and relying on professional development of the “national standard” and the “ISO 9001 quality management system”. The Group has also established corresponding quality standards that are consistent with all aspects of education and teaching, and has set up a quality management system that is based on the ISO 9001 quality management system document and covers all functional departments.

The Group actively cultivates a quality culture that embodies the characteristics of Gench and has established a quality evaluation-feedback-continuous improvement mechanism based on the PDCA concept. Relying on the internal teaching quality assurance organisations at the university and college levels, our University has implemented whole-process and all-round quality control of undergraduate teaching by carrying out regular teaching inspections, listening to lectures by leading cadres, supervisory inspections, student evaluations on teachers, feedback from student informants, and evaluation of teaching by graduates, forming a favourable atmosphere for all staff to participate in quality control. Meanwhile, through conducting evaluation and accreditation of the majors, and graduation quality tracking and evaluation, it promoted the construction and cyclical improvement to enhance majors quality through evaluation. In addition to daily quality control, the Group has also conducted the internal audit, management audit and external audit through ISO 9001 quality management system, which has formed a mechanism of self-discovery, self-correction and self-improvement management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.4 OPEN EXTERNAL EXCHANGES

The Group actively adapted to the national opening-up strategy, actively promoted international education, broadened students' international horizons, and solidly promoted the objectives of the Fourteenth Five-Year Plan. We are the first private university in Shanghai to obtain the qualification of international students' enrollment, and have been listed as a government scholarship funded university for foreign students in Shanghai. We have carried out close cooperation and exchanges with many overseas universities, covering business, electromechanical, information, art, design, jewelry, language and other professional fields, and formulated relevant management measures to ensure that all projects are promoted in an orderly manner, with remarkable results, which has formed a vivid and active international exchange and cooperation atmosphere.

I. Expanding the Bachelor-to-Master Programme and Adding New Members to the International Cooperation Professions

Our Office of International Exchange focuses on the implementation of combined bachelor's/master's pathways, and continues to negotiate and cooperate with the University of Chester and Teesside University, etc. On the basis of the friendly cooperation intention reached, the foreign parties meet and exchange views with our students, and at the same time, we invite the partners of Sino-foreign co-operation majors to participate in the parents' meeting of the students in the class of 2023, alumni exchanges, etc. In 2023, we added two undergraduate majors of "Network and New Media" and "Computer Science and Technology" with a Japanese school, which have been included in the admission plan of 2023.

II. Close Contacts with Overseas Partners and Steady Improvement in International Cooperation and Exchanges

We actively maintain the circle of friends who have established cooperative relations, actively expand overseas partner schools, and at the same time maintain the stable operation of existing projects. This year, we sent 138 students in cooperative projects, mainly for schools such as Vaughan College of Aeronautics and Technology, Kyoto College of Graduate Studies for Informatics, Myongji University, Birmingham City University, and Plymouth University. At present, a number of students have obtained degree certificates in various projects.

Meanwhile, we have been actively promoting the internationalization of education and trying to break new ground in diversification. Every year, we develop Global Quality courses for our students, and we have already developed a teaching syllabus for a series of Global Quality courses and a complete set of compilation brochure for the global quality education experimental class, which has been successfully selected into the first batch of "Private School Teacher Cultivation Programme (民師計劃)" of the Shanghai Municipal Education Commission (上海市教育委員會) and the Shanghai Educational Development Foundation (上海市教育發展基金會). We also encourage outstanding students to "approach Double First-class (走近雙一流)", and organised outstanding students of the global quality experimental class to participate in the Fifth International Competency Training Programme of Fudan University, the Tongji University International Organisation Reserve Talent Training Camp and the Second Diplomatic and Foreign Affairs Young Talents Training Program of Shanghai International Studies University, and a total of 48 students received completion certificates.

In addition, our University has incorporated "International Perspective" into the assessment system of graduate competency (the eight core qualities) and has completed the design of the assessment scheme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Spreading Go Culture

Since 2015, in order to explore the China's sustainable development model of “Spread of Go Culture to the World”, the Group has been organising Summer Chinese Go Class for international students for 8 years, with participants from the United States, the United Kingdom, Germany and France, and the popularity is gradually increasing. 2023 offline Summer Chinese Go classes attracted over 20 participants from 4 countries, including Germany, the Netherlands, Russia and Ecuador. The teaching content comprises Go courses, Chinese calligraphy and painting courses, Chinese language courses, and cultural experience activities. As always, we are committed to actively promoting cultural confidence and striving to disseminate the fine traditions of Chinese culture. By showcasing a multifaceted and authentic China to international students, we aim to enhance the influence and impact of Chinese civilization.



On-site Go Course of Summer International Go Class



On-site Chinese Calligraphy and Painting Course of Summer Go Classes

4.5 DEVELOPING STUDENTS' SKILLS

Our University has the College of Continuing Education, and we have formulated and revised the “Regulations for the Administration of Non-Degree Education in Shanghai Jian Qiao University (《上海建橋學院非學歷教育管理辦法》)” according to the relevant requirements of the Ministry of Education and the Shanghai Municipal Education Commission (上海市教育委員會), and in conjunction with the actual situation of our University. We will take the Shanghai “dual system” vocational continuing education university pilot base (cultivation) as a platform, deepen the goals of internal construction and vocational skills “double enhancement” and the tasks of academic and skills “double certificate”, strengthen vocational skills training, consolidate the cornerstone of cultivating high-level applied technical talents, and comprehensively strengthen the capacity of higher continuing education supply. We will also build a life-long education system that integrates higher continuing education, vocational skills training, and youth science and innovation education, as well as multi-disciplinary and cross-age education for knowledge updating and capacity enhancement, so as to satisfy the diverse learning needs of all sectors of society.

We provide various kinds of non-degree education and training services on campus as well as social vocational qualification training. This year, we launched summer intensive training camps on different themes such as art, graduate school, vocational training, study tours and languages. Meanwhile, we optimised and integrated various quality education resources to improve our non-degree course services, increasing the coverage and participation of students while enhancing the quality of our services. During the year, a total of four types of course services were offered, including Intensive Courses, Civil Service Courses, Financial Courses, and Postgraduate Entrance Examination Courses. In addition, we have continued to develop social vocational qualification training to empower university students and help them to obtain employment smoothly, as well as to provide talent support and skill protection for economic and social development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.6 CAMPUS INFORMATISATION CONSTRUCTION

In 2023, the Group's Information Technology Office continued to work on the further enhancement of the school's informatization environment in accordance with the requirements of the "Outline of the Development Plan during the Fourteenth Five-Year Plan Period of Shanghai Jian Qiao University (《上海建橋學院「十四五」期間發展規劃綱要》)". Specific measures cover the following aspects:

I. *Giving Full Play to Its Own Development Advantages and Building a Smart Campus with Gench Characteristics*

01 Self-developing OA System to Promote Re-construction of Business Process

With the continuous expansion of the school scale, in order to satisfy the demand of school management upgrading and development, the Information Technology Office independently developed the OA workflow, and completed the establishment of all kinds of one-line management process, further improving the department's work efficiency and the internal management level.

02 Realising the Cloud Teaching and Examination to Promote the Upgrading of Teaching Mode

We have completed the construction of Cloud Teaching Center, Cloud Examination Center and Cloud Teaching Management Center for the first phase of Cloud Gench Intelligent Teaching Platform, and built a "student-oriented, learning-centered" teaching process support system so that teachers can teach anywhere at any time and students can learn anywhere at any time, and the real-time collection, analysis, mining, and retention of online teacher and student teaching data are realised, so as to explore the whole-scene paperless examinations of all disciplines in the school.

03 Iterating Personnel Systems to Build Trusted Identity Governance

In order to satisfy the demand of the personnel system for group management, we have conducted several surveys on the needs of organisation and personnel management. Based on the data specification standards set by the Big Data Centre, we have completed the first phase of the new version of the Integrated Personnel Platform, which enhances the human resources management and service capabilities at three levels, namely, "business, service and data", and carried out data governance in accordance with the national standards of the Ministry of Education.

04 Building a Research System to Enhance the Effectiveness of Research Management

With the increasing volume of the university's scientific research, the requirements for scientific research management have gradually increased. The R&D management system has been developed to optimize the traditional data collection and statistical methods, transferring the internal research management from offline to online, gradually forming a database of research management projects, simplifying the workload of statistical data, and improving the efficiency of research information management.

II. *Serving Teachers and Students Practically with Heart-warming Services*

In respect of the replacement of old and new information system in this year, our Information Technology Office conducted two meetings for new faculty on the usage of information system in their teaching. After such training, new faculty gained a more comprehensive and intuitive understanding of the information services provided by our school, and improved their information quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we have developed online support groups for faculty and students informatisation matters to facilitate faculty and students to ask questions and facilitate faculty and students in reporting problems timely. We also built a new version of the information system WeChat official accounts and uploaded the existing operation manual and frequently asked questions to the official accounts, and regularly maintained the automatic reply function to answer the frequently asked questions encountered by faculty and students, and the number of followers has reached over 18,000 at present. At the end of the year, our University also launched sampling inspections on faculty and students' satisfaction with the new version of the information system to obtain genuine feedback from users for future improvement.

5. BUILDING A BRIDGE FOR TEACHERS TO FULFIL THEIR CAREER GOALS BY A “COMFORTING” GENCH

HONOURS OF TEACHERS

Under our Group's rigorous employment standards, the considerate care and comprehensive training system we provide have stimulated employees' enthusiasm for work and enhanced their work competence, which enables our employees to win numerous honours and awards every year. The major honours received by the teaching staff of our Group in 2023 are set out in the table below:

Name of award	Name of teacher and award	Level of award	Awarding unit	Time of award
The 3rd Session of National Industrial Design Vocational Skill Competition (第三屆全國工業設計職業技能大賽)	Zhu Yu Second Prize Hong Shuyao Second Prize	National level	Ministry of Human Resources and Social Security (人力資源社會保障部), All-China Federation of Trade Unions (中華全國總工會), China National Light Industry Council (中國輕工業聯合會)	December 2023
The 3rd Session of Shanghai University Teachers' Teaching Innovation Competition in Basic Courses Category (第三屆上海市高校教師教學創新大賽基礎課程組)	Xiao Jing First Prize	Shanghai municipal-level	Shanghai Municipal Education Commission (上海市教育委員會)	June 2023
The 6th Session of Shanghai Private Colleges Teaching Skills Competition (第六屆上海市民辦高校教師教學技能大賽)	Wu Yuping Grand Prize	Shanghai municipal-level	Shanghai Municipal Education Commission (上海市教育委員會)	June 2023
The 6th Session of Private College Teachers' Teaching Skills Competition (第六屆民辦高校教師教學技能大賽)	Wang Li Third Prize	Shanghai municipal-level	Shanghai Municipal Education Commission (上海市教育委員會)	June 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

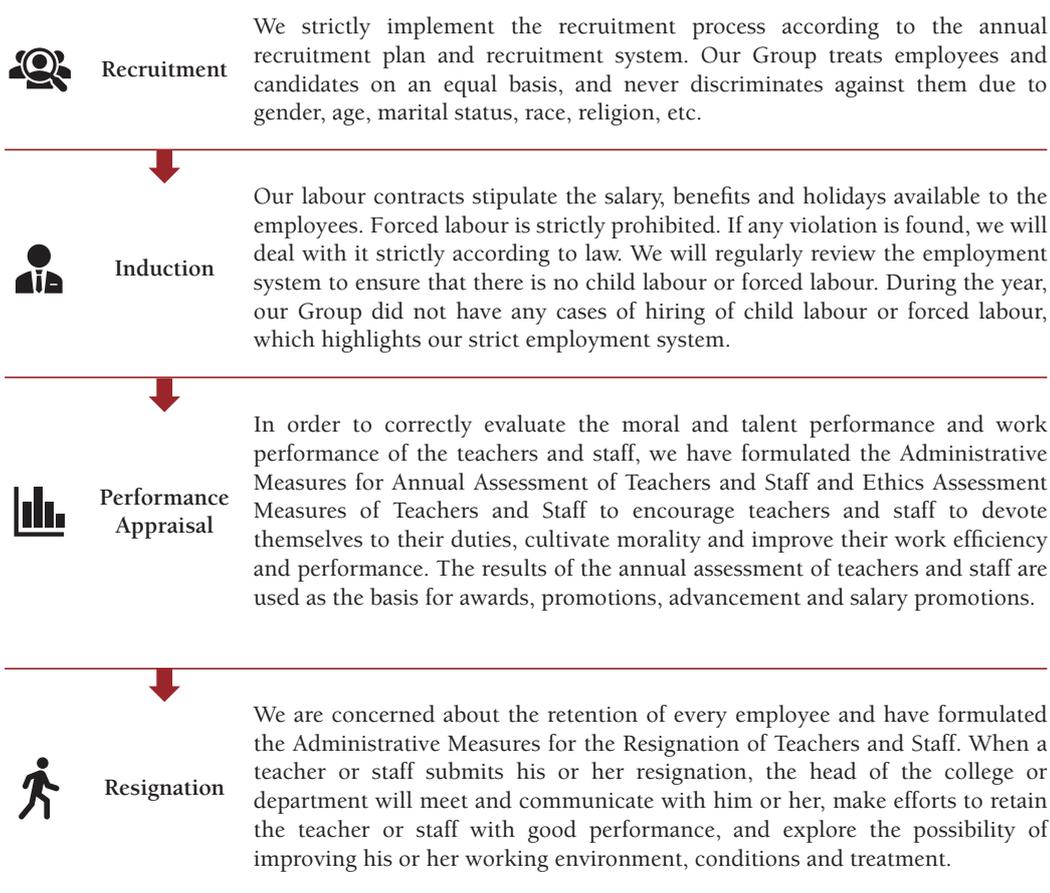
Name of award	Name of teacher and award	Level of award	Awarding unit	Time of award
The 3rd Session of “Zhihuishu Cup” Course-related Ideological and Political Demonstration Case Teaching Competition (第三屆「智慧樹杯」課程思政示範案例教學大賽)	Zhang Jincai First Prize	Shanghai municipal-level	Shanghai Zhuoyue Ruixin Digital Technology Co., Ltd. (上海卓越睿新數碼科技股份有限公司), zhihuishu.com (智慧樹網)	August 2023
	Zhao Ting Second Prize			
	Qi Xi Second Prize			
	Ma Jiayu Second Prize			
	Shang Bin, Li Pei Second Prize			
The 5th Session of Shanghai Smart Teaching Competition for Teachers from Normal Universities and Colleges (第五屆上海師範院校教師智慧教學大賽)	Zhu Fangchun First Prize	Shanghai municipal-level	Shanghai Municipal Education Commission (上海市教育委員會)	December 2023
	Zhang Yingxue First Prize			
	Fang Yuan Second Prize			
	Xie Danping Second Prize			
	Li Xiaobo Third Prize			
	Ye Liyuan Third Prize			
	Chen Menghan Third Prize			
The Exhibition Activities for Completion of the 2023 Development Grant Programme for Young University Teachers in Shanghai (2023年上海高校青年教師培養資助計劃結項展演活動)	Wang Peng First Prize	Shanghai municipal-level	Shanghai Municipal Education Commission (上海市教育委員會), Shanghai Education Development Foundation (上海市教育發展基金會)	December 2023
	Zhang Luping First Prize			
	Zhao Ting Third Prize			

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.1 STRINGENT EMPLOYMENT STANDARDS

Our Group strictly abides by the Labour Contract Law of the People's Republic of China, Management of Labour Work and Personnel in Shanghai, Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations that have a significant impact on us and are related to compensation and dismissal, recruitment and promotion, working hours, leaves and holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. We have established a comprehensive employment management system with a range of employment-related system documents including Human Resources Management Procedures, Administrative Measures for Recruitment of Teachers and Staff, Administrative Measures for Annual Assessment of Teachers and Staff, Administrative Measures for Attendance of Teachers and Staff and Provisional Disciplinary Measures for Violation of Discipline by Teachers and Staff. The Human Resources Management Procedures regulates a complete employment management system, including human resources planning, recruitment and employment, promotion, attendance and appraisal, training and development, remuneration and rewards and punishment, and resignation. System documents, such as the Administrative Measures for Attendance of Teachers and Staff and Principles on Schedule Arrangement and Implementation Measures, regulate the working hours and vacations of teachers and staff.

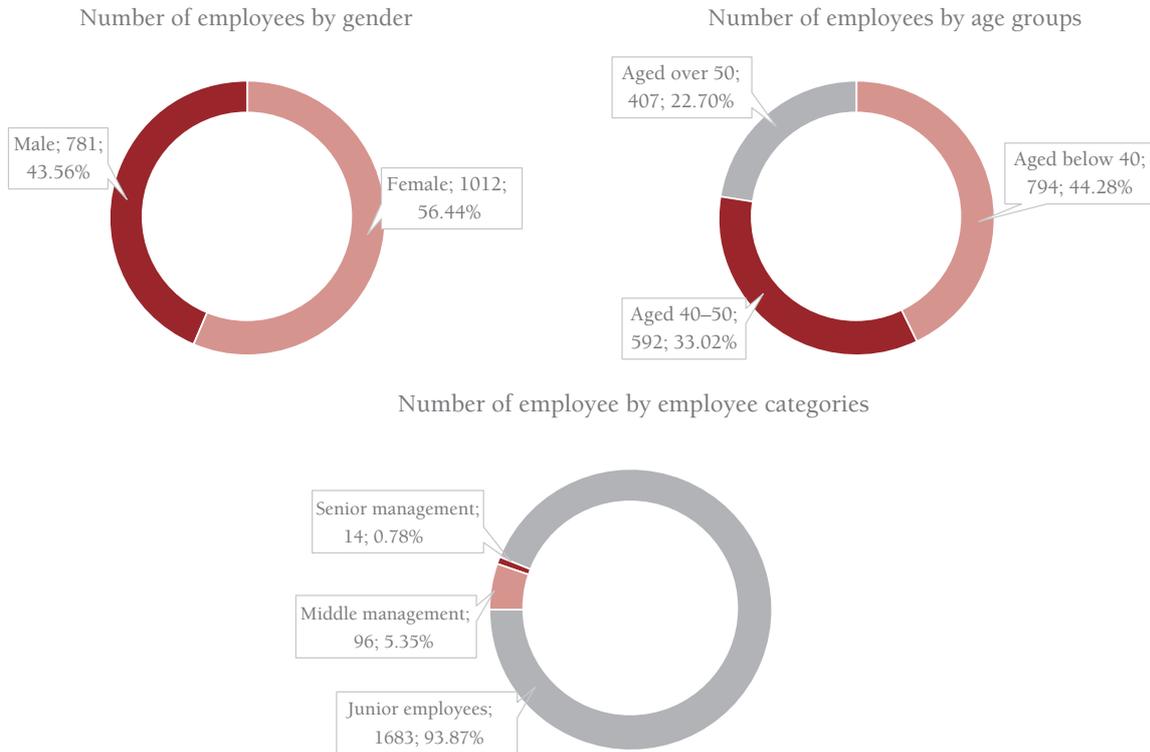
Overview of Employment Process:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Overview of Employees in 2023:

As of December 2023, the Group has a total of 1,793 employees. We highly value senior talents, as their valuable experience can enrich the qualifications of our staff team. In addition, we attach great importance to the diversification of our employees. The distribution of employees in different genders, age groups and employee categories are shown in the figure below:



5.2 CONSIDERATE CARE FOR STAFF

Employees are valuable assets to our Group in maintaining a quality education. As such, we are very concerned about the needs of our staff. To protect various welfare benefits of our teachers and staff, the newly-revised 2022 Collective Contract of Shanghai Jian Qiao University clearly stipulates the provisions on labour remuneration, labour insurance and welfare, physical examination standards, rehabilitation subsidy standards, contract management, awards and punishments, etc. of our teachers and staff, effectively safeguarding various welfare benefits of our teachers and staff. By upholding the teacher-centric development philosophy, our sponsors and management always attach great importance to the improvement of faculty treatment to promote highly integration of our school's career development and our faculty's personal development.

In addition to the statutory five insurances and housing fund, we set up the "Charity Fund of Jian Qiao University" in September 2007, providing financial assistance to teachers and staff with serious illnesses and financial hardships, and delivering warmth to staff with difficulties or emergency each year, to reflect the care of Gench Education for teachers and staff and tide teachers and staff over financial hardships. In addition, to protect the interests of teachers and staff, and relieve teachers and staff of living hardships resulting from illness or hospitalisation, we subsidise the premiums for each teacher and staff member who participates in supplemental medical insurance. Our employees are entitled to sick leave, medical leave, wedding leave, bereavement leave, family leave, maternity leave, paternity leave, nursing leave for late childbirth and

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

other leaves. In order to be sensitive to the needs of working mothers, female staff members with children under the age of one year are entitled to two breastfeeding breaks per day. Moreover, our employees are also entitled to health and holiday gifts, recreational activity subsidy and other benefits.

The Group organises the Badminton Association, Table Tennis Association, Walking Association, Chorus Association, Basketball Association, Football Association, SJQU-Gench Fashion Association and other cultural and sports associations to enrich the lives of our teachers and staff. In addition, we organise a number of festivals and recreational activities for our staff, such as New Year's parties for teachers and staff, staff sports meeting, flower arrangement activity, baking activity, mental health lectures (consulting), legal consultations, photography competitions, talent show activities, youth friendship and other activities to increase the sense of belonging, happiness and cohesion of employees.

5.3 WELL-ESTABLISHED TRAINING SYSTEM

The Group put a special emphasis on the training and development of employees. In terms of teachers, we have formulated the Fourteenth Five-Year Plan for Teacher Team Development Goal, and established a comprehensive training system to provide appropriate training for teachers at different stages of development, so as to improve their professional level. We have established corresponding in-service training and incentive policies for young and middle-aged core teachers, and formulated the Administrative Measures for the Implementation of Further Education Training for Teachers and Staff, the Measures for the Implementation of Domestic Visiting Scholar Programme for Young Teachers, the Measures for the Implementation of Overseas Visiting Scholar Programme for Teachers, the Measures for the Implementation of Industry-university-research Practice Programme for Teachers, the Measures for the Implementation of "Development Grant Programme for Young University Teacher in Shanghai" and On-the-job PhD Management Measures to comprehensively strengthen the establishment of various talent teams. The specific training mechanism is as follows:

I. Enhanced Training for New Teachers and Staff

The trainings are classified into three stages: basic teaching skills training, Gench characteristic teaching training, and teacher ethics and school rules training. From June to July this year, we organised an intensive study on teacher ethics for all teachers to raise their awareness of teaching in accordance with the law and observing professional standards. At the Teachers' Day Conference in September, we held activities such as oath-taking by new teachers, honouring advanced teachers, and exchanging good stories of teacher ethics to form a favourable atmosphere for the building of teacher ethics and morality. At the same time, we also organised new teachers to sign a commitment to teacher ethics, and issued each new teacher with a Compendium of Materials on Teachers' Ethics (《師德師風應知應會材料匯編》), and carried out thematic training on teachers' ethics for new teachers on joining the profession.

II. Mentorship Mechanism for Young Teachers

Every new young teacher is assigned middle-aged or elderly teachers with good ideological quality, high academic level and rich teaching experience as mentor, and a practical training plan is formulated to promote their access to new post and improve their teaching concepts and professional skills and teach and assist students in a right way.

III. Multi-level and Multi-type Teacher Training System

(1) Professional development projects for teachers: domestic visiting scholar programme, overseas visiting scholar programme and industry-university-research practice in enterprises

Selecting and sending excellent teachers to visit scholars in high level and distinctive universities at home and abroad, so that they can timely keep abreast of and track the domestic and overseas educational concepts, teaching contents, teaching methods, teaching management, as well as academic cutting-edge trends and development tendency, so as to help them to improve teaching and research abilities and academic level as soon as possible. Encouraging teachers to participate in research and development, work or internship in enterprises, design institutes, research institutes and other units through various forms, so that under the guidance of relevant business experts, they enhance their professional practice ability, keep track of the industry trends and development tendency.

(2) Doctoral education project

Our University provides financial support for teachers to study for doctoral degrees, creates a sound working and learning environment for doctoral candidate teachers, and provides academic leave for doctoral candidate teachers in order to give them sufficient time to complete their studies. Meanwhile, we also hold doctoral symposiums to provide assistance to solve the difficulties encountered by doctoral candidate teachers and help them successfully complete their studies.

(3) Teaching ability improvement project

Our University has established a teaching development centre, and a special institution responsible for the improvement of teaching ability and laid emphasis on teachers' sustainable professional development.

(4) Development grant programme for young university teacher

Our University implements the "Development Grant Programme for Young University Teacher in Shanghai", which mainly provides financial assistance to eligible young teachers, to carry out teaching and research initiation work.

IV. Establishing "Professional Development Groups for Teachers"

Our University has established special professional development groups for teachers focusing on teaching reform, discipline and major development and personal development to enable teachers help each other, create synergy and develop in teams.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. Revising the Measures for the Evaluation of Professional and Technical Posts to Facilitate the Promotion of Teachers' Titles

According to the title reviewers of the Education Commission, in light of the actual condition of our school, our school has revised the Measures for the Evaluation of Professional and Technical Posts to create a fair and open environment for teachers to promote their professional titles, strengthen the assessment of teacher ethics and teaching ability, and added certain levels of teaching awards, excellent teaching materials, teaching team awards and other awards, which is more conducive to the development of teachers' careers.

VI. Training for Functional Department Staff

For each functional department within the Group, we also regularly conduct internal training and encourage employees to participate in external training programs to enhance their business capabilities and management standards. For instance, we encourage employees of the finance department to engage in continuing education programs for accounting, support employees of the company secretary's office to attend training and forums on compliance governance, information disclosure, and the operation of the three meetings, motivate employees of the information technology office to participate in training related to information system development, assist logistics property management personnel in obtaining national property management qualifications, as well as encourage employees with management potential across departments to participate in training programs for internal auditors of quality management system.

In 2023, the employees of the Group participated in various internal and external trainings, both online and offline, throughout the year, totalling 85,907.53 hours. For details of the trainings by different gender, age group and employee category, please refer to Appendix II: SOCIAL KEY PERFORMANCE INDICATORS.

6. BUILDING A BRIDGE FOR SOCIETY TO SATISFY ITS NEED FOR EDUCATED TALENTS BY A "REASSURING" GENCH

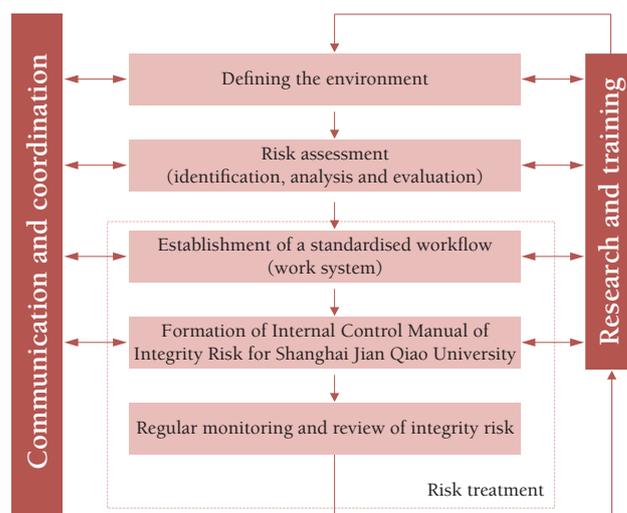
We strictly abide by laws and regulations, strive to operate with integrity and compliance, protect health and safety in the campus, information and privacy security and intellectual properties. We value the opinions and communication of students and parents, implement responsible supply chain management to establish an environmentally-friendly campus, and practise philanthropy. The implementation of these effective measures lays a great foundation to ensure the steady development and operation of our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.1 ROBUST COMPLIANT OPERATION

I. Integrity Supervision

Our Group adheres to clean and compliant operations, strict compliance with the Criminal Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China, Guidelines for Integrity and Self-discipline of the Communist Party of China, the Guidance on Strengthening Integrity Risk Prevention and Control and other relevant Chinese laws, regulations and guidelines that have a significant impact on us and are related to the prevention of bribery, extortion, fraud and money laundering. In order to build an integrity and compliance culture for the whole Group, we have carried out the project of Construction of Integrity Risk Prevention and Control System of Shanghai Jian Qiao University, introducing risk management theory and modern quality management methods into our integrity risk prevention and control system, to control and supervise in power operation process. We have formulated Internal Control Manual of Integrity Risk for Shanghai Jian Qiao University, which divided our integrity risk internal control into school-level and business-level, and established the implementation flow chart of integrity risk project to effectively fight against fraud, corruption and abuse of power. We also formulated the Compilation Document of Integrity Risk Prevention and Control Related System for Shanghai Jian Qiao University, which is a compilation of all the system documents related to integrity risk prevention and control as a normative guideline for all teachers and staff to promote integrity in their daily business operations. In terms of mechanism construction, we implement the ISO 9001 quality management system, allowing the integrity risk prevention and control system to be properly implemented.



Implementation Flow Chart of Integrity Risk Project

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the discipline inspection and supervision work of the Group, under the correct leadership of the superior discipline inspection and supervision organs, has further strengthened the supervision responsibility of the Disciplinary Committee and the construction of the anti-corruption risk prevention and control system, which provided a strong guarantee for the overall development of the Group:

- (1) Focusing on regular monitoring and inspection in key areas. We made efforts to monitor and inspect key areas such as personnel employment, financial management, logistics management, admissions and examinations, and special funds, while strengthening the tracking of the implementation of the system. We have conducted special inspection and assessment of 46 operations for the prevention and control of integrity risks, examined the application of management systems, business processes and control forms in medium- and high-risk operations, and assessed the effectiveness to close the loop of work.
- (2) Strengthening the integrity risk prevention and control system. During the year, the Group further focused on key areas and key links prone to corruption and promoted the construction of internal control systems. The Group initially completed the documentation of integrity risk prevention and control system for private colleges and universities in 2023, which comprised the list of 46 medium and high integrity risks across 13 aspects, 59 benchmark systems and 157 inspection forms, and helped to determine the integrity risk assessment and control list in 2023, integrity risk list and the control flows check list. In addition, we participated in working seminars and theoretical research on integrity work, and promoted the construction of integrity risk prevention and control in our University.
- (3) Strengthening the team building of integrity risk prevention and control. We have organised study exchanges, training and research for disciplinary cadres to play an exemplary role. We have deepened the theoretical research and practical application research on discipline inspection and supervision, internal control, risk prevention and control to enhance our ability to perform our duties. During the year, we held the “2023 Training Course for Discipline Inspection and Supervision Personnel of Shanghai Jian Qiao University” and organised a research trip to other colleges and universities on the prevention and control of integrity risks.
- (4) Strengthening the warning education and departure audit of key personnel. We promptly notified the exposure of counter-typical cases to draw inferences about other cases from one instance, and clarify discipline with cases. We continued to conduct pre-appointment integrity talks of middle management, strengthened the annual debriefing of middle management, formed a good culture of integrity, and enhanced the integrity awareness of new cadres. This year, 14 new cadres have been evaluated on integrity and participated in the pre-appointment integrity talks. At the same time, we have also improved the departure audit of cadres by designating the “Implementation Measures for the Audit of Economic Responsibility of Leading Cadres (Trial) (《領導幹部經濟責任審計實施辦法(試行)》)”.
- (5) Implementing precautionary measures and whistle-blowing procedures. An Anti-fraud Management System was in place to implement our anti-fraud internal control mechanism. Under such mechanism, the Group established a whistle-blowing and complaint channel to prevent and discover anti-fraud circumstances, implemented control measures to reduce the occurrence of anti-fraud circumstances, and will take appropriate and effective remedies in response to damages caused by anti-fraud circumstances. Our staff at all levels and any party having a direct or indirect economic relations with the Company can report any actual or suspected fraud cases of the Company or its employees through whistle-blowing telephones, e-mails and letters, including complaints about misdemeanour against professional ethics and any whistle-blowing allegation. The audit supervisory department is responsible for monitoring the whistle-blowing telephones, e-mails of the anti-fraud cases and the receipt of real-name or anonymous reports from employees and external third parties. The Audit Committee is the leading and main responsible body for the Company’s anti-fraud matters, which takes charge of the guidance of anti-fraud behaviour and continuous supervision of the anti-fraud matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (6) Conducting anti-corruption training. In December this year, we provided anti-corruption training materials to directors and employees, and carried out a one-hour anti-corruption training, which further strengthened the general anti-corruption awareness.

II. Intellectual Property

We understand the importance of respecting intellectual property and the fruits of intellectual work, and strictly abide by the Intellectual Property Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other relevant laws. In order to safeguard the legitimate rights and interests of our Group and our research personnel, encourage the enthusiasm of our teachers and students to invent and create, and promote the development and progress of our research, we have formulated the Administrative Measures on Patent, Administrative Measures for School-Enterprise Collaboration and other system documents to strengthen the protection of intellectual property of our Group and others.

III. Information Security

We are committed to protecting the privacy of our faculty, students and parents, and have formulated Implementation Measures on Disclosure (《信息公開實施辦法》), Implementation Measures on Disclosure of Teaching Information (《教學信息公開實施辦法》), Administrative Measures on Confidentiality and Administrative Measures on Records to strengthen the examination of security of Internet contents and confidentiality and management of data and effectively prevent the loss or leakage of information due to negligent management and to prevent theft. The following are the highlights of our information confidentiality efforts:

- (1) Define classified and unclassified computers according to their purpose and employees should not take portable classified computers out of the office without permission;
- (2) Important departmental personnel who are classified shall keep all mobile classified storage devices secure and shall not leave the school with them without permission;
- (3) Employees in each department should have the approval of the appropriate department head before they post any information online;
- (4) The confidential documents are classified according to their content and shall be properly maintained;
- (5) The management of the place where important and confidential documents are stored should be strengthened, and unrelated personnel should not be allowed to stay.

We strictly abide by the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, Norms on Personal Information Security under Information Security Technology (《信息安全技術個人信息安全規範》(GB/T 35273-2020)), Notice on the Development of Security Level Protection of Information Systems in Shanghai's Education Industry and other national and local laws and regulations and guidelines. In order to further improve the level of information security protection of our Group, we have formulated systematic documents such as the Administrative Measures for the Information Security in University and the Administrative Measures for the Information System to regulate the management of campus information and cyber security, strengthen and standardise the construction and management of information systems, make more efficient use of resources and ensure the security and stable operation of information systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Data Governance

To enhance our governance and internal management of data, advance the development of data governance system and leverage on the role of data in propelling education and teaching reform and administrative effectiveness, we set up a dedicated big data centre. To regulate our collection and management of teaching data, shared application and security protection, facilitate data share and business collaboration among various units, further make use of the value of data and improve teaching quality, administrative effectiveness and management, we developed the Teaching Data Management Measures of Shanghai Jian Qiao University (Trial) (《上海建橋學院教育數據管理辦法(試行)》), which enabled the regulated data governance.

During the year, in order to promote digital transformation, strengthen the foundation of data governance and fully explore the potential of data, our big data centre continued to promote infrastructure construction and technological innovation, collaborated with external information infrastructure providers to build a data interaction platform for the school, completed the construction of a dedicated data lake for the business system, and set up a mechanism for annual reporting of education data. During the year, with the strong support of various functions and secondary colleges, the big data centre optimized and integrated the information system, broke through data silos, initially integrated the data between teaching system, asset system, and the personnel system, realised data standardization, and established a standard master data, so that the data are more standardised and accurate, consistent, complete, and secure, so that the cross-system multi-dimensional data analysis can be realised, to ensure the accuracy and timeliness of the data between the various systems, to reduce the cost of data exchange, and to greatly improve the realisation of the data sharing and the management of the difficulties.

In order to give full play to the role of data in propelling education and teaching reform and administrative effectiveness, we have compiled the first “Annual Report on Education Data of Shanghai Jian Qiao University (2021–2022/2022–2023 Academic Year)” (《上海建橋學院教育數據年度報告(2021–2022/2022–2023學年)》) and established the “Database of Education Data Indicators of Shanghai Jian Qiao University” (《上海建橋學院教育數據指標庫》), which compares the data of the past two years on the school scale, the development of majors, student structure, the faculty and staff, the enrollment and employment, teaching resources, education and teaching achievements, international cooperation, scientific research achievements by means of comprehensive presentation and focused analysis, to assess the trend of changes in the development of education and teaching in school, so as to provide reference for the reform and development of education in future, and improve the quality of education and teaching in Shanghai Jian Qiao University.

6.3 COMPREHENSIVE LOGISTICS SUPPORT

Our Group cares about and prioritises the safety and health of our faculty and students. We strictly abided by the Food Safety Law of the People’s Republic of China, the Operating Rules on Food Safety in Catering Services, the School Hygiene Work Regulations, the Fire Control Law of the People’s Republic of China and other relevant laws and regulations, and formulated a comprehensive health and safety management system, from campus safety, food safety, health and safety education, emergency response plans and other systems and measures for our faculty and students to build a healthy and safe campus.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Campus Safety Management

The Group has always attached great importance to the construction of a safe campus. In recent years, the Group focused on the construction of security projects such as Facial Recognition System for Campus Entrance and Exit, Intelligent Management of Dormitory Areas, and Campus Monitoring Upgrade and Transformation, and built a digital intelligent technical defense management system, which effectively improved the intelligent level of security management and emergency response capabilities, providing a strong guarantee for the construction of a “civilised campus” and a “safe campus”. Campus safety work involves many different areas. We have established a number of safety management measures for, among others, fire safety, dormitory safety and laboratory safety, to ensure the safety of teachers and students in an all-round way.

II. Campus Anti-fraud Initiatives

Internet fraud is a serious criminal activity at present. During this year, in order to further enhance the awareness of fraud prevention and anti-fraud ability of staff and students, and continuously strengthen their concept of the rule of law and self-protection, we have taken various measures to deepen the creation of a strong atmosphere of “anti-fraud by all staff”, effectively curb the high incidence of cases of telecommunication network fraud and safeguard the safety and stability of the campus.

We led students to organize a series of anti-fraud activities, including regular anti-fraud promotional activities in the cafeteria plaza, daily broadcasting of anti-fraud safety reminder packages, inviting students to participate in questionnaires, and distributing anti-fraud promotional materials. We also display anti-fraud and fraud prevention banners and posters, set up publicity display boards, and roll up anti-fraud publicity videos on electronic screens on campus to guide staff and students to enhance their ability to identify telecommunication network frauds. In addition, we rely on various new media platforms on campus to build up an online education space, where anti-fraud courses and test questions are published, and each student is required to learn the anti-fraud courses, complete the relevant test questions and sign an anti-fraud notification letter. At the same time, we also, through various types of WeChat groups and the WeChat official accounts, continue to push anti-fraud knowledge and network fraud typical cases, and guidance to staff and students to improve self-safety precautionary ability and awareness, to mobilize the school community to actively forward and share, to expand the coverage of publicity.

Through the joint efforts of the police and the school, we also carried out anti-fraud seminars from time to time for colleges with high crime rate, and promoted a new anti-fraud model in colleges. At the same time, we also carried out return visits to the victims of telecommunication network fraud in the school in conjunction with community police, so as to understand the case and improve the shortcomings in relevant work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Food Hygiene and Safety

In 2023, the Group earnestly implemented Food Hygiene Law of the People's Republic of China, School Food Safety and Nutritional Health Management Rules Revised in 2022 (《學校食品安全與營養健康管理規定2022修訂》) and other laws and regulations. In our daily work, we always take the campus food hygiene and safety work as the focus of work, specify dedicated personnel responsible for the daily work of checking and recording, so as to ensure that the food safety work is solid and effective. According to the requirements of higher authorities' documents on food hygiene and safety in campus and taking into account our actual situation, the Group revised more detailed and feasible system documents, including: Management Measures for Canteens and Commercial Shops (《食堂及商業店舖管理辦法》), Emergency Response Plan for Catering and Commercial Service Centers (《餐飲及商業服務中心應急預案》), Score Sheets for Canteens' All-round and Quantitative Assessment Rules (《食堂360°量化考核細則評分表》), Score Sheets for All-round and Quantitative Assessments of Commercial Shops (《商業店舖360°量化考核評分表》), and formulated Catering Center Daily Inspection Procedure (《餐飲中心日常檢查流程》), Four Safety Responsibility Statements (《四個安全責任書》), Emergency Response Plan for Catering and Commercial Service Centers (《餐飲及商業服務中心應急預案》), Shanghai Jian Qiao University Six Ts Practical Training (《上海建橋學院六T實務培訓》), to clarify the responsibilities of various departments and to co-ordinate their efforts to ensure that emergencies are dealt with effectively, and to enable the effective implementation of food safety in campus in accordance with laws and regulations.

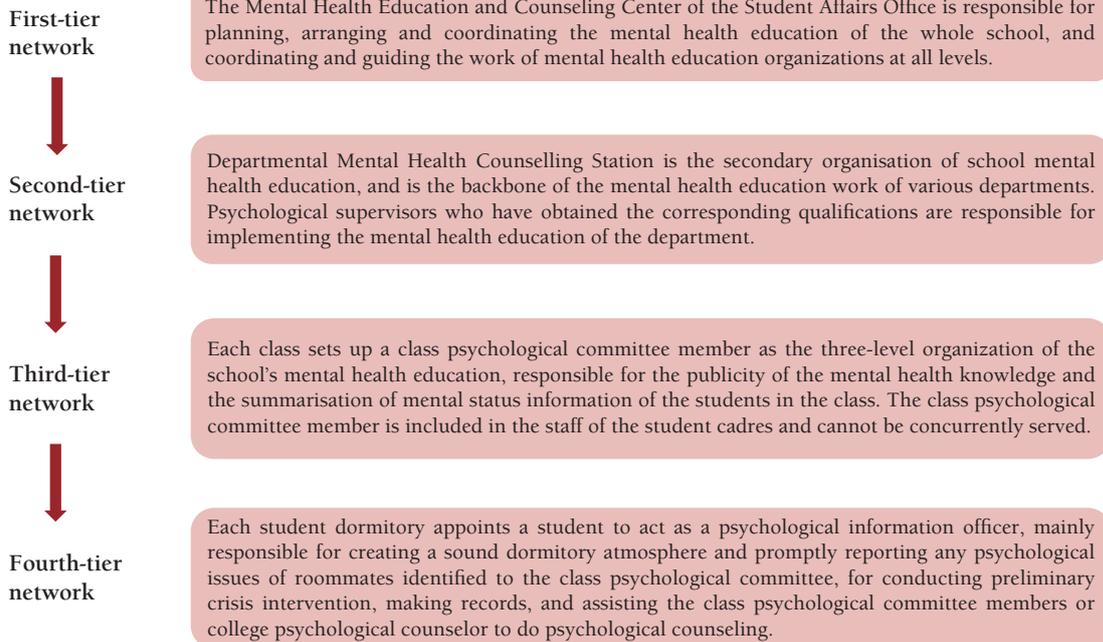
Food safety managers carry out weekly inspections of food safety and fire safety in the canteens and catering shops, and form weekly reports; department heads assess the relevant work of food safety staff on a monthly basis, and lead student teams to perform monitoring and inspecting, as well as conduct regular training and process coaching, etc.

We will take immediate measures to rectify any safety-related problems and eliminate all problems related to safety. We gave high priority to food safety, fire safety and operational safety in campus and determined to achieve our management goal of zero incidents in respects of food safety and fire safety, etc. in our canteens and catering shops throughout the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Care for Students' Mental Health

In addition to the physical health of students, we also care about their mental health. We formulated the Administrative Measures of Student Mental Health Education and Crisis Intervention to strengthen student mental health education and psychological crisis prevention and management. We have also established a four-tier network for mental health education:



Meanwhile, we have set up a dedicated Mental Health Education and Counselling Center in 2003, which was established as the Shanghai Mental Health Education Standard Unit and Shanghai University Mental Health Education and Counselling Demonstration Centre in 2006 and 2021 respectively. The Mental Health Education and Counselling Center provides individual counselling, group counselling, mental health education, and mental health education practices for all teachers and students. During the year, we completed a total of 800 hours of teaching tasks for the course "Mental Health of University Students" (《大学生心理健康》), received 523 individual counselling sessions, and conducted 15 group counselling sessions. Mental health education practical activities are also an important channel for mental health education work. Every year, we also organise a number of mental health education practical activities to provide students with the necessary mental health knowledge and skills, and create a supportive and caring environment to help students learn effective skills and strategies to cope with stress and emotional distress.



Mental Health Education and Counselling Center

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. Disease Prevention and Control and Health Management

In order to strengthen the prevention and control of diseases and health management, we have formulated a series of implementation measures, including the Measures for the Implementation of the Detection, Information Record and Reporting of Infectious Diseases among Students to regulate the detection, information record and reporting of infectious diseases and to control the spread thereof, in a timely manner. The Measures for the Implementation of Student Health Records stipulates that the information for the physical examination of freshmen shall be kept by our University, and the health records of university students shall be established to grasp the health status of students during the period of studying in our University, so as to better care for their health.

VI. Emergency Response Plan

We have established a number of emergency response plans to quickly and efficiently deal with accidents including fire, hazardous chemical accidents, medical office emergencies, campus emergencies and sudden outbreaks of infectious diseases.

6.4 RECIPROCAL SUPPLY MANAGEMENT

Adhering to the concept of mutual benefit and win-win cooperation and the code of conduct of “integrity, pragmatism, fairness, and efficiency”, our Group makes efforts in enhancing our supply chain management.

To standardise procurement procedures, enhance the quality and efficiency of suppliers, and ensure the quality of procured products and services, we have formulated system documents such as Supplier Management Procedures and Procurement Management Procedures to conduct information registration, evaluation, and assessment and management of suppliers, so as to reduce supply chain risks in an all-round way, and improve procurement performance. During the year, we had a total of 300 qualified suppliers for product procurement. The cooperation is all carried out in accordance with the relevant supplier and procurement management systems we have formulated to implement unified management. Our qualified suppliers come from many provinces and cities across the country, including 230 from Shanghai, 16 from Beijing, 23 from Jiangsu, 16 from Zhejiang, 5 from Guangdong, 2 from Anhui, and 1 from each of Fujian, Henan, Hubei, Jiangxi, Shaanxi, Sichuan, Hainan and Chongqing, which ensures a diversified supply pipeline.

I. Supplier Inclusion and Management

We have established a supplier management system. According to the Supplier Management Procedures, we review the qualification documents, performance data, samples and other information provided by the suppliers, and take the suppliers' qualification, service quality, price, compliance with laws and regulations, etc. as the assessment criteria to decide whether to include them in the supplier management system, and establish the List of Qualified Suppliers. We will also consider whether the supplier has a quality management system certificate, such as ISO 9001. To ensure the quality of suppliers, we also regularly evaluate the quality, cost performance, delivery capability and compliance rate of products or service provided by suppliers listed in the List of Qualified Suppliers to form a mechanism of survival of the fittest, and will either remove them from the list or put them on inspection period if they fail to meet the standards.

We also encourage suppliers to fulfill their corporate social responsibilities, including whether they take environmental protection measures, supplier integrity, respect for labour achievements, prohibition of child labour in any form, employment equality, and non-violation of relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Procurement Management

In accordance with the Procurement Management Procedures, our Group exercises strict control over the procurement process and suppliers to ensure that the products and services procured meet the specified requirements. We procure products or services from suppliers on the List of Qualified Suppliers based on quality, cost performance and other considerations. We have established an effective procurement oversight and tender and bidding information disclosure mechanism to increase the transparency and integrity of the procurement supply process.

III. Supplier Integrity and Safety Management

In order to ensure that our suppliers maintain integrity and self-discipline in engineering construction, we will sign the Integrity and Self-discipline Agreement with our suppliers, which strictly prohibits them from offering any benefits or financial rewards to our employees, confirming that all business transactions with us are in compliance with national laws and regulations and enterprise rules and regulations, to ensure that the products or services supplied to us are authentic and reliable, and any fraud and other illegal activities are prohibited. We have also signed a Safe and Civilised Construction Agreement with our contractors to ensure that they comply with health- and safety-related laws and regulations during construction.

IV. Green Procurement

We advocate green procurement to effectively prevent environmental pollution and resource wastage, and we will take multiple measures to actively implement green procurement during procurement, insisting on both economic and environmental benefits. We will take into account environmental protection principles during procurement, such as products that can be reused and use environmentally-friendly materials, energy efficiency, use of clean energy, the condition of water consumption, etc., and implement green supply chain management. In addition, we also implement green supplier management, giving priority to suppliers with strong environmental awareness and good product quality.

6.5 ENVIRONMENTALLY-FRIENDLY GREEN CAMPUS

As a responsible higher education group, we formulate the Corporate Sustainable Development Policy with a coverage including environmental protection, and require our employees to strictly comply with relevant national laws and regulations, such as the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and Energy Conservation Law of the People's Republic of China. We belong to the education industry and have a relatively small impact on the environment and natural resources. The major impacts are the consumption of electricity, the use of water, the use of school and office supplies, the production of waste from school, offices and canteens, and vehicle use. We have formulated a series of effective systems and measures to reduce exhaust gas and greenhouse gas emissions, discharge to water and land, generation of hazardous and non-hazardous waste, and minimise the impact on the environment and natural resources in our daily business operations, so as to build a green campus to contribute to the protection of the environment. During the Reporting Period, there were no incidents related to non-compliance associated with the environment and emissions within our Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Active Energy-saving and Emission Reduction

In order to thoroughly implement the State's major strategic decisions on carbon peak and carbon neutralisation, and to promote the active participation of all teachers, students and staff in energy-saving and emission reduction according to Energy Conservation Law of the People's Republic of China, the Regulations on Energy Conservation of Public Institutions (《公共機構節能條例》), the Notice on Strict Implementation of Air Conditioning Temperature Control Standards for Public Buildings (《關於嚴格執行公共建築空調溫度控制標準的通知》), and the requirements under the Notice on the Creation of Green Schools in the City (《關於在全市開展綠色學校創建工作的通知》) issued by the Shanghai Municipal Education Commission and Shanghai Municipal Development and Reform Commission. We have revised and improved the Measures for Energy Management (《能源管理辦法》) to join the Group's ISO 9001 quality management system. During the year, we continued to issue the Initiates (《倡議書》) with the theme of "Energy-saving and Emission Reduction is Everyone's Responsibility, Water and Electricity Saving Starts with Me" to all teachers and students, and endeavoured to implement various energy-saving and emission reduction measures, with the active and extensive participation of teachers and students. The Group will continue to implement the "14th Five-Year Plan" development plan, further reduce the consumption of energy resources throughout the school, and achieve the energy-saving and emission reduction targets.

Specific objectives:

- (1) To carry out national and local regulations, policies and standards on energy-saving, strengthen energy-saving management and reduce energy consumption in accordance with the principle of rational energy use.
- (2) To establish and improve energy management system, clarify energy management responsibilities, and formulate management requirements or specifications for the whole process of energy utilisation.
- (3) To formulate and implement the Energy Management Work Promotion Plan (《能源管理工作推進計劃》) to ensure that the energy consumption control and energy saving targets are achieved. Energy saving measures should ensure that they are technically feasible, economically beneficial and reasonable in implementation.
- (4) To implement energy-saving technological transformation, strengthening energy-saving management, reducing energy losses and improving energy efficiency.
- (5) To obviously reduce the energy consumption level. The targets of energy conservation and emission reduction regarding comprehensive energy consumption per capita, energy consumption per unit of building area and water consumption per capita in schools will be fully accomplished. On this basis, the average consumption of energy resources per student will be reduced by 1-2 percentage points.
- (6) To enhance publicity on energy saving, raise the awareness of staff and students on energy saving, and promote the sustainable development of the campus.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Specific measures:

(1) Construction of energy consumption platform

IMPROVEMENT OF ENERGY MANAGEMENT PLATFORM CONSTRUCTION

- Improve the construction of the energy management platform, realise real-time monitoring of water and electricity energy consumption data, graphical display, automatic statistics, energy-saving analysis, data storage, report management, index comparison, data uploading, etc., and set up the school's green data centre, so as to provide strong support for the management of energy saving and consumption reduction

INDEPENDENT MEASUREMENT OF ENERGY CONSUMPTION DATA FOR SECONDARY UNITS

- Examining and sorting out the energy-using circuits, energy-using equipments and measuring instruments of secondary units, and improving the independent measurement of water, electricity and gas consumption of each secondary unit, so as to provide a complete data basis for the assessment of energy consumption of secondary units

ANNUAL REPORT ON ENERGY CONSUMPTION

- Making statistical analysis reports of the energy consumption of water, electricity and gas of the whole school every year, to form a timely, open, transparent and comprehensive energy consumption reporting system

(2) Technical transformation of energy saving

TRANSFORMATION OF SMART LIGHTING CONTROL

- Examining the quality of lighting in public areas, detecting the indoor illumination and people flow through intelligent lighting controllers, and carrying out energy-saving control; optimising and adjusting the lighting system to achieve both illumination and energy conservation
- At the same time, we make full use of new green energy by installing solar energy lighting fixtures around the library pool, which is not only environmentally friendly and energy-saving, but also achieves a safe and aesthetic effect
- The lighting in the library, public teaching buildings, and public bathrooms of the college buildings was renovated, and more than 50 voice- and light-controlled switches and lights were replaced under the condition of ensuring good lighting. Infrared sensor switches were installed in some areas to eliminate the occurrence of prolonged lighting
- At the same time, we have developed cloud platform, control software, cell phone applications and other software systems for remote centralised control of lighting energy saving

HOT WATER SYSTEM RENOVATION

- Completing the upgrading and renovation of hot water systems in multi-story dormitories, completing the evaluation of the effectiveness of the use of air source heat pumps and electric water heaters, and issuing complete energy consumption data and analysis of energy-saving effects, so as to provide reference for the upgrading and renovation of electric water heaters in high-rise dormitories
- The hot water card swiping system of some student apartments was upgraded and renovated, and intelligent POS machine terminals were installed to realise intelligent information management. Through the management platform or mobile phone application, equipment faults can be investigated in a timely manner, and equipment alarm information can be received

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TRANSFORMATION OF AIR-CONDITIONING ENERGY SAVING

- Built in September 2022, the air conditioning centralized control system operates efficiently, using an air conditioning controller to replace the 86 sockets and 4G communication to achieve remote control. The air conditioning centralized control system mainly realises six functions, which are, fixed time, fixed temperature, fixed switch, fixed amount, report analysis and anti-plug

TRANSFORMATION OF WATER SAVING

Our Group attaches great importance to water management, and always takes water conservation as one of its key tasks. It formulated water conservation plans and implemented water conservation measures for scientific water-saving, reasonable water-using, performed regular analysis, shortcomings-checking and gaps-filling, to ensure the orderly implementation of water using and conservation work

- Water pressure adjustment was made in hundreds of faucets in libraries, public teaching buildings, public bathrooms of college buildings, and student dormitories, which greatly saves water while ensuring normal water use. The water consumption before and after the renovation has been measured and compared, with a water saving rate of over 30%, showing noticeable water-saving effects
- For green irrigation, the nearby river water resources have been fully used for greening, irrigation and maintenance. After years of maintenance, the planted green plants will be irrigated with the tap water mixed with river water after their vitality is stabilised, and the proportion of tap water will be gradually reduced to optimise the use of water resources and reduce resource waste
- Renovation of landscape water. The water inlet of the fountain in the library has been transformed, and the water inlet pipe that used tap water was changed to a water pipe that used river water

(3) *Energy-saving management*

STREET LIGHTING CONTROL

- Strengthen personnel inspections, with night duty personnel conducting one inspection at the opening and closing times of the streetlights respectively. If any early or late opening or malfunction of the streetlights is identified, timely feedback and resolution shall be provided, and the inspection situation shall be carefully recorded. Arrange personnel to conduct campus inspection once in the morning and afternoon, and immediately identify and solve the problem if any lights are on. Adjust the street lighting switching time as and when appropriate based on the seasonal and regional requirements to reduce energy consumption
- Adjust the streetlight switching time as and when appropriate based on the seasonal and regional requirements to reduce energy consumption

WATER SUPPLY REGULATION

- Make full use of the intelligent water supply supervision platform to monitor the pressure and flow status of the underground water supply network. Detect water leakage in time to reduce hidden water leakage. Based on the water demand of each building, intelligently adjust the water supply pressure through a water-saving controller to reduce the consumption of water at high pressures and large volumes while meeting the water demand of the entire school

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(4) Association establishment and campus promotion

ESTABLISHMENT OF STUDENT ASSOCIATIONS

- Set up energy-saving and environmental protection associations to carry out energy-saving activities such as energy-saving promotion. Initiate energy-saving initiatives through student associations and carry out prize-winning question-and-answer activities. Publish energy consumption data and send energy conservation and environmental protection content through WeChat official accounts, and organise students to turn off lights for inspections at night. Students, as speakers, shall promote energy conservation from the perspective of students, advocate the whole school to practice the concept of green and low-carbon environmental protection, and develop good energy-saving habits

CAMPUS PROMOTION

- Actively carry out energy conservation and emission reduction publicity activities, strengthen daily energy conservation publicity for teachers and students, and advocate teachers and students to develop good habits of energy use through media such as campus radio, new media and publicity columns

(5) Green office

OFFICE LIGHTING AND EQUIPMENT MANAGEMENT

- Use as much natural light as possible in offices, conference rooms, corridors and other office areas
- Equip motion-sensing lights to prevent the light from being on for a long time
- Turn off computers, printers, photocopiers, projectors and other electrical equipment when they are not in use to reduce idle waste
- Do not use any electric stoves and other high-power appliances in offices

PAPER MANAGEMENT IN OFFICES

- Advocate paperless and electronic office, complete online applications and electronic forms, as well as using television and telephone to convene conferences
- Improve personnel information consciousness and computer operation level
- Increase the utilisation of waste paper
- Promote the use of environmentally-friendly recycled paper and other resource recycling products

ELEVATOR USE MANAGEMENT

- Conduct survey on the habits of teachers, students and staffs on elevators, combine the rules of teachers, students and staffs on elevators and reasonably allocate the operation quantity and time periods of elevator
- Advocate not using the elevator within three floors, and except for the elevators in the high-rise student dormitories and the fire elevators, no elevators from the 2nd to the 4th floors

MANAGEMENT IN AIR CONDITIONING UTILISATION

- When the conditions for opening the air conditioner are not met, relevant departments shall control the power supply, and the energy management office shall inspect and correct the utilisation of the air conditioners from time to time

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(6) *Green transportation*

OFFICIAL VEHICLE MANAGEMENT

- Adjust the existing regulations on the use of official vehicles, raise the standards and requirements for official vehicle applications, and strictly control the approval process
- Encourage the staff to travel by shuttle buses and public transport
- Enhance the service efficiency of shuttle buses, and increase the number of passengers per shuttle bus trip, while rationalising the number of stops and routes

DRIVER MANAGEMENT

- Improve drivers' awareness of energy saving, and strengthen education and training on energy saving and emission reduction for drivers
- Encourage drivers to develop good driving habits while driving and maintain at economical speed
- Require to plan the driving route reasonably and seek the best driving route and the most practical distance

PROMOTION OF ENERGY-EFFICIENT VEHICLES

- Consider purchasing new energy products when replacing vehicles that have expired and are about to be scrapped
- The charging points of new energy vehicles on campus are gradually increasing

TRAVEL MODE MANAGEMENT

- Implement electric bicycle restriction system, provide a new way of energy-saving travel, put public bicycles on campus, and provide a low-carbon and environmentally friendly way of travel for the majority of staff and students

Through the above comprehensive energy conservation and emission reduction planning and implementation actions, we have achieved good results in energy conservation, water conservation, and reduction in air emissions. The air emissions we generate are mainly from vehicles owned by the Group. Please refer to Appendix I: Key Performance Indicators for the energy and water consumption and vehicle air emissions data during the year.

II. *Coping with Climate Change*

In response to the Paris Agreement with the participation of many countries around the world and the national planning initiatives such as the National Response to Climate Change (2014–2020) (《國家應對氣候變化(2014–2020年)》), we are committed to mitigating and combating climate change in our daily operations through policies and measures on conserving energy, reducing emissions and consumption of natural resources, advocating green lifestyle as well as encouraging scientific research on green technologies.

Our Group refers to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to identify the physical risks and transition risks that may arise from climate change. For our Group, the possible physical risks mainly arise from the impact of extreme weather or natural disasters such as typhoons, rainstorms, and floods, on the operation capacity and downstream supply chain, as well as the damage to the data storage centre. The possible transitional risks may arise mainly from the impact on our Group's operating costs arising from the introduction of climate-related policies by the government or other stakeholders requiring enterprises to raise the standards for responding to climate change, and the reputational risks arising from failure to respond effectively to such requirements.

Currently, we have established the Emergency Response Plan for Preventing Flood and Typhoon to enhance our Group's overall ability to prevent floods and typhoons and to resist the risk of natural disasters, thereby ensuring that our Group is capable of tackling natural disaster emergencies in a timely and efficient manner, to protect the lives of our students and teachers and the property safety of our University, and ensuring the normal operation of our teaching, research and business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We calculate greenhouse gas (GHG) emissions based on ISO 14064-1 stipulated by the International Organisation for Standardisation (ISO) and the GHG Protocol formulated by the World Resources Institute and the World Business Council for Sustainable Development. For details of our GHG emissions during the Reporting Period, please refer to Appendix I: Key Performance Indicators.

III. Greening Renovation on Campus

We carried out greening maintenance according to the construction requirements of the Garden Unit and received quarterly inspections by the Pudong New Area Greening Management Centre (浦東新區綠化事務管理中心), which are highly appreciated by experts. During the year, we have planted more than 22,795 shrubs and trees of various sizes, with 2,939 sq.m. of ground cover.

IV. Advocating Green Lifestyle

(1) Garbage sorting management

The domestic waste of our Group is classified into four categories: dry waste, recyclables, wet waste and hazardous waste. We have entrusted a qualified waste management company to collect and dispose of dry wastes. In terms of the disposal of wet waste, we introduced a two-network integration device and on-site resource utilization and harmless treatment machines for wet waste on campus to boost the efficiency of resource recovery and achieve direct conversion of wet waste into organic fertilizers suitable for greening. Regarding hazardous waste, electronic products are recycled by qualified recycling companies for treatment. We have implemented a system for separate collection of domestic waste at sources and at fixed time and locations within students, teachers and staff, canteens and shops, and arranged special waste sorting supervisor to guide and urge our staff and students to sort out the waste. These initiatives reflect the Group's positive efforts and results in environmental protection and sustainable development.

In addition, the Group has also established a leading group for domestic waste sorting to strengthen leadership over domestic waste management, conduct training for staff and students to participate in garbage sorting knowledge, and organise volunteers to actively participate in promoting garbage sorting in the whole school. Meanwhile, we have formulated the Shanghai Jian Qiao University Domestic Waste Sorting Management Measures (《上海建橋學院生活垃圾分類管理辦法》) and the Shanghai Jian Qiao University Domestic Waste Sorting Incentives and Disincentives (《上海建橋學院生活垃圾分類獎懲辦法》) to strengthen the management of domestic waste in combination with the actual situation of the Group.

Furthermore, we encouraged teachers and students to actively participate in garbage sorting, green and low-carbon development and other related topics and patent research and development, and have won a number of patents and various awards.

(2) Enhancing the recycling rate of used and waste materials

We strictly sort, categorise and rationally allocate recyclables, recycled used clothes and used books, which realised the recycling and reuse of resources. During the year, the Group collaborated with the People's Government of Nanhui New Town to carry out public welfare activity month and held charity sale activities through the "Weijia" project. In addition, we also collaborated with the Shengang Community in Nanhui New Town to hold a public welfare donation activity for autumn and winter clothes in Tibet, with a total of more than 780 items, which expressed our caring for compatriots living in the highlands through practical actions.

We have achieved good results in reduction of waste under a school-wide initiative to promote waste reduction and improve recycling rate of waste materials. Please refer to Appendix I: Key Performance Indicators for our waste data for the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) Reducing waste in our daily lives, food and beverage

We have organised various activities and taken a series of measures to prevent wasting of food and beverage, so as to develop the college students' good habit of food-cherishing and food-saving.

SPECIFIC MEASURES

- Launched “eating-up the food in your plate action” on campus, supervised and inspected by recruited student volunteers, and put up posters in all canteens to widely publicize and practice the educational concept of “cherishing food” and promote the awareness of cherishing food and being diligent and thrifty
- Regularly organize students and employees to learn and watch relevant videos, and effectively strengthen the law-abiding awareness of canteens and catering stores and the saving concept of teachers and students
- Small dishes are offered and the amount of rice is controlled by canteens to ensure the foods are purchased, cooked and prepared according to the number of diners. High-quality ingredients have been selected to avoid waste due to poor taste. In addition, a new optional weighing mode has also been added to encourage on-demand pick-up. Monitor the amount of kitchen waste generated in the canteen, and reward canteens with significant reductions, thereby reducing waste in all aspects of catering
- Prepare food based on the ordering information at the digital ordering platform to achieve precise food supply and reduce the waste of ingredients. Meanwhile, the variety and quantity of the supply have been adjusted in time according to the sales data of the catering data back-end system
- Strengthen the construction of raw material procurement and storage functions of canteens, and enhance the intensification and standardisation of canteen processing. Improve the information management of the food supply chain, establish an electronic account system for procurement and inventory, and an online tracking system for food source, purchase ingredients in a planned way, thereby reducing waste of ingredient spoilage
- Our University has enabled the labour education practice base for college students and offered a compulsory course of Labour Education. Teachers and students work together in the fields. Only by personally participating in the production and labour, students can have profound experience of “Even ordinary foods like rice and porridge are the result of hard work (一粥一飯之不易)”, and learn to cherish and avoid wasting foods, and practice the “eating-up the food in your plate” action

(4) University-enterprise cooperation on energy saving

In order to further strengthen energy conservation and emission reduction efforts and achieve more effective environmental protection results, we rely on the promotion of innovation and technology. Therefore, the Group strengthens cooperation with other enterprises, actively connects with social resources, uses social resources to promote environmental protection, promotes the implementation of projects such as managing energy by signing contracts, and organizes teachers and students to carry out exchange activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.6 SOCIAL PRACTICES AND VOLUNTEER SERVICES

I. Practice the Volunteerism

In 2023, our Group took full use of the resource advantages of the private university, actively served for the society, enhanced its social service capability by serving the significant events, important venues in Shanghai, taking Lingang New Area's development as the opportunity, practiced with volunteer service actions based on Lei Feng spirit in the new era, improved the long-term mechanism of volunteer service and presented our talents cultivating results. During the year, we carried out 87 volunteer service activities for the whole society, 135 events with a total of 24,221 people recruited and served for more than 261,850 people. Details are set out as follows:

(1) Volunteer service for major events and important venues

In the 6th CIIE, our University was equipped with a total of 125 volunteers who are officially on duty to participate in the service guarantee work, and assumed the voluntary work such as guidance, inquiries, luggage storage, lost and found and people flow statistics in the main channel of the CIIE. In other large-scale events in Shanghai, such as the World Design Capital Conference, the Shanghai Mass Sports Festival, the Shanghai International Marathon, the "Lingang Cup" Entrepreneur Walking Competition and the Global Council of New Development Banks, the young volunteers of our University have completed the relevant tasks excellently, demonstrating the volunteer service style of Gench students. This year, our University once again became the university with the longest service time and the largest number of service times among the volunteer service teams for Astronomy Museum in Shanghai, with more than 2,800 people served throughout the year.

(2) In response to the construction of "five new cities" in Shanghai and signing a volunteer service cooperation agreement with Shengang Community in Lingang New Area

In order to carry forward Lei Feng spirit and in response to the construction of "five new cities" in Shanghai, our Group has actively built the volunteer service model of "community + university". Our University signed the volunteer service cooperation agreement with various communities in Lingang New Area. Considering the majors characteristics of the secondary schools in our University, we connected with various neighborhood committees under such communities, established more than ten volunteer service groups, and provided more than 20 volunteer service programmes with various forms and rich contents for such communities, including interest courses for children, elderly services, health knowledge publicity, cultural and arts activities, mental health seminars, and so on. As of December 2023, it has served and participated in 93 community volunteer services, with more than 1,100 participants and more than 5,000 people served.

Considering our University's volunteer activities and the educational goals of cultivating Lei Feng-style college students, we continued to organise the annual Lei Feng Award selection and commendation event. The loving volunteer service was integrated into the campus culture and deeply rooted in the hearts of teachers and students.



The Sixth China International Import Expo Volunteer Activity

Pudong Lingang Primary School Volunteer Activity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Fulfill Social Obligations

(1) Participate in voluntary blood donation, respond to the conscription plan, and participate in “Three Branches and One Support (三支一扶)”

We have actively implemented the voluntary blood donation task, completed the conscription plan, and actively participated in “Three Branches and One Support (三支一扶)”. In 2023, our University organized two large-scale blood donation activities, with a total of 2,463 people participating in blood donation, once again ranking among the top universities in Shanghai. A total of 83 university students were recruited by the military, including 7 female soldiers. 21 students participated in the national and local projects, of which 12 graduates became community workers, 6 participated in the China Western Development Program, and 3 participated in the “Three Branches and One Support (三支一扶)”.

(2) Promote the construction of the Elderly University in Nanhui New Town

With the development of the Lingang New Area, the population introduction of Nanhui New Town and the number of elderly people who move with them continue to increase, and the community’s demand for high-quality elderly education is increasing. According to the “14th Five-Year Plan for the Layout and Construction of Educational Resources in the New Area” of the Shanghai Municipal Education Commission, the “14th Five-Year Plan for the Education Development in the Lingang New Area” and other relevant documents, led by the Social Development Office of the Lingang Management Committee, the Nanhui New Town Community (Elderly) School and the College of Continuing Education of Shanghai Jian Qiao University jointly promoted the construction of the Elderly University and began to prepare for the construction in November 2022. As an important member of the special working group of the Elderly University, we have participated in the construction of a sound teaching system, the formulation of the construction and operation plans of the university, the drafting of various rules and regulations of its articles of association, and the promotion of the construction of the curriculum system and teaching staff. Based on the talent advantages of our University, our secondary colleges such as the College of Education, the College of Journalism and Communications, and the Vocational College have jointly participated in creating a curriculum system suitable for elderly students, and selected the backbone teachers of various majors to teach at the Elderly University in Nanhui New Town through individual volunteer registration, professional skills display, classroom effect evaluation, unified issuance of letters of appointment and other selection and recruitment links, which effectively guaranteed the teaching quality of the Elderly University in Nanhui New Town. Meanwhile, we also promote the enrollment publicity of the Elderly University through the official account, and release the campus logo and school philosophy voting activities to the society. In this process, the Group actively responds to the needs of the community to carry out related services, and strives to contribute to the preparation of the public welfare project of the Elderly University in Nanhui New Town.

III. Campus Hall Coverage

Our Group has three patriotic education venues: Lei Feng Hall, National Policy Hall, and Party-building and Talents Cultivating Hall. The Lei Feng Hall is positioned to display the vivid image of Lei Feng in a diversified manner, show the practical results of our University’s moral education, and encourage the integration of the Lei Feng spirit into daily life. The National Policy Hall mainly shows the development of the political and economic system of China. The Party-building and Talents Cultivating Hall mainly shows the innovation practice of party building. Since their establishment, the three halls have received more than 70,000 visitors from various units around the country, becoming patriotism education bases with certain influence in Lingang and even Shanghai.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Continue to Prepare Public Welfare Training Projects

The Group continued to prepare public welfare training projects and expand the scope of education services. We organised non-degree education local development projects to be held in schools in an orderly manner. In 2023, we also carried out offline youth public welfare training courses and other activities, and also expanded the scope of extracurricular education activities, providing a cradle of scientific and technological innovation training and a training base for hobbies for teenagers and children in the Lingang New Area. In the summer of 2023, the first and second phases of the Youth Science and Technology Innovation Summer Camp supported by the Management Committee of Shanghai Lingang New Area and hosted by the College of Continuing Education of our University were successfully completed. According to the thematic learning, the summer camp created a practice platform for young people in the Lingang area through class teaching, broadened students' knowledge, created an atmosphere of scientific and technological innovation, and stimulated students' innovation ability and enthusiasm for creativity, so as to improve their scientific literacy and engineering thinking ability. In addition, we have strengthened school-enterprise community cooperation to serve the construction of a community-based learning society, opened various interest courses for primary, secondary and kindergarten schools, and carried out a series of courses for youth science and technology innovation projects of Shanghai Jian Qiao University.

V. Public Welfare Power Convey

The general branch of China Democratic League Jian Qiao Campus (民盟建橋學院) has been enthusiastic about public welfare undertakings and effectively performing its social service function. Since the donation to the first Hope Primary School in Junan, Shandong in 2000, we have cooperated with the Shanghai Committee of the China Democratic League to build two or three Hope (Candlelight) Primary Schools each year. Since 2000, the construction footprint has covered more than 40 schools in 25 provinces. Since 2004, our University has been organising several students from one or two (Candlelight) Primary School(s) that we built to carry out a one-week "Shanghai trip" every summer vacation.

Since its online launch in November 2022, a total of 229 outstanding students have been selected to serve as college student tutors in the "Golden Pomegranate" dual-tutor exchange program of Shanghai Jian Qiao University, pairing up with 480 students from Gyantse Minhang Middle School to carry out assistance work in accordance with the overall requirements of "ideological guidance, life guidance, academic counseling, and psychological counseling" for students, exchanging more than 800 letters and carrying out dozens of activities. In the summer of 2023, more than 20 college student tutors from Shanghai Jian Qiao University went to Gyantse Minhang Middle School in Tibet to carry out offline activities.

6.7 SINCERE EXCHANGE OF OPINIONS

The Group regards the valuable opinions and comments of students and parents as an important way to improve the teaching quality of our University, attaches great importance to students' response to and evaluation of the teaching of a variety of courses, and has formulated the Administrative Measures on Students' Evaluation of Teachers. In the 13th week of each semester, we conduct online student evaluation through the Mycos Student Evaluation System, and establish a student information officer system, and hold regular student information officer meetings to collect students' comments on education and teaching. The results will be analysed statistically and provided to each college as a basis for the Outstanding Teaching Award; at the same time, an annual report on teaching quality and improvement will be completed and provided as a reference for teachers to make decisions on improving teaching and courses design. During the Reporting Period, our students gave our teachers a comprehensive teaching score of 93.54 points, which is a high degree of recognition on our teaching results.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to strengthen our communication with students, parents and staff, to effectively collect their opinions, suggestions or complaints, and to protect the rights and interests of relevant stakeholders, we have formulated the Administrative Measures for Handling Opinions and Complaints. We have established various communication channels, with our University offices responsible for the management of comments, suggestions and complaints in university; and each department and college responsible for receiving and dealing with comments, suggestions and complaints from their respective operations and jurisdictions. The time limit for handling letters of petition generally refers to the State Council Regulation on Letters and Visits and the Regulations of Shanghai Municipality on Letters and Visits. Referrals are classified into two categories: 12345 platform and Guoxin (國信網) platform, the former should be processed within 15 days, and the latter should be processed within 30 days. During the Reporting Period, 100% of all letters were accepted and concluded on schedule, and the satisfaction of the teachers and students was relatively high.

We vigorously promote student rights work. We will continue to carry out a series of service activities called “doing practical things for my classmates”, establish and efficiently operate a three-level rights work system of “university-college-class” and an “online+offline” rights issue collection mechanism, rely on the “Principal Online” platform to carry out face-to-face communication between teachers and students, and regularly organize student representatives to participate in various types of rights symposiums. This year, through the “Principal Online” event, student representatives raised a total of 57 various rights and interests issues and suggestions, which were carefully studied and responded to by various functional departments. During the year, we have also formulated the Normalization Implementation Plan for Proposals and Suggestions by Student Representatives of Shanghai Jian Qiao University, which was reviewed and approved by the 11th session of the Student Congress and officially implemented. It guides students to actively participate in the democratic construction and management of the school, enhances the initiative of the student union to organize and protect student rights, and serves the rights and interests of students in campus learning and life. This year, a total of 46 proposals of various types have been received from the student representatives of the 11th session of the Student Congress, all of which have been carefully studied and responded to by various functional departments.

In addition, we organised regular student seminars and campus open day activities, inviting students to learn about campus administration department, participate in departmental management, understand departmental workflow, and we listened to students’ opinions and obtained their recognitions through such activities.



Effective Communication Channels

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Environmental Performance		Unit	2023
Vehicles' air emissions	Nitrogen oxides (NO _x)	kg	330.63
	Sulphur oxides (SO _x)	kg	0.67
	Particulate matter (PM)	kg	29.17
GHG emissions ¹	Direct GHG emissions (Scope 1) ²	tonnes CO ₂ e	782.04
	Indirect GHG emissions (Scope 2) ³	tonnes CO ₂ e	16,925.99
	Total GHG emissions (Scopes 1 & 2)	tonnes CO ₂ e	17,708.03
	GHG emissions intensity	tonnes CO ₂ e/number of staff and student	0.66
Energy consumption	Total energy consumption ⁴	MWh	34,758.42
	Intensity of energy consumption	MWh/number of staff and student	1.30
	Natural gas consumption	m ³	429,571.00
	Intensity of natural gas consumption	m ³ /number of staff and student	16.03
	Gasoline consumption	litres	36,411.5
	Intensity of gasoline consumption	litres/number of staff and student	1.36
	Diesel consumption	litres	9,694.43
	Intensity of diesel consumption	litres/number of staff and student	0.36
	Total power consumption	MWh	29,679.09
	Intensity of total power consumption	MWh/number of staff and student	1.11
Water consumption	Total water consumption	m ³	954,348.00
	Intensity of total water consumption	m ³ /number of staff and student	35.60
Hazardous waste	Total hazardous waste	tonnes	0.21
	Intensity of hazardous waste	kg/number of staff and student	0.008
	Hazardous waste recycled	tonnes	0.21
	Waste toner cartridge produced	pieces	900
	Waste toner cartridge recycled	pieces	900
	Waste computer produced	unit	887
	Waste computer recycled	unit	777
Non-hazardous waste	Total non-hazardous waste	tonnes	4,900.00
	Intensity of non-hazardous waste	tonnes/number of staff and student	0.18
	Non-hazardous waste recycled	tonnes	4,900.00
Paper consumption	Paper consumption	kg	11,862.77
	Intensity of paper consumption	kg/number of staff and student	0.44

¹ We refer to “How to Prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs” from the Hong Kong Stock Exchange to calculate our Group’s GHG emissions in Scope 1 and Scope 2.

² Scope 1: Direct GHG emissions from the sources that are owned and controlled by our Group.

³ Scope 2: GHG emissions indirectly caused by power, heating and cooling or steam purchased by our Group.

⁴ The total energy consumption is the sum of total electricity consumption, natural gas consumption, gasoline consumption by fixed equipment and vehicles, and diesel consumption (in MWh). For relevant unit conversion factors, please refer to the Energy Statistics Manual from the International Energy Agency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX II: SOCIAL KEY PERFORMANCE INDICATORS

Social Performance		Unit	2023
All employees		person	1,793
Number of employee by genders	Female	person	1,012
	Male	person	781
Number of employee by age groups	Below 40	person	794
	40–50	person	592
	Above 50	person	407
Number of employee by employee categories	Junior employees	person	1,683
	Middle management	person	96
	Senior management	person	14
Number of employee by region	Employees in East China	person	1,793
Total turnover rate of employees		percentage	8.53%
Employee turnover rate by genders	Female	percentage	7.71%
	Male	percentage	9.60%
Employee turnover rate by age groups	Below 40	percentage	5.79%
	40–50	percentage	1.52%
	Above 50	percentage	24.08%
Employee turnover rate by employee categories	Junior employees	percentage	8.50%
	Middle management	percentage	9.38%
	Senior management	percentage	7.14%
Employee turnover rate by region	Employees in East China	percentage	8.53%
Percentage of employees trained to total number of employees		percentage	89.57%
Percentage of employees trained by genders	Female	percentage	58.53%
	Male	percentage	42.59%
Percentage of employees trained by employee categories	Junior employees	percentage	94.58%
	Middle management	percentage	5.92%
	Senior management	percentage	0.62%
Average training hours per employee		hour	47.91
Average training hours per employee by genders	Female	hour	57.94
	Male	hour	34.92
Average training hours per employee by employee categories	Junior employees	hour	46.22
	Middle management	hour	81.21
	Senior management	hour	23.54
Occupational health and safety			
Number of work-related fatalities in the past 3 years (including the reporting year)		person	0
Lost days due to work injury		day	6
Anti-corruption			
Number of concluded corruption-related litigation cases against our Group or employees		case	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators			Relevant Section
A3 Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6.5 Environmentally-friendly green campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.5 Environmentally-friendly green campus
A4 Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.5 Environmentally-friendly green campus
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.5 Environmentally-friendly green campus
B. Social Category			
B1 Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Stringent employment standards 5.2 Considerate care for staff
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix II: Key Performance Indicators
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix II: Key Performance Indicators
B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Comprehensive logistics support
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix II: Key Performance Indicators
	B2.2	Lost days due to work injury.	Appendix II: Key Performance Indicators
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.3 Comprehensive logistics support

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators			Relevant Section
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Well-established training system
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Appendix II: Key Performance Indicators
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix II: Key Performance Indicators
B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	5.1 Stringent employment standards 5.2 Considerate care for staff
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Stringent employment standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Stringent employment standards
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.4 Reciprocal supply management
	B5.1	Number of suppliers by geographical region.	6.4 Reciprocal supply management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	6.4 Reciprocal supply management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.4 Reciprocal supply management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.4 Reciprocal supply management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators			Relevant Section
B6 Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6.1 Robust compliant operation 6.3 Comprehensive logistics support
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	It is not applicable because it is not involved in our Group's business.
	B6.2	Number of products and service-related complaints received and how they are dealt with.	6.7 Sincere exchange of opinions
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.1 Robust compliant operation
	B6.4	Description of quality assurance process and recall procedures.	4.3 Strict quality management
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.1 Robust compliant operation
B7 Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	6.1 Robust compliant operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix II: Key Performance Indicators
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.1 Robust compliant operation
	B7.3	Description of anti-corruption training provided to directors and staff.	6.1 Robust compliant operation
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	2.1 Fourteenth five-year plan 6.6 Social practices and volunteer services
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.6 Social practices and volunteer services
	B8.2	Resources contributed to the focus area.	6.6 Social practices and volunteer services

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Shanghai Gench Education Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Gench Education Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 129 to 135 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2023

KEY AUDIT MATTERS — *continued*

Key audit matter

How our audit addressed the key audit matter

Revenue recognition — tuition and boarding fees

Revenue mainly comprised the revenue from tuition and boarding fees from students amounting to RMB907 million for the year ended 31 December 2023, and these fees are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the terms of the beneficial period for the students, where applicable. The portion of tuition and boarding fees received from students but not earned is recorded as contract liabilities. Due to the large volume of transactions processed and the significant amount of tuition and boarding fees and the risk of overstatement of revenue, we considered this as a key audit matter.

Relevant disclosures are included in notes 2.4, 5 and 24 to the consolidated financial statements.

Our audit procedures in relation to revenue recognition of tuition and boarding fees included:

- (i) Obtaining an understanding of, evaluating and testing the Group's key controls over the admission of students and collection of tuition and boarding fees;
- (ii) Checking the relevant official student records and the reconciliation of the total number of newly enrolled students during the year to the official student records registered with the relevant education authorities of the People's Republic of China;
- (iii) On a sampling basis, checking the relevant supporting documentation including the student payment records, official student records registered with the relevant PRC education authorities, and the payment remittance receipts of tuition and boarding fees; and
- (iv) Performing the re-calculation of the amounts of contract liabilities and the tuition and boarding fees recognised during the year in accordance with the terms of the beneficial period for the students, where applicable.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2023

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2023

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — *continued*

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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	10	(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	12	RMB0.72	RMB0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 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

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,318,467	2,083,060
Right-of-use assets	14	605,653	618,177
Other intangible assets	15	4,848	751
Long-term prepayments and other receivables	20	2,255	16,385
Deferred tax assets	16	131	86
Equity investments designated at fair value through profit or loss	17	—	1,085
Total non-current assets		2,931,354	2,719,544
CURRENT ASSETS			
Inventories	18	—	105
Accounts receivable	19	9,590	9,203
Prepayments and other receivables	20	14,935	128,069
Financial assets at fair value through profit or loss	21	340,516	—
Cash and cash equivalents	22	506,107	617,520
Total current assets		871,148	754,897
CURRENT LIABILITIES			
Other payables and accruals	23	259,782	176,610
Interest-bearing bank borrowings	25	72,652	50,000
Lease liabilities	14	1,251	—
Contract liabilities	24	511,183	474,398
Tax payable		90,994	78,386
Deferred income	26	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	686,774	724,403
Lease liabilities	14	1,254	—
Deferred income	26	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	28	3,677	3,677
Reserves	29	2,166,152	1,957,164
TOTAL EQUITY		2,169,829	1,960,841

Zhao Donghui
Director

Ding Zheyin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

For the year ended 31 December 2023

	Attributable to owners of the parent							
	Issued capital	Share premium*	Share Award Scheme*	Capital reserve*	Statutory surplus reserves*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 28	Note 29(a)	Note 27	Note 29(b)	Note 29(c)			
As at 1 January 2023	3,677	419,736	(80,091)	184,787	215,382	5,207	1,212,143	1,960,841
Repurchase of shares	—	—	(1,853)	—	—	—	—	(1,853)
Profit for the year	—	—	—	—	—	—	283,365	283,365
Other comprehensive loss for the year:								
Exchange differences on translation of the financial statements	—	—	—	—	—	(293)	—	(293)
Total comprehensive income for the year	—	—	—	—	—	(293)	283,365	283,072
Appropriations to statutory surplus reserves	—	—	—	—	28,597	—	(28,597)	—
2022 final dividend declared (Note 11)	—	(35,947)	—	—	—	—	—	(35,947)
2023 interim dividend declared (Note 11)	—	(36,284)	—	—	—	—	—	(36,284)
As at 31 December 2023	<u>3,677</u>	<u>347,505</u>	<u>(81,944)</u>	<u>184,787</u>	<u>243,979</u>	<u>4,914</u>	<u>1,466,911</u>	<u>2,169,829</u>

For the year ended 31 December 2022

	Attributable to owners of the parent							
	Issued capital	Share premium*	Share Award Scheme*	Capital reserve*	Statutory surplus reserves*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 28	Note 29(a)	Note 27	Note 29(b)	Note 29(c)			
As at 1 January 2022	3,677	489,484	(46,538)	184,787	192,094	(5,764)	1,010,499	1,828,239
Repurchase of shares	—	—	(33,553)	—	—	—	—	(33,553)
Profit for the year	—	—	—	—	—	—	224,932	224,932
Other comprehensive income for the year:								
Exchange differences on translation of the financial statements	—	—	—	—	—	10,971	—	10,971
Total comprehensive income for the year	—	—	—	—	—	10,971	224,932	235,903
Appropriations to statutory surplus reserves	—	—	—	—	23,288	—	(23,288)	—
2021 final dividend declared (Note 11)	—	(33,849)	—	—	—	—	—	(33,849)
2022 interim dividend declared (Note 11)	—	(35,899)	—	—	—	—	—	(35,899)
As at 31 December 2022	<u>3,677</u>	<u>419,736</u>	<u>(80,091)</u>	<u>184,787</u>	<u>215,382</u>	<u>5,207</u>	<u>1,212,143</u>	<u>1,960,841</u>

* These reserve accounts comprise the consolidated reserves of RMB2,166,152,000 (31 December 2022: RMB1,957,164,000) in the consolidated statement of financial position as at 31 December 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		379,332	305,306
Adjustments for:			
Finance costs	6	24,807	25,069
Interest income	5	(5,722)	(7,289)
Fair value gain on equity investments designated at fair value through profit or loss	5	(529)	(704)
Fair value gain on financial assets at fair value through profit or loss	5	(516)	—
Other interest income from financial assets at fair value through profit or loss	5	(2,298)	—
Gain on disposal of items of property, plant and equipment	5	(99)	(122)
Government grants released		(48,095)	(39,250)
Provision for impairment of accounts receivable	7, 19	2,286	205
Provision for impairment of other receivables	7, 20	319	—
Depreciation of property, plant and equipment	7, 13	79,889	55,737
Amortisation of other intangible assets	7, 15	829	488
Depreciation of right-of-use assets	7, 14	15,583	15,243
		<u>445,786</u>	<u>354,683</u>
Decrease/(increase) in inventories		105	(105)
Receipt of government grants		49,033	31,147
Increase in prepayments and other receivables		(207)	(1,192)
Increase in accounts receivable		(2,673)	(4,051)
Increase in other payables and accruals		16,906	35,359
Increase in contract liabilities		36,785	79,316
		<u>545,735</u>	<u>495,157</u>
Cash generated from operations		545,735	495,157
Interest received	5	5,416	6,560
Tax paid		(83,404)	(66,459)
		<u>467,747</u>	<u>435,258</u>
Net cash flows from operating activities		467,747	435,258

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(253,068)	(50,918)
Additions to right-of-use assets		(248)	(5,170)
Proceeds from disposal of items of property, plant and equipment		237	129
Decrease/(increase) in prepayments, deposits and other receivables		12,253	(8,027)
Payment for purchases of financial assets at fair value through profit or loss		(1,375,000)	—
Redemption of financial assets at fair value through profit or loss		1,037,298	—
Payment from/(prepayment to) an independent construction contractor for the construction of campus facilities		112,442	(112,442)
Receipt of government grants for property, plant and equipment		1,550	1,922
Proceeds from disposal of equity investments designated at fair value through profit and loss		1,614	—
Additions to other intangible assets		(2,149)	(212)
Interest received		886	297
Net cash flows used in investing activities		(464,185)	(174,421)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repurchase of shares held for the Share Award Scheme		(1,853)	(33,553)
Lease payments including related interests	14(b)	(327)	—
New interest-bearing bank borrowings		41,523	32,123
Repayment of interest-bearing bank borrowings		(56,500)	(42,000)
Payment of dividends		(72,231)	(70,175)
Interest paid		(25,100)	(28,224)
Net cash flows used in financing activities		(114,488)	(141,829)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(110,926)	119,008
Cash and cash equivalents at beginning of year		617,520	488,735
Effect of foreign exchange rate changes, net		(487)	9,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	506,107	617,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	506,107	617,520
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	22	506,107	617,520

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION — *continued*

Information about subsidiaries — *continued*

- (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. ACCOUNTING POLICIES

2.1 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.1 BASIS OF PREPARATION — *continued*

Basis of consolidation — *continued*

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.

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

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

- 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ¹
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹
Amendments to IAS 7 and IFRS7	<i>Supplier Finance Arrangements</i> ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS — *continued*

- ¹ Effective for annual periods beginning on or after 1 January 2024
- ² Effective for annual periods beginning on or after 1 January 2025
- ³ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS — *continued*

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Fair value measurement — *continued*

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Related parties — *continued*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and facilities	3.2%
Motor vehicles	9.5%
Furniture and fixtures	9.5% to 19.0%
Devices and equipment	10.0% to 25.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation — *continued*

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	50 years
Motor vehicles	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Leases — *continued*

Group as a lessee — continued

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Investments and other financial assets — *continued*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 12 months past due.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other payables, and borrowings)

After initial recognition, other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Income tax — *continued*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

When the grant relates to neither an expense item nor an asset, it is released to the statement to the profit or loss upon receipt.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

a) Tuition and boarding fees

Tuition and boarding fees received are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to June of the following year.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

b) Education related services

Education related services include management service, examination service and catering service. Revenue from the management service is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the examination service and catering service is recognised at the point in time when the services are rendered.

c) Other services

Other services include revenue from technical consulting service and interior and renovation services that is recognised over time, using an input method to measure progress towards complete satisfaction of the services, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Revenue recognition — *continued*

Revenue from contracts with customers — continued

d) Other income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee retirement benefits

Pension scheme

The employees of the Group's subsidiaries and schools which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries and schools operating in Chinese Mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The capitalisation rate between 3.50% and 3.85% has been applied to the expenditure on the qualifying assets during the year ended 31 December 2023 (2022: between 4.00% and 4.20%).

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Share-based payments

The Company operates the Share Award Scheme (as defined in note 27). Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding non-vested ordinary shares is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES — *continued*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The Company incorporated in the Cayman Islands uses the Hong Kong dollar as its functional currency. As the Group mainly operates in Chinese Mainland, RMB is used as the presentation currency of the Company. As at the end of the reporting period, the assets and liabilities of the Company and certain overseas subsidiaries, which use currencies other than RMB as their functional currencies, are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Changes in accounting estimates

The Group conducted a review of the useful life of its existing assets taking into account the current state of use and maintenance. Pursuant to the review result, since 1 July 2023, the Group adjusted the estimated useful lives of buildings and facilities so as to fairly reflect the actual condition of the Group's assets and to improve the quality of accounting information.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Changes in accounting estimates — *continued*

Since 1 July 2023, the Group adjusted the useful lives of the buildings and facilities from 50 years to 30 years. The Group applies this change in accounting estimate prospectively.

The aforesaid changes resulted in an increase of depreciation expense by approximately RMB16,400,000 for the year ended 31 December 2023.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

Certain subsidiaries are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

The Group exercises control over these subsidiaries and enjoys all economic benefits of certain subsidiaries through a series of contractual arrangements.

The Group considers that it controls these subsidiaries, notwithstanding the fact that it does not hold direct equity interest in the certain subsidiaries, as it has power over the financial and operating policies of certain subsidiaries and receives substantially all of the economic benefits from the business activities of these subsidiaries through the contractual arrangements. Accordingly, these subsidiaries have been accounted for subsidiaries during the year.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — continued

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the education sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 19 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

4. OPERATING SEGMENT INFORMATION — *continued*

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 RMB'000	2022 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 RMB'000	2022 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

5. REVENUE, OTHER INCOME AND GAINS — *continued*

Other income and gains

	2023 RMB'000	2022 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 (note 26)	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 RMB'000	2022 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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

7. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services provided		355,508	285,131
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
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*	13	79,889	55,737
Depreciation of right-of-use assets*	14	15,583	15,243
Amortisation of other intangible assets*	15	829	488
Lease payments not included in the measurement of lease liabilities	14(c)	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	19	2,286	205
Impairment of other receivables, net	20	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. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	1,086	1,025
Other emoluments:		
Salaries, allowances and benefits in kind	2,620	2,600
Performance-related bonuses	400	400
Pension scheme contributions and social welfare	2	163
Subtotal	3,022	3,163
Total	4,108	4,188

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION — *continued*

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Chen Baizhu	216	205
Mr. Hu Rongen	216	205
Ms. Liu Tao	216	205
Total	<u>648</u>	<u>615</u>

(b) Executive directors and non-executive directors

Year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance — related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Zhao Donghui (i)	—	12	—	—	12
— Mr. Ding Zheyin (ii)	—	8	—	2	10
— Mr. Zhou Xingzeng (iii)	—	1,000	200	—	1,200
— Mr. Zheng Xiangzhan (iv)	—	900	200	—	1,100
— Mr. Shi Yinjie (v)	—	700	—	—	700
Subtotal	<u>—</u>	<u>2,620</u>	<u>400</u>	<u>2</u>	<u>3,022</u>
Non-executive directors:					
— Mr. Du Jusheng	216	—	—	—	216
— Mr. Zhao Donghui (i)	216	—	—	—	216
— Mr. Ye Qionghai (vi)	3	—	—	—	3
— Ms. Zhao Jiaqiao (vi)	3	—	—	—	3
Subtotal	<u>438</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>438</u>
Total	<u>438</u>	<u>2,620</u>	<u>400</u>	<u>2</u>	<u>3,460</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION — *continued*

(b) Executive directors and non-executive directors — *continued*

Year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance — related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Zhou Xingzeng (iii)	—	1,000	200	163	1,363
— Mr. Zheng Xiangzhan (iv)	—	900	200	—	1,100
— Mr. Shi Yinjie (v)	—	700	—	—	700
Subtotal	—	2,600	400	163	3,163
Non-executive directors:					
— Mr. Du Jusheng	205	—	—	—	205
— Mr. Zhao Donghui (i)	205	—	—	—	205
Subtotal	410	—	—	—	410
Total	410	2,600	400	163	3,573

- (i) Mr. Zhao Donghui was re-designated from a non-executive director to an executive director of the Company, and was appointed as the chairman of the board effective from 27 December 2023.
- (ii) Mr. Ding Zheyin was appointed as an executive director of the Company effective from 27 December 2023.
- (iii) Mr. Zhou Xingzeng resigned as the chairman of the board and an executive director of the Company effective from 27 December 2023.
- (iv) Mr. Zheng Xiangzhan resigned as an executive director of the Company effective from 27 December 2023.
- (v) Mr. Shi Yinjie resigned as an executive director of the Company effective from 27 December 2023.
- (vi) Mr. Ye Qionghai and Ms. Zhao Jiaqiao were appointed as non-executive directors of the Company effective from 27 December 2023.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2023 included two directors who resigned executive directors effective from 27 December 2023 (2022: two), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,600	2,191
Performance-related bonuses	700	750
Pension scheme contributions and social welfare	327	173
Total	3,627	3,114

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

	Numbers of employees	
	2023	2022
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	1	—
Total	3	3

10. 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 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 was 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 Enterprises and are subject to a preferential income tax rate of 5%.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

10. INCOME TAX — *continued*

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

	2023 RMB'000	2022 RMB'000
Current — Chinese Mainland	96,012	80,356
Deferred (note 16)	(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 RMB'000	2022 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

11. DIVIDENDS

	2023 RMB'000	2022 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 31 December 2022 and 1 January 2023:						
Cost	2,312,326	13,617	45,605	84,355	899	2,456,802
Accumulated depreciation	(262,731)	(11,038)	(32,918)	(67,055)	—	(373,742)
Net carrying amount	<u>2,049,595</u>	<u>2,579</u>	<u>12,687</u>	<u>17,300</u>	<u>899</u>	<u>2,083,060</u>
At 1 January 2023, net of accumulated depreciation	2,049,595	2,579	12,687	17,300	899	2,083,060
Additions	—	1,204	3,333	15,048	295,849	315,434
Transfers	12,213	—	—	—	(12,213)	—
Disposal	—	(68)	(42)	(28)	—	(138)
Depreciation provided during the year	(64,971)	(696)	(3,253)	(10,969)	—	(79,889)
At 31 December 2023, net of accumulated depreciation	<u>1,996,837</u>	<u>3,019</u>	<u>12,725</u>	<u>21,351</u>	<u>284,535</u>	<u>2,318,467</u>
At 31 December 2023:						
Cost	2,324,539	13,465	48,838	99,061	284,535	2,770,438
Accumulated depreciation	(327,702)	(10,446)	(36,113)	(77,710)	—	(451,971)
Net carrying amount	<u>1,996,837</u>	<u>3,019</u>	<u>12,725</u>	<u>21,351</u>	<u>284,535</u>	<u>2,318,467</u>

As at 31 December 2023, the original cost of the Group's property, plant and equipment of RMB236,965,000 (2022: RMB233,457,000) was net off by the government grants received (note 26).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

13. PROPERTY, PLANT AND EQUIPMENT — *continued*

	Buildings and facilities RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 31 December 2021 and 1 January 2022:						
Cost	1,975,365	13,608	45,041	77,982	259,722	2,371,718
Accumulated depreciation	(217,913)	(10,414)	(29,808)	(59,902)	—	(318,037)
Net carrying amount	<u>1,757,452</u>	<u>3,194</u>	<u>15,233</u>	<u>18,080</u>	<u>259,722</u>	<u>2,053,681</u>
At 1 January 2022, net of accumulated depreciation	1,757,452	3,194	15,233	18,080	259,722	2,053,681
Additions	—	9	564	6,412	78,138	85,123
Transfers	336,961	—	—	—	(336,961)	—
Disposal	—	—	—	(7)	—	(7)
Depreciation provided during the year	(44,818)	(624)	(3,110)	(7,185)	—	(55,737)
At 31 December 2022, net of accumulated depreciation	<u>2,049,595</u>	<u>2,579</u>	<u>12,687</u>	<u>17,300</u>	<u>899</u>	<u>2,083,060</u>
At 31 December 2022:						
Cost	2,312,326	13,617	45,605	84,355	899	2,456,802
Accumulated depreciation	(262,731)	(11,038)	(32,918)	(67,055)	—	(373,742)
Net carrying amount	<u>2,049,595</u>	<u>2,579</u>	<u>12,687</u>	<u>17,300</u>	<u>899</u>	<u>2,083,060</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of motor vehicles generally have lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2022	628,250	—	628,250
Additions	5,170	—	5,170
Depreciation charge	(15,243)	—	(15,243)
As at 31 December 2022 and 1 January 2023	618,177	—	618,177
Additions	248	2,811	3,059
Depreciation charge	(15,266)	(317)	(15,583)
As at 31 December 2023	603,159	2,494	605,653

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	—	—
New leases	2,811	—
Accretion of interest recognised during the year	21	—
Payments	(327)	—
Carrying amount at 31 December	2,505	—
Analysed into:		
Within one year	1,251	—
In the second year	1,254	—

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

14. LEASES — *continued*

The Group as a lessee — *continued*

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	21	—
Depreciation charge of right-of-use assets	15,583	15,243
Expense relating to short-term leases (included in cost of sales and administrative expenses)	500	—
Total amount recognised in profit or loss	16,104	15,243

(d) The total cash outflow for leases is disclosed in note 30(b) to the financial statements.

The Group as a lessor

The Group leases its school campus area under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,011,000 (2022: RMB5,591,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	6,928	4,463
In the second to fifth years, inclusive	13,184	12,580
After five years	3,383	—
Total	23,495	17,043

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

15. OTHER INTANGIBLE ASSETS

	2023 RMB'000	2022 RMB'000
Software		
Cost at 1 January, net of accumulated amortisation	751	1,027
Additions	4,926	212
Amortisation provided during the year	(829)	(488)
At 31 December	<u>4,848</u>	<u>751</u>
At 31 December:		
Cost	9,160	4,234
Accumulated amortisation	(4,312)	(3,483)
Net carrying amount	<u>4,848</u>	<u>751</u>

16. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Amortisation RMB'000	Lease liabilities RMB'000	Impairment of financial assets RMB'000	Total RMB'000
At 1 January 2022	85	—	19	104
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(69)	—	51	(18)
At 31 December 2022 and 1 January 2023	16	—	70	86
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(16)	626	58	668
At 31 December 2023	<u>—</u>	<u>626</u>	<u>128</u>	<u>754</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

16. DEFERRED TAX — *continued*

Deferred tax liabilities

	Right-of-use assets RMB'000
1 January 2023	—
Deferred tax credited to profit or loss during the year (note 10)	623
At 31 December 2023	<u>623</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<u>131</u>	<u>86</u>

The Group has accumulated tax losses arising in Chinese Mainland of approximately RMB20,899,000 (2022: RMB24,787,000) which are available for offsetting against future taxable profits in one to five years. Deferred tax assets have not been recognised in respect of the losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors of the Company, the Group's fund will be retained in Chinese Mainland for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB1,515,363,000 as at 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Equity investment designated at fair value through profit or loss		
Other unlisted investment, at fair value	—	1,085

The above equity investment was irrevocably designated at fair value through profit or loss as the Group considers this investment to be strategic in nature.

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Consumables	—	105

19. ACCOUNTS RECEIVABLE

	2023 RMB'000	2022 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 RMB'000	2022 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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

19. ACCOUNTS RECEIVABLE — *continued*

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

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

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

	Past due				Total
	Less than 12 months	13 to 24 months	25 to 36 months	Over 36 months	
Collective assessment					
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)	<u>139</u>	<u>184</u>	<u>123</u>	<u>59</u>	<u>505</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

19. ACCOUNTS RECEIVABLE — *continued*

Tuition fees receivable — *continued*

31 December 2022

	Past due				Total
	Less than 12 months	13 to 24 months	25 to 36 months	Over 36 months	
Collective assessment					
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

	Past due				Total
	Less than 12 months	13 to 24 months	25 to 36 months	Over 36 months	
Collective assessment					
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

	Past due				Total
	Less than 12 months	13 to 24 months	25 to 36 months	Over 36 months	
Collective assessment					
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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

20. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
<i>Current portion:</i>			
Prepayments to suppliers		755	1,110
Receivables from staff	(i)	2,232	3,102
Loan to a third party	(ii)	6,200	6,200
Amounts due from related parties	32(3)	1,600	—
Prepayment to an independent construction contractor	(iii)	—	112,442
Other receivables and deposits	(i)	4,467	5,215
		15,254	128,069
Impairment allowance		(319)	—
Total		14,935	128,069
<i>Non-current portion:</i>			
Prepayment for property, plant and equipment and other intangible assets		2,255	4,326
Loan to a third party	(iv)	—	12,059
Total		2,255	16,385

Notes:

- (i) Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (ii) As at 31 December 2023, the Group provided a loan to a third party with a principal of RMB6,200,000 (31 December 2022: RMB6,200,000) which bears interest at a rate of 6% per annum. The interest and the principal of the loan will be repaid in a lump sum at maturity.
- (iii) During the year ended 31 December 2022, the Group commenced the campus expansion plan for the talent center and other facilities. In view of the past track records and relevant experience of the existing independent contractor in the Group's previous projects, the Group made a prepayment to the contractor in anticipation for the commencement of the expansion projects based on preliminary assessment. The construction was not commenced as planned mainly due to the resurgence of pandemic outbreaks and the precautionary measures and other restrictions imposed by the government authorities, and subsequently the Group conducted re-assessment on the Group's expansion plan and awarded the construction projects to another independent contractor. Accordingly, the above-mentioned prepayment was fully refunded to the Group during this year ended 31 December 2023.
- (iv) The Group provided a loan to a third party with a principal of HK\$13,500,000 which bears interest at a rate of 5% per annum. During the year ended 31 December 2023, the loan together with the interest has been fully settled.

The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2023 was 2.2%.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

20. PREPAYMENTS AND OTHER RECEIVABLES — *continued*

The movement in the loss allowance for impairment of other receivables is as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	—	—
Provision for impairment losses, net (note 7)	319	—
At end of year	319	—

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted investments, at fair value	340,516	—

The unlisted investments were wealth management products were placed with a licensed financial institution in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of wealth management products is determined using valuation model for which not all inputs are observable and is within Level 2 of the fair value hierarchy (note 34).

22. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	506,107	617,520

At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB498,825,000 (2022: RMB605,677,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

23. OTHER PAYABLES AND ACCRUALS

	Notes	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	32(3)	—	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.

24. 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

24. CONTRACT LIABILITIES — *continued*

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

	2023 RMB'000	2022 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.

25. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans — secured	3.5–3.85	2024	72,652	4.00–4.20	2023	50,000
Sub total — current			72,652			50,000
Non-current						
Bank loans — secured	3.5–3.85	2025–2038	686,774	4.00–4.20	2024–2031	724,403
Sub total — non-current			686,774			724,403
Total			759,426			774,403

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

25. INTEREST-BEARING BANK BORROWINGS — *continued*

	2023 RMB'000	2022 RMB'000
Analysed into:		
Repayable within one year	72,652	50,000
Repayable in the second year	161,000	58,000
Repayable in the third to fifth years, inclusive	464,094	457,000
Repayable beyond five years	61,680	209,403
	<u>686,774</u>	<u>724,403</u>
	<u>759,426</u>	<u>774,403</u>

The Group's bank borrowings are all denominated in RMB.

The Group's bank borrowings of RMB759,426,000 as at 31 December 2023 (2022: RMB774,403,000) were borrowings with floating interest rates.

As at 31 December 2023, the Group's bank borrowings of RMB724,403,000 (2022: RMB774,403,000) were secured by the Group's rights over tuition fees and boarding fees and the Group's bank borrowings of RMB35,023,000 were secured by the Group's future rights over the income from the talent center.

26. DEFERRED INCOME

	Notes	2023 RMB'000	2022 RMB'000
At beginning of year		9,803	19,977
Received during the year		50,583	33,069
Deduction of the carrying amount of the assets (note 13)	(1)	(3,508)	(3,993)
Deduction of the related expense	(2)	(24,963)	(27,879)
Recognised in other income (note 5)	(3)	(23,132)	(11,371)
At end of year		<u>8,783</u>	<u>9,803</u>
Current		1,031	5,219
Non-current		<u>7,752</u>	<u>4,584</u>
Total		<u>8,783</u>	<u>9,803</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

26. DEFERRED INCOME — *continued*

- (1) The grants are related to the improvement of teaching facilities on certain special projects. Upon completion of the related projects, the grants related to an asset would be deducted from the carrying amount of the assets.
- (2) The grants are mainly related to the subsidies received from the government for the purpose of subsidising students and government promoted programs. Upon completion of the related activities, the grants would be released to profit or loss and deducted from the related expenditure to which they relate. Government grants received for which expenditure has not yet been undertaken are included in deferred income.
- (3) The grants mainly represent the tax refund from the local government recognised in other income and gains upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

27. 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

27. SHARE AWARD SCHEME — *continued*

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	<u>19,598,500</u>	<u>81,944</u>

Since 11 December 2020 and up to the date of approval of these financial statements, the Board neither granted, lapsed or cancelled any awards.

28. SHARE CAPITAL

	2023	2022
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.01 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>415,000,000</u>	<u>415,000,000</u>
	2023	2022
	RMB'000	RMB'000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>4,462</u>	<u>4,462</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>3,677</u>	<u>3,677</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 133 of the financial statements.

(a) Share premium reserve

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Capital reserve

The capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

(c) Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include the general reserve of the limited liability companies.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Dividend payable RMB'000	Interest-bearing bank borrowings RMB'000	Interest payable RMB'000
At 1 January 2022	—	427	784,280	875
Cash flows used in financing activities	—	(70,175)	(9,877)	(28,224)
2021 final dividend declared	—	33,849	—	—
2022 interim dividend declared	—	35,899	—	—
Interest expense	—	—	—	25,069
Interest capitalised	—	—	—	3,183
At 31 December 2022	—	—	774,403	903
New leases	2,811	—	—	—
Cash flows used in financing activities	(327)	(72,231)	(14,977)	(25,100)
2022 final dividend declared	—	35,947	—	—
2023 interim dividend declared	—	36,284	—	—
Interest expense	21	—	—	24,786
Interest capitalised	—	—	—	179
At 31 December 2023	2,505	—	759,426	768

(b) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	500	—
Within financing activities	327	—
Total	827	—

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

31. COMMITMENTS

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

	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	88,979	345,800

32. RELATED PARTY TRANSACTIONS

(1) Name and relationship:

The directors of the Group are of the opinion that the following parties/companies are related parties that had transactions or balances with the Group during the year:

Name of related party	Relationship with the Group
上海琪遇酒店管理有限公司 ("Qi Yu Hotel Management Co., Limited") (i)	A company controlled by a family member of Mr. Zhou Xingzeng
上海長九騏盛能源有限公司 ("Shanghai Changjiu Qisheng Energy Co., Limited")	A company controlled by Mr. Zhao Donghui
上海長九房地產開發有限公司 ("Shanghai Changjiu Real Estate Development Co., Limited")	A company controlled by Mr. Zhao Donghui

(i) Qi Yu Hotel Management Limited has no longer been a related company of the Group since 15 June 2023.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

32. RELATED PARTY TRANSACTIONS — *continued*

(2) Transactions with related parties:

	2023 RMB'000	2022 RMB'000
Services received from a related company		
Qi Yu Hotel Management Co., Limited	417	1,094
Advances to related companies		
Shanghai Changjiu Qisheng Energy Co., Limited	250	—
Shanghai Changjiu Real Estate Development Co., Limited	1,350	—
	1,600	—
Lease payments to related companies		
Shanghai Changjiu Qisheng Energy Co., Limited	39	—
Shanghai Changjiu Real Estate Development Co., Limited	288	—
	327	—

The transactions were carried out in accordance with the terms and conditions mutually agreed between the Group and its related parties with reference to the pricing obtained from the market.

(3) Outstanding balances with related parties:

	2023 RMB'000	2022 RMB'000
Trade in nature — current		
Due from related companies		
Shanghai Changjiu Qisheng Energy Co., Limited	250	—
Shanghai Changjiu Real Estate Development Co., Limited	1,350	—
	1,600	—
Due to a related company		
Qi Yu Hotel Management Limited	—	304
Lease liabilities		
Shanghai Changjiu Qisheng Energy Co., Limited	272	—
Shanghai Changjiu Real Estate Development Co., Limited	2,233	—
	2,505	—

The balances were unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

32. RELATED PARTY TRANSACTIONS — *continued*

(4) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	6,438	6,153
Pension scheme contributions	419	474
	<u>6,857</u>	<u>6,627</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss (note 21)	340,516	—	340,516
Accounts receivable	—	9,590	9,590
Financial assets included in prepayments and other receivables (note 20)	—	14,180	14,180
Cash and cash equivalents	—	506,107	506,107
Total	<u>340,516</u>	<u>529,877</u>	<u>870,393</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals (note 23)	196,892	196,892
Interest-bearing bank borrowings	759,426	759,426
Total	<u>956,318</u>	<u>956,318</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS BY CATEGORY — *continued*

31 December 2022

Financial assets

	Financial assets at fair value through profit or loss — mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss (note 17)	1,085	—	1,085
Accounts receivable	—	9,203	9,203
Financial assets included in prepayments and other receivables (note 20)	—	139,018	139,018
Cash and cash equivalents	—	617,520	617,520
Total	<u>1,085</u>	<u>765,741</u>	<u>766,826</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals (note 23)	122,697	122,697
Interest-bearing bank borrowings	774,403	774,403
Total	<u>897,100</u>	<u>897,100</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets				
Other receivable — non-current (note 20)	—	12,059	—	11,048
Financial assets at fair value through profit or loss (note 21)	340,516	—	340,516	—
Equity investments designated at fair value through profit or loss (note 17)	—	1,085	—	1,085
Total	340,516	13,144	340,516	12,133
Financial liabilities				
Interest-bearing bank borrowings (note 25)	759,426	774,403	770,225	790,116

Management has assessed that the fair values of accounts receivable, the current portion of financial assets included in prepayments and other receivables, cash and cash equivalents and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the price per share of the comparable company by net assets value per share. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

The Group invests in unlisted investments, which represent wealth management products were placed with a licensed financial institution in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the expected interest rate per annum of instruments with similar terms and risks.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings was assessed to be insignificant as at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments designated at fair value through profit or loss	Valuation multiples	Average PB multiple of peers	0.42 to 0.77	10% increase/decrease in multiple would result in (decrease)/increase in fair value by RMB79,000
		Discount for lack of marketability	20%	10% increase/decrease in discount would result in (decrease)/ increase in fair value by RMB58,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2023				
Financial assets at fair value through profit or loss	—	340,516	—	340,516

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2022				
Equity investments designated at fair value through profit or loss	—	—	1,085	1,085

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy — *continued*

Assets measured at fair value: — continued

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

	2023 RMB'000	2022 RMB'000
Equity investments designated at fair value through profit or loss		
At 1 January	1,085	320
Total gains recognised in the statement of profit or loss included in other income	529	704
Effect of foreign exchange rate changes	—	61
Disposals	(1,614)	—
At 31 December	—	1,085

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

Assets for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2022				
Other receivables — non-current	—	11,048	—	11,048

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy — *continued*

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2023				
Interest-bearing bank borrowings	—	770,225	—	770,225
As at 31 December 2022				
Interest-bearing bank borrowings	—	790,116	—	790,116

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 25. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2023 and 2022 would decrease/increase by RMB3,699,000 and RMB2,887,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowing with variable rates.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

	12-month		Lifetime ECLs		Total RMB'000
	ECLs				
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
As at 31 December 2023					
Accounts receivable*	—	—	—	10,102	10,102
Financial assets included in prepayments and other receivables**	14,499	—	—	—	14,499
Cash and cash equivalents	506,107	—	—	—	506,107
Total	520,606	—	—	10,102	530,708

	12-month		Lifetime ECLs		Total RMB'000
	ECLs				
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
As at 31 December 2022					
Accounts receivable*	—	—	—	9,483	9,483
Financial assets included in prepayments and other receivables**	139,018	—	—	—	139,018
Cash and cash equivalents	617,520	—	—	—	617,520
Total	756,538	—	—	9,483	766,021

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(b) Credit risk — *continued*

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. From the large number of diversified customers (students), there is no significant concentration of credit risk by customers.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2023					
Lease liabilities	—	328	982	1,270	2,580
Financial liabilities included in other payables and accruals (note 23)	196,892	—	—	—	196,892
Interest-bearing bank borrowings	—	7,976	95,659	754,610	858,245
Total	196,892	8,304	96,641	755,880	1,057,717
31 December 2022					
Financial liabilities included in other payables and accruals (note 23)	122,697	—	—	—	122,697
Interest-bearing bank borrowings	—	7,840	73,475	816,152	897,467
Total	122,697	7,840	73,475	816,152	1,020,164

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings. Total equity represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	RMB'000	RMB'000
Interest-bearing bank borrowings	759,426	774,403
Total debt	759,426	774,403
Total equity	2,169,829	1,960,841
Gearing ratio	35.0%	39.5%

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—*
Total non-current assets	—	—
CURRENT ASSETS		
Due from fellow subsidiaries**	302,755	375,886
Prepayments and other receivables	390	318
Cash and cash equivalents	1,313	7,663
Total current assets	304,458	383,867
CURRENT LIABILITIES		
Other payables and accruals	119	525
Due to fellow subsidiaries	3,959	3,053
Total current liabilities	4,078	3,578
NET CURRENT ASSETS	<u>300,380</u>	<u>380,289</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>300,380</u>	<u>380,289</u>
NET ASSETS	<u>300,380</u>	<u>380,289</u>
EQUITY		
Issued capital	3,677	3,677
Reserves (Note)	296,703	376,612
TOTAL EQUITY	<u>300,380</u>	<u>380,289</u>

* The balance represents an amount less than RMB1,000.

** Included in the amount due from fellow subsidiaries above is the amount paid to the Trustee for the purchase of the Company's shares for the purpose of holding the shares reserved under the Share Award Scheme. The Trustee shall not exercise any voting rights but are entitled for any dividend distribution in respect of the shares held under the trust. As at 31 December 2023, the Trustee has purchased a total of 19,598,500 (2022: 19,081,500) shares at a total consideration of approximately RMB81,944,000 (2022: RMB80,091,000) and received a total dividend of RMB6,578,000 (2022: RMB3,060,000) from shares held under the trust.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	489,484	(42,969)	(4,636)	441,879
Loss for the year	—	—	(30,992)	(30,992)
Other comprehensive income for the year				
Exchange differences on translation of the financial statements	—	38,509	—	38,509
Total comprehensive income for the year	—	38,509	(30,992)	7,517
2021 final dividend declared	(35,253)	—	—	(35,253)
2022 interim dividend declared	(37,531)	—	—	(37,531)
At 31 December 2022 and 1 January 2023	416,700	(4,460)	(35,628)	376,612
Loss for the year	—	—	(10,132)	(10,132)
Other comprehensive income for the year				
Exchange differences on translation of the financial statements	—	5,996	—	5,996
Total comprehensive loss for the year	—	5,996	(10,132)	(4,136)
2022 final dividend declared	(37,726)	—	—	(37,726)
2023 interim dividend declared	(38,047)	—	—	(38,047)
At 31 December 2023	340,927	1,536	(45,760)	296,703

37. 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.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

DEFINITION

“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AGM”	the annual general meeting of our Company
“Appointed School Directors”	eight directors (representing more than two-thirds of the board being the quorum required for approving material decisions) of Jian Qiao University Company, being Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, Mr. Chen Zhiyong (resigned on 9 June 2023), Mr. Zhu Ruiting, Mr. Yu Xiaoguang, Ms. Jing Xiaohuai (resigned on 6 January 2023), Ms. Chen Wei, Mr. Xu Haogang, and Ms. Xia Yu (appointed on 6 January 2023)
“Articles of Association”	the articles of association of our Company as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of our Company
“Board”	the board of Directors of our Company
“Board Committee(s)”	the Audit Committee, the Remuneration Committee and the Nomination Committee
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan, China
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Shanghai Gench Education Group Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of our Company
“Foreign Investment Law”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People’s Congress on 15 March 2019, which came into effect on 1 January 2020
“Gench WFOE”	Wangting Education Technology (Shanghai) Limited (望亭教育科技(上海)有限公司), a limited liability company established under the laws of the PRC on 31 October 2018, which is wholly-owned by 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 our 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
“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
“Mr. Zhao”	Mr. Zhao Donghui, the chairman, an executive Director and a Shareholder of our Company
“Negative List”	Special Administrative Measures for Access of Foreign Investment (Negative List) (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which became effective on 1 January 2022
“New Business Cooperation Agreement”	the business cooperation agreement entered into by and among Gench WFOE, the New Registered Shareholders and the New PRC Affiliated Entities dated 29 January 2021
“New Contractual Arrangements”	collectively, (1) the New Business Cooperation Agreement, (2) the New Exclusive Technical Service and Management Consultancy Agreement, (3) the New Exclusive Call Option Agreement, (4) the New Directors’ Rights Entrustment Agreement, (5) the New Directors’ Powers of Attorney, (6) the New Shareholders’ Rights Entrustment Agreement (I), (7) the New Shareholders’ Rights Entrustment Agreement (II), (8) the New Shareholders’ Powers of Attorney (I), (9) the New Shareholders’ Powers of Attorney (II), (10) the New Spouse Undertakings, (11) the No Spouse Undertaking, and (12) the New Equity Pledge Agreements, further details of which are set out in the section headed “New Contractual Arrangements” in this annual report
“New Directors’ Powers of Attorney”	directors’ powers of attorney executed by the Appointed School Directors dated 29 January 2021
“New Directors’ Rights Entrustment Agreement”	directors’ rights entrustment agreement entered into by and among Jian Qiao University Company, Gench WFOE and the Appointed School Directors dated 29 January 2021
“New Equity Pledge Agreements”	collectively, (1) the equity pledge agreement entered into by and among the New Registered Shareholders, Jian Qiao Group and Gench WFOE, and (2) the equity pledge agreement entered into by and among the School Holders and Gench WFOE dated 29 January 2021
“New Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Gench WFOE, the New PRC Affiliated Entities and the New Registered Shareholders dated 29 January 2021
“New Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Gench WFOE and the New PRC Affiliated Entities dated 29 January 2021
“New PRC Affiliated Entities”	collectively, Jian Qiao University Company and the School Holders, each an affiliated entity of our Company
“New Registered Shareholder(s)”	shareholder(s) 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
“New Shareholders’ Powers of Attorney (I)”	shareholders’ powers of attorney executed by the New Registered Shareholders and Jian Qiao Group dated 29 January 2021

DEFINITION

“New Shareholders’ Powers of Attorney (II)”	shareholders’ powers of attorney executed by the School Holders dated 29 January 2021
“New Shareholders’ Rights Entrustment Agreement (I)”	the shareholders’ rights entrustment agreement entered into by and among the New Registered Shareholders, the School Holders and Gench WFOE dated 29 January 2021
“New Shareholders’ Rights Entrustment Agreement (II)”	the shareholders’ rights entrustment agreement entered into by and among Jian Qiao University Company, the School Holders and Gench WFOE dated 29 January 2021
“New Spouse Undertakings”	collectively, the undertakings executed by the spouses of relevant New Registered Shareholders dated 29 January 2021
“No Spouse Undertaking”	the no spouse undertaking dated 29 January 2021 executed by Ms. Huang Chunlan
“Nomination Committee”	the nomination committee of our Company
“PRC Legal Advisors”	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
“Prospectus”	the prospectus of our Company dated 31 December 2019
“Remuneration Committee”	the remuneration committee of our Company
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“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
“Share Option Scheme”	the share option scheme adopted by our Company on 19 December 2019
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include the School Holders and our University
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“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

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.