

科技赋能智慧教育
Boost Smart Education with Digital Technologies
教育创造学生价值
Empower Students with Innovative Education

Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited

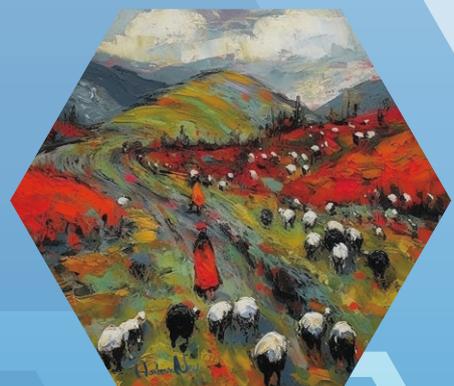
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 9616

2023 Annual Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairperson and Non-executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie

Dr. ZHANG Xia

Dr. ZHANG Yinghui

Mr. SUN Yinhuan

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

AUDIT COMMITTEE

Dr. LIU Shulian (Chairperson)

Dr. QU Daokui

Mr. RONG Xinjie

REMUNERATION COMMITTEE

Dr. QU Daokui (Chairperson)

Dr. LIU Jiren

Dr. WANG Weiping

NOMINATION COMMITTEE

Dr. LIU Jiren (Chairperson)

Dr. LIU Shulian

Dr. WANG Weiping

COMPANY SECRETARY

Ms. HE Jing

AUTHORISED REPRESENTATIVES

Dr. WEN Tao

Ms. HE Jing

REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8, Software Park Road
Ganjingzi District, Dalian
Liaoning, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 903, 9th Floor, Great Eagle Centre
No. 23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited

89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

Tian Yuan Law Firm LLP

Suites 3304-3309, 33/F
Jardine House
1 Connaught Place
Central, Hong Kong

As to PRC laws:

Tian Yuan Law Firm

Unit 509, Block A, International Enterprise Building
No. 35, Financial Street, Xicheng District
Beijing, China

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKS

China Construction Bank
Dalian High-tech Zone Branch
Shanghai Pudong Development Bank
Dalian Xueyuan Square Branch
Bank of Chengdu
Dujiangyan Branch
Guangdong Nanhai Rural Commercial Bank
Shishan Software Park Banking Office

STOCK CODE

9616

COMPANY WEBSITE

<http://www.neuedu.com>

LISTING DATE

29 September 2020

HIGHLIGHTS

April 2023

- On the list of “National General Colleges and Universities Students’ Computer Competition Status Data from 2012-2022” (2012-2022年全國普通高校大學生電腦類競賽狀態資料), Dalian University and Chengdu University ranked the top two among the private universities;
- The Neuedu Huzhou Digital Apprenticeship Programme Site was inaugurated. It was jointly established with the government as an innovative training base integrating industry, university and research;



February 2023

- The main project of student dormitories of Chengdu University Phase VIII Expansion Project student apartment was completed, increasing the campus capacity of 3,200 beds;
- Guangdong University was approved as the “2022 Guangdong Provincial Engineering Technology Research Centre” by the Department of Science and Technology of Guangdong Province;
- Neuedu was awarded the “Outstanding Enterprise of Empowering Education with Technology” by Top 100 Hong Kong Listed Companies Research Centre;
- Neuedu became one of the first batch of ecological engineering partners of Baidu ERNIE Bot (文心一言), and applied Baidu’s leading intelligent dialogue technology achievements in the intelligent education platforms;



May 2023

- Jointly hosted several core events of the 7th Belt and Road and BRICS Future Skills Challenge (第七屆一帶一路暨金磚國家技能發展與技術創新大賽) with Neusoft Group;



June 2023

- Our Driverless Training Laboratory and the first meta-universe intelligent healthcare future education platform was launched;
- 4 industrial colleges of Dalian University were successfully recognised as the Provincial-Level Modern Industrial Colleges (省級現代產業學院) in Liaoning Province, and so far there has been 6 industrial colleges of Dalian University recognised as Provincial-Level Modern Industrial Colleges in Liaoning Province;



HIGHLIGHTS

August 2023

- The national final of Neuedu Cup for National Undergraduates of “Digital Self of the Meta-Universe “Career Planning Challenge came to a perfect end, with more than 3,700 applicants from 71 universities in 22 provinces across the country participating;
- Neuedu became a senior partner of the second Vocational Skills Competition of the PRC, providing technical support for the “Mobile Application Development” and “Computer Software Testing” competitions;



July 2023

- Dalian University won the first prize of National-Level Teaching Achievement Award again, which was the only first prize of the National-Level Teaching Achievement Award in the field of vocational education in Liaoning Province this time;
- Dalian University was successfully approved as one of the first batch of pilot units for the construction of a national-level university for the elderly and co-construction units of National Elderly University;
- the Digital Culture and Tourism Industrial College of Chengdu University was recognised as one of the second batch of Provincial-Level Modern Industrial Colleges in Sichuan Province;



October 2023

- We signed the agreement with Shaanxi Xueqian Normal University on the establishment of the first Digital Intelligent Children Education Industrial College in China;
- Dalian University was recognised as the “Pilot University for International Level Assessment among Universities and Colleges in Liaoning Province”, one of the first batch of universities recognised in Liaoning Province;



September 2023

- Both of the affiliated hospitals of the cardiovascular hospital and the stomatology hospital of Dalian University held the opening ceremony, marking that Dalian University has become the first application-oriented university in China with two affiliated hospitals at the same time;
- Dalian University was approved to build five virtual teaching and research rooms in Liaoning Province;
- Launched cross campus study tours for students among the three universities;



December 2023

- Dalian University was selected into the list of construction units of the Vocational Education Overseas Industrial College “Mozi Workshop” Project by the Educational Department of Liaoning Province to establish the Mozi Workshop for Digital Economy Industry in Bali Province, Indonesia;
- Neuedu successfully attained the CMMI3 certification, which means that we have been recognised by international authorities in terms of software research and development capabilities and service delivery quality;



November 2023

- Chengdu University held its 20th Anniversary Celebration Ceremony and related series of activities;
- Neuedu Healthcare Park, a new campus of Chengdu University, was officially opened, and Neusoft Medical – Chengdu Neusoft University Medical Meta-Universe Research Centre and Digital Art were both opened during the period;



January 2024

- Neuedu was recognised as the typical case on product, application and service of the new generation of information technology in 2023 by the MIIT;



February 2024

- Dalian University was approved as a 2023 Industrial Internet Security Talent Cultivation Pilot Demonstration Project by the MIIT, the only university approved of a national-level industrial internet related pilot demonstration project this year.



FINANCIAL HIGHLIGHTS

Major financial results for the years ended 31 December 2023 and 31 December 2022 are as follows:

	For the year ended 31 December		Percentage of change
	2023 RMB'000 (audited)	2022 RMB'000 (audited)	
Revenue	1,806,073	1,548,382	16.6%
Cost of revenue	(940,997)	(881,643)	6.7%
Gross profit	865,076	666,739	29.7%
Selling expenses	(52,957)	(38,797)	36.5%
Administrative expenses	(207,300)	(148,344)	39.7%
Research and development expenses	(39,986)	(41,507)	-3.7%
Net impairment losses on financial assets	(11,296)	(5,365)	110.5%
Other income	148,186	188,720	-21.5%
Other expenses	(36,452)	(29,569)	23.3%
Other (losses)/gains – net	(599)	5,911	-110.1%
Operating profit	664,672	597,788	11.2%
Finance expenses – net	(86,891)	(80,253)	8.3%
Profit before income tax	577,781	517,535	11.6%
Income tax expenses	(148,140)	(132,119)	12.1%
Profit for the year	429,641	385,416	11.5%
Profit for the year attributable to owners of the Company	429,540	385,393	11.5%
Adjusted Net Profit (Note)	428,713	380,608	12.6%
Adjusted Net Profit attributable to owners of the Company	428,612	380,585	12.6%

Note:

For the year ended 31 December 2023, the adjusted net profit is the profit for the year after deducting the effect of net exchange gains of RMB928,000.

For the year ended 31 December 2022, the adjusted net profit is the profit for the year after deducting the effect of (i) share-based compensation expenses of RMB3,785,000; and (ii) net exchange gains of RMB8,593,000.

CHAIRPERSON'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors of Neusoft Education Technology Co., Ltd., I am pleased to present to all Shareholders the consolidated results and annual report (“**Report**”) of the Company and its subsidiaries for the year ended 31 December 2023.

2023 was a year of unwavering efforts in the wake of the pandemic. This year, we convened a seminar on the five-year development plan for formal higher education, comprehensively assessing the internal and external situation of higher education development. Guided by the vision of promoting the construction of a distinctive, high-level, and entrepreneurship-oriented applied technology university, we outlined the development blueprint for the next five years and wrote a new chapter of high-quality development. Focusing on improving quality and fostering excellence, we made efforts to consolidate our foundation, tackle weaknesses, leverage our strengths, highlight our unique features, and secure our development. In the first year of the five-year plan, three universities embarked on a new journey and achieved remarkable results. Awards have witnessed the highlights of the three universities in 2023, including the first prize for National-Level Teaching Achievement, national-level First-class Bachelor Degree Course (一流本科課程), provincial-level Modern Industrial Colleges, the construction unit of the “Smart Education Demonstration University (智慧教育示範校)”, and the “Teacher Teaching Development Index” that we have ranked first for five consecutive years; The official unveiling of two university-affiliated hospitals and the opening of new campuses marked the progress of the three universities towards a new stage of development. In this year, our education resources business closely followed the strategy of strengthening the country through digitalisation and deepened our services in digital talent education, and have successfully applied our high-quality education resources and services to over 550 universities in total through our unique 4S product service system, empowering the reform and development of our partner institutions. Our continuing education business has been accumulating momentum, seeking progress while maintaining stability, with training services covering 26 provincial regions nationwide and over 1.86 million registered users on the online platform. Looking back at the past year, the challenges and opportunities we faced were unprecedented, but with our firm implementation of our future development strategy, we were able to achieve remarkable achievements and progress.

Currently, with a new round of technological and industrial revolutions developing in depth and the wave of digitalisation surging, the development of digital technology provides powerful momentum for social progress, while social aspirations are also driving technological upgrades and changes. In this era when everything is reconstructed and connected by digits, traditional models in the field of education are undergoing new impacts and baptisms, as individuals’ lifestyles, learning methods, and social development and operational models are rapidly changing and iterating. The responsibility of running education lies in striving to gain insight into the changing trends of industrial talent demand, continuously transforming education standards, models, methods, and content, enabling more young people to grasp the pulse of the times, to keep up with the trend of development, to embrace their aspirations for the future, to defy the challenges of the times, and to grow into a force that continuously creates value for social development.

CHAIRPERSON'S STATEMENT

As the year comes to an end and a new one begins, 2024 marks a new starting point for Neuedu's future transformation. In the new year, we will adhere to the implementation of the TOPCARES educational methodology, continuously innovate in "talent cultivation + scientific and technological research and development + social services + cultural construction" to empower students' comprehensive development; we will focus on the implementation of the educational digitalisation strategy, promote the research and application of education products, continuously enrich the 4S product and service system, expand the scale of education resources, and empower the digital transformation and upgrading of partner institutions; we will continue to innovate new patterns for the development of continuing education business and establish a comprehensive lifelong education service system with Neuedu's unique characteristics; we will also strengthen the construction of the Neuedu Healthcare Technology Industrial Park (東軟教育健康科技產業園) and accelerate the deep integration of industry, school, and research, to achieve a virtuous cycle of integrated promotion of "education, technology, and talent". In 2024, Neuedu will execute our development strategy with greater determination, transform the joy of past achievements into the power for future transformation and development, and continue to advance towards Neuedu's new milestones.

Finally, on behalf of the Board, I would like to express my heartfelt gratitude to all Neuedu students and partners for their choice and recognition, to all Neuedu staff for their efforts and dedication, and to the Shareholders and investors of the Company for their support and trust. The path ahead is broad and boundless. We look forward to working with everyone hand in hand to create an even brighter future for Neuedu!

Neusoft Education Technology Co. Limited

Chairperson of the Board

LIU Jiren

MANAGEMENT DISCUSSION AND ANALYSIS

1 ABOUT US

With our mission of “Boost Smart Education with Digital Technologies, and Empower Students with Innovative Education”, we advocate the values of “Innovation, Integration, Progression, Responsibility, Integrity”. Focusing on IT and healthcare technology, we have developed an ecosystem with full-time formal higher education services as our fundamental business, and with education resources and continuing education services as our two strategic businesses, dedicated to becoming a leading education service provider of digital talents in China.

Our Vision	Our Mission	Our Values
		
<p>Leading Education Service Provider of Digital Talents in China</p>	<p>Boost Smart Education with Digital Technologies, and Empower Students with Innovative Education</p>	<ul style="list-style-type: none"> • Innovation • Progression • Integrity • Integration • Responsibility

In line with the development trend of informatisation, digitalisation and intellectualisation of education in China, we aim to improve the innovative cultivation quality of applied talent, deepen the integration of education with science and industry, keep practicing the connotative development route of high-quality school operation and strive to build and carry out the 4S characteristic service model, in order to enable client colleges and universities to improve their quality and thus providing whole-chain support for the interdisciplinary training of Chinese digital talents and diversified services for the lifelong learning, and to provide professional capacity improvement of other institutions and individual learners in the meantime. The following table shows a breakdown of our revenue from each business segment during the Reporting Period:

	For the year ended 31 December		Percentage of change	Percentage of total revenue
	2023 (RMB'000)	2022 (RMB'000)		
Full-time formal higher education services	1,453,347	1,175,294	23.7%	80.5%
Education resources	192,016	182,278	5.3%	10.6%
Continuing education services	158,603	146,508	8.3%	8.8%
Others	2,107	44,302	-95.2%	0.1%
Total	1,806,073	1,548,382	16.6%	100.0%

2 BUSINESS REVIEW

2.1 Our Universities – Continuously Improving the Teaching Quality and the Innovation on Industry-Education Integration

2.1.1 Steady growth in student enrolment

The excellent quality of our three universities has been widely recognised by students and parents across the country, leading to a steady increase on the student enrolment in the 2023/2024 school year. In the 2023/2024 school year, over 18,000 new students registered in our three universities, representing an increase of approximately 3.0% as compared to the 2022/2023 school year; the total number of student enrolment in our three universities reached nearly 57,000 after the completion of their enrolment, representing an increase of approximately 7.5% over the same period in 2022, hitting a record high in size.

	Student enrolment			Tuition fee standard (RMB per year) For new students of the 2023/2024 school year
	As at 31 December 2023	2022	Percent of change	
Dalian University				
Bachelor degree programmes	15,285	14,944	2.3%	28,000-34,000
Junior college diploma programmes	1,299	867	49.8%	28,000 ⁽¹⁾
Junior college to bachelor degree transfer programmes	4,703	2,812	67.2%	28,000
Subtotal	21,287	18,623	14.3%	–
Chengdu University				
Bachelor degree programmes	17,317	14,975	15.6%	18,000-20,000
Junior college diploma programmes	1,392	2,126	-34.5%	18,000-19,000
Junior college to bachelor degree transfer programmes	3,232	3,610	-10.5%	18,000-19,000
Subtotal	21,941	20,711	5.9%	–
Guangdong University				
Bachelor degree programmes	9,823	9,884	-0.6%	28,000-32,000 ⁽²⁾
Junior college diploma programmes	302	670	-54.9%	23,000
Junior college to bachelor degree transfer programmes	3,487	2,994	16.5%	28,000-32,000
Subtotal	13,612	13,548	0.5%	–
Total	56,840	52,882	7.5%	–

Notes:

- (1) Other than that, the tuition fee standard for the cooperation programme for Dalian University with Ueda Gakuen Osaka Sogo College of Design, Japan (for junior college diploma programmes) is RMB48,000 per year for the new students of the 2023/2024 school year.
- (2) Other than that, the tuition fee standard for the cooperation programme for Guangdong University with the University of the West of England, UK (for bachelor degree programmes) is RMB68,000 per year for the new students of the 2023/2024 school year.

2.1.2 Stable improvement on teaching quality

Dalian University has been approved to offer its first Sino-foreign cooperation programme in 2023/2024 school year, Virtual Reality Technology Application (for junior college diploma programmes) and successfully completed its student enrolment; Dalian University has 7 National-level First-class Bachelor Degree Programme Construction Sites (國家級一流本科專業建設點) and 8 Provincial-level First-class Bachelor Degree Programme Construction Sites (省級一流本科專業建設點) recognised, with the number ranking the first among all private universities in China. Its teaching quality continued to improve steadily during the Reporting Period:

- Received the first prize of National-Level Teaching Achievement Award, which is the only National-Level Teaching Achievement Award in vocational education in Liaoning Province this time;
- 1 course, Internet of Things System Development, was recognised as the National-level First-class Bachelor Degree Course (國家級一流本科課程) and 2 courses in total has been recognised as National-level First-class Bachelor Degree Courses in total, the number of which ranked the first among all private universities in Liaoning Province, and it also has 115 courses in total that have been recognised as Provincial-level First-class Bachelor Degree Courses (省級一流本科課程);
- 3 textbooks were selected as the first batch of National Planning Textbook in the 14th Five-Year Plan of Vocational Education (“十四五”職業教育國家規劃教材) by MOE;
- Ranked the first in the country for five consecutive years from 2019 to 2023 in the “National Private and Independent College Teacher Teaching Development Index” (全國民辦及獨立學院教師教學發展指數) released by the China Association of Higher Education (中國高等教育學會);
- In the 2023 Real Impact World University RANKING (2023 WURI RANKING), ranked 67th among the world’s top 100 innovative universities, up 24 places since 2022;
- Recognised as one of the first batch of the National College Quality Culture Construction Demonstration Cases (全國高校質量文化建設示範案例) by the Chinese Network of Internal Quality Assurance Agencies in Higher Education (CIQA, 全國高校質量保障機構聯盟).

Chengdu University offers 2 new bachelor degree programmes in the 2023/2024 school year, namely Supply Chain Management and Virtual Reality Technology, both of which has completed students enrolment successfully. Chengdu University has 1 major recognised as National-level First-class Bachelor Degree Programme Construction Site and 6 majors recognised as Provincial-level First-class Bachelor Degree Programme Construction Sites. Its teaching quality continued to improve steadily during the Reporting Period:

- 1 course, Basis of Programming, was recognised as the National-level First-class Bachelor Degree Course, and it has 1 course recognised as National-level First-class Bachelor Degree Course and 25 courses recognised as Provincial-level First-class Bachelor Degree Courses recognised in total;

MANAGEMENT DISCUSSION AND ANALYSIS

- The major Software Engineering was recognised as one of the first batch of Application Oriented Brand Majors among Universities in Sichuan Province (四川省本科高校應用型品牌專業), and 2 courses thereunder were recognised as the first batch of Application Oriented Brand Course Construction Programmes among Universities in Sichuan Province (四川省本科高校應用型品牌課程建設項目);
- Ranked first among the science and engineering universities across the country in the 2022 China Private University Student Quality Rankings (2022年中國民辦大學生源質量排名) released by China University Rankings (CNUR, 中國大學排行榜);
- Awarded several honorary titles by China Education Online (中國教育在線) including “2023 National University Digital and Intelligent Publicity Excellence Award”(2023年度全國高校數智傳播卓越獎), “2023 New Media Publicity Innovative University” (2023年度新媒體傳播創新本科高校), “2023 Most Popular University among High School Students in Sichuan Province” (2023年度四川省最受高中生喜愛本科高校);
- Awarded the honorary title of “2023 China Comprehensive Strength Brand University” (2023年度中國綜合實力品牌高校) by CNRNET (央廣網).

Guangdong University has 3 Provincial-level First-class Bachelor Degree Programme Construction Sites recognised. Its teaching quality continued to improve steadily during the Reporting Period:

- 1 course, Basis of Programming, was recognised as the National-level First-class Bachelor Degree Course, and it has 1 course in total that has been recognised as National-level First-class Bachelor Degree Course and 20 courses in total that have been recognised as Provincial-level First-class Bachelor Degree Courses in total;
- Ranked 12th in China and first in Guangdong Province in the “National Private and Independent College Teacher Teaching Development Index” released by the China Association of Higher Education;
- Approved by the Department of Science and Technology of Guangdong Province (廣東省科學技術廳) as “2022 Engineering and Technology Research Centre in Guangdong Province” to build the first scientific research platform of provincial Department of Science and Technology;
- Awarded the honorary title of “2023 National Application-Oriented Strength University” by Tencent Education;
- Awarded the honorary title of “Best Innovation and Practice University for High Quality Employment” by China Education Online and Employment Bridge (就業橋);
- A number of teachers won 3 first prizes, 7 second prizes, 11 third prizes of national level in the sixth National Digital Creative Teaching Skills Competition (第六屆全國數字創意教學技能大賽), the number of national prizes hitting a record high.

2.1.3 Brilliant achievements in academic competitions

We adhere to the improvement of students' innovation and entrepreneurship ability as an important part of talent training, and encourage students to participate in various academic competitions based on the idea of promoting learning, teaching and innovation through competition. In the "National General Colleges and Universities Students' Computer Competition State Data of 2012-2022", Dalian University and Chengdu University ranked the top two among private universities in China. In 2023, students of the three universities won more than 5,500 awards of provincial third prizes and above in all academic competitions, presenting the excellent academic major practice capability and comprehensive strength of our students:

- Dalian University won the champion from the preliminary to quarter-final and to the national final in the competition with several "Double World-Class" universities in China including Harbin Institute of Technology, Xi'an Jiaotong University in the Huawei Developer Challenge – Hundreds of Models with Thousands of Status Open Source Big Model AI Challenge (華為開發者大賽—百模千態開源大模型AI挑戰賽);
- Dalian University won two National Grand Prizes in the practical competition of Business-University Combination (BUC) and the competition of Rural Revitalisation of the 13th National College Students E-commerce "Innovation, Creativity and Entrepreneurship" Challenge Competition (第十三屆全國大學生電子商務「創新、創意及創業」挑戰賽);
- Chengdu University won the National Grand Prize in the "2023 National Undergraduate Robots Competition" co-sponsored by the Central Committee of the Communist Youth League and MIIT;
- Guangdong University won 1 International First Prize, 2 International Second Prizes and 4 International Third Prizes in the 2023 Mathematical Contests in Modeling; In the Chinese Undergraduate Mathematical Contest in Modeling, it won 2 National First Prizes and 7 National Second Prizes, and ranked the first in the number of national awards among private universities in Guangdong Province.

2.1.4 Various breakthroughs in industry-education integration

The inherent industrial gene and the cultivation goal of application-oriented talents has urged our three universities to remain sensitive to and actively grasp the opportunities of school-enterprise cooperation and collaborative education to truly realise that our students can meet the requirements of enterprises inside campus, and apply what they have learned in campus at the beginning of their career.

In 2023, four predominant industrial colleges of Dalian University, namely "Neuedu IT Industrial College", "Modern Semiconductor Industrial College", "Neuedu Internet of Cars Industrial College" and "Yonyou Digital Intelligence Industrial College", were successfully recognised as the Provincial-Level Modern Industrial Colleges in Liaoning Province. So far, there has been six industrial colleges of Dalian University, including "Neuedu Baidu Artificial Intelligence College" and "Digital Media Creative Industrial College", recognised as Provincial-Level Modern Industrial Colleges in Liaoning Province, basically forming the education model of industry-education integration based on modern industrial colleges. Among them, the "Yonyou Digital Intelligence Industrial College" was also recognised as the Liaoning Revitalisation Industrial College in Liaoning Province (遼寧省興遼產業學院) in 2023. In 2023, the "Digital Culture and Tourism Industrial College" of Chengdu University was recognised as one of the second batch of Provincial-Level Modern Industrial Colleges in Sichuan Province, and plus "Network Security Industrial College", Chengdu University so far has 2 industrial colleges recognised as Provincial-Level Modern Industrial Colleges, the number ranking first among private universities in Sichuan Province.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to a number of honorary titles of our industrial colleges, in 2023, we have also made various breakthroughs in industry-education integration in aspects of school-enterprise cooperation, collaborative education, scientific research projects, social services, etc., and achieved remarkable results both in quantity and quality:

- Our three universities have carried out all-round and in-depth cooperation in customised programmes, curriculum construction, laboratory co-construction, scientific and technological research and development, and internship and practical training with 144 companies in the fields of software engineering, smart logistics, artificial intelligence and others;
- The three universities have been approved a total of 231 industry-education integration projects (including 85 industry-university cooperative education projects of the MOE), of which Dalian University has the highest number of approved provincial-level industry-university cooperative education projects among private universities in Liaoning Province;
- Two MOE industry-university cooperative education projects of Guangdong University were recognised as excellent cases of the industry-university cooperative education Project of the MOE in 2022;
- The “Medical plus Engineering Cross-Fund Project” carried out by Dalian University and the Second Affiliated Hospital of Dalian Medical University has successfully made several scientific achievements including being recognised as Dalian Science and Technology Innovation Fund Application Basics Research Project and Dalian Key Laboratory of Digital Medical Application Technology;
- In cooperation with several parties including the government of Shishan, the enterprise of Yanjing Beer and the historical village of Huangxi, Guangdong University has created the new scene of “Historical Village +”, and participated in the design of “Never Aged Party” Beer Fair of Yanjing Beer and Huangxi historical village, providing support for the release of new vitality of the Shishan village with an 800-year history.

2.1.5 New achievements in employment and entrepreneurship

Under the guidance of our education philosophy of “Empower students with education” and the education methodology of TOPCARES, our students burst with fresher creativity and stronger vitality in the employment and entrepreneurship market. As of 31 December 2023, the implementation rate of their destination after graduation of the 2023 graduates of Dalian University and Chengdu University both reached around 95%, and that of Guangdong University reached around 90%, presenting a remained relatively high implementation rate of destination after graduation despite the severe situation in the job market in the post-epidemic era.

In 2023, the SOVOs of our three universities continued to play their supporting role as National-Level Mass Entrepreneurship Spaces (國家級眾創空間), inviting experts from multiple fields of “universities + enterprises + industries” to organise students to discover and select and develop and refine the projects through online + offline policy interpretation, expert lectures, road shows, etc. During the Reporting Period, the SOVOs of the three universities developed a total of more than 700 entrepreneurial projects above the provincial level, incubating nearly 300 virtual companies and approximately 100 physical companies, some of which generated a revenue of approximately RMB2 million a year.

Based on the excellent employment and entrepreneurship results of our students, in 2023, our three universities also won a number of honourable titles in employment and entrepreneurship:

- Dalian University was recognised as the “Advanced Unit of High Education Graduates Employment in 2022 in Liaoning Province”;
- the SOVO of Dalian University was recognised as the “Entrepreneurship Incubation Demonstration Base of Liaoning Province” and the “Provincial-level Innovation and Entrepreneurship College of Liaoning Province”;
- the SOVO of Chengdu University was recognised as the “Excellent Mass Entrepreneurship Space in 2022” by the Department of Science and Technology of Sichuan Province, and was the only private university mass entrepreneurship space among the 34 recognised mass entrepreneurship space this year;
- Guangdong University was recognised as the “Best Innovative and Practical University for High-quality Employment in 2023” by China Education Online and Employment Bridge.

2.1.6 Further development on campus construction

In order to accommodate the increasing number of students, we have carried out a series of campus expansion projects in recent years, and the campus capacity has realised an increase of approximately 20,000 beds in three years. In August 2023, the main project of student dormitories of Chengdu University Phase VIII Expansion Project was successfully completed and has been put into use in the second half year of 2023, increasing the campus capacity of approximately 3,200 beds.

As of 31 December 2023, the campus capacity of the three universities has exceeded 60,000 beds, and the comprehensive utilisation rate of the campus capacity for full-time formal higher education were approximately 94%. The following table sets forth the campus utilisation of our three universities:

	Campus capacity ⁽¹⁾		Utilisation rate ⁽²⁾	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Dalian University	24,525	24,525	86.8% ⁽³⁾	75.9% ⁽³⁾
Chengdu University	21,168	17,888	103.7% ⁽⁴⁾	115.8% ⁽⁴⁾
Guangdong University	14,892 ⁽⁵⁾	15,647	91.4%	86.6%
Total/Average	60,585	58,060	93.8%	91.1%

Notes:

(1) The campus capacity of each university refers to the total number of beds in student dormitories as at 31 December in each corresponding year.

(2) The utilisation rate of each university is calculated as the total number of students enrolled in our full-time formal higher education programmes as at 31 December in each corresponding year divided by the campus capacity at that time.

MANAGEMENT DISCUSSION AND ANALYSIS

- (3) Some beds of Dalian University are used by formal continuing education students due to the development of formal continuing education business.
- (4) For the purposes of off-campus internships or practical trainings, there were respectively 773 graduates-to-be as at 31 December 2023 and 2,823 graduates-to-be as at 31 December 2022 in Chengdu University living outside the campus.
- (5) In 2023, Guangdong University actively optimised the conditions of some student dormitories and reduced the number of beds in such dormitories reasonably.

Comprehensive Progress of Digital Campus Construction – During the Reporting Period, we continued to comprehensively push forward the digital campus construction of our three universities, among which, Dalian University has continued to make comprehensive progress on the construction of digital smart campus since it was approved by the Educational Department of Liaoning Province as one of the first batch of High Education Digital Campus Pilot Construction Units (高等學校數字校園試點建設單位) in Liaoning Province in 2021. In February 2023, its provincial digital campus project was successfully completed. In September 2023, Dalian University was approved to build five virtual teaching and research rooms in Liaoning Province. In December 2023, Dalian University, as the only private university, was successfully selected as the construction unit of the “Smart Education Demonstration University (智慧教育示範校)” in Liaoning Province.

Creating A New Model of Integrated Practical Campus – We believe that universities in the future will be boundary-free, open, immersive, all-age, whole-process, and will surpass traditional classrooms, traditional laboratories, and traditional campuses through the integration of knowledge systems, the integration of education and industry, and the integration of virtual and reality. In 2023, we have made great progress in creating and implementing the integrated practical campus: on the occasion of the 20th Anniversary of the Establishment of Chengdu University, relying on Neuedu’s background in the industry, we have built a new campus – Neuedu Healthcare Park, which integrates digital technology, smart medical, artistic creativity, training laboratories, scientific research and teaching. Neuedu Healthcare Park has covered multiple functional areas including digital art, healthcare management and medical technology, and will serve as a learning base, an innovation base, a training base and a social activity base for teachers and students to help Chengdu University cultivate interdisciplinary applied talents.



2.2 Our R&D and Products – Building An All-around Product Portfolio Based on Our 4S Service Model

Following the digital transformation trend of education and the main line of technology empowering education, we have integrated educational experts and technical experts inside and outside the universities and built our strong product R&D team, based on our practice and school-running accumulation of over 20 years in the IT field. Through digitalisation, productisation and platformisation of the advanced education concepts, methods, models, systems and standards verified by practice of our three universities with the support of safe and reliable big data platform, we have researched and developed a series of digital education products and accordingly built our comprehensive product portfolio covering platforms, content, software and hardware, which provides a strong support for the expansion of our Two Strategic Businesses.

In 2023, we successfully attained the CMMI3 certification, which means that we have been recognised by international authorities in terms of software research and development capabilities and service delivery quality, marking that our software engineering and quality management has entered a new stage, and that our comprehensive strength and core competitiveness have been further improved.

2.2.1 Smart Education Software Products

Relying on the 4S service model, we provide applications and software covering education management, teaching operation, practical teaching and other areas, focusing on forming the Neuedu intelligent education ecology system to help colleges and universities to achieve precise perception of digital education, and realise personalised and intelligent education driven by data. By analysing the users' usage data, we provide services of business consultation, analysis reports and decision-making support on various parts including teaching, learning, practicing, administrating and assessing for students, teachers and administrators accordingly.

In 2023, we launched the first Meta-Universe Intelligent Healthcare Future Education Platform (元宇宙智慧康養未來教育平台) in China. We also launched a series of software of Neuedu Intelligence Training Systems (東軟智匯訓練系統) providing services for the standards of competitions, which received widely attention from dozens of universities across the country. In addition, based on the usage feedback and needs of our three universities, we continue iterating and upgrading several smart education software products including Cloud Training Platform (previously known as Project Training System), Cloud Practice System, Intelligent Student Management System, Engineering Education Certification Support System and others, constantly enriching functions and optimising user experience. As of the end of 2023, our smart education software products are as the following table:

Neuedu Smart Education Software Products

- Intelligent Teaching System
- Cloud Practice System
- Cloud Training System
- Examination System
- Talent Cultivation Plan Management System
- Meta-Universe Intelligent Healthcare Future Education Platform
- Innovation and Entrepreneurship Education Management System
- Graduation Project Management System
- Intelligent Student Management System
- Engineering Education Certification Support System
- Academic Major Assessment System
- Neuedu Intelligence Training System Series

2.2.2 Smart Practical Training Laboratories

In line with the forefront of the industry, we have built a professional and integrated practical teaching solution – the smart practical training laboratories. Equipped with core project resources at all levels of each academic major and together with the physical environment and related software and hardware equipment, the smart practical training laboratories provide a well-developed integrated solution for practical training of academic majors. In 2023, based on the integration and upgrading of original practical training laboratories, we newly launched several practical training laboratories including Driverless Training Laboratory, E-commerce Big Data Training Laboratory and Traffic Big Data Training Laboratory, forming 23 practical training laboratories for ten academic majors with a basic coverage of Neuedu’s five predominant first-class major groups:

Neuedu Smart Practical Training Laboratories

- Computer Technology Training Laboratories
- Software Development Training Laboratories
- Embedded Technology Training Laboratories
- Smart Media Training Laboratories
- Internet of Things Training Laboratories
- Big Data Technology Training Laboratories
- Intelligent Management Training Laboratories
- Healthcare Medical Training Laboratories
- Intelligence Application Training Laboratories
- Artificial Intelligence Training Laboratories

2.2.3 Teaching Content

Leveraging on the superior majors of Neuedu, focusing on the key elements of TOPCARES education approach, interactive design and the introduce of “Five New”, we have developed digital teaching content covering six core academic majors, namely, artificial intelligence, big data, internet of things, computer, software and digital media, including teaching resources of professional talent training plans, courses, projects, practical training laboratories, activities, entrepreneurship and innovation, graduation projects, which constitute a systematic content resource package, in order to enable us to empower the client universities and colleges to promote their teaching quality in a whole-process, all-round and multi-dimensional way. In 2023, we have completed the research and development of 51 new courses and 2,227 new projects of level 1-5 for 7 majors including software engineering, artificial intelligence and big data.

2.2.4 Online Education Platform

In face with changes in the education model under the new situation, in order to give full play to the advantages of OMO education model, as an active respond to the national policies and the demand of the market and industry, we have developed and launched several online education platforms centred on Neuedu Online around the core of our self-developed products, forming an online and offline education ecology of “online courses + practical training + employment and entrepreneurship”. In 2023, Neuedu Online was successfully selected into the list of the recommended “Internet+ Vocational Skills Training” platform of the Liaoning Provincial Department of Human Resources and Social Security, and successfully entered the “Jiangsu Technician Class”, a platform under the Jiangsu Provincial Department of Human Resources and Social Security, providing support on the digital skills improvement for talents of multiple regions. As of 31 December 2023, the number of registered users and course learning users on Neuedu Online were over 1.7 million and over 150,000, respectively.

2.3 Our Services – High-Quality 4S Service Model Providing Support for the Development of Two Strategic Businesses

Based on a series of digital education products, we have launched an innovative and efficient 4S characteristic service model, which is, PaaS (Platform as a Service), SaaS (Software as a Service), CaaS (Content as a Service) and DaaS (Data as a Service) to support our Two Strategic Businesses, namely, the education resources and continuing education services.

2.3.1 Education Resources

In 2023, closely following the national strategy of digital powerhouse, our education resource business delved into the education services for digital talents and empowered colleges and universities through cooperation relying on our characteristic 4S product service system. During the Reporting Period, we signed 112 agreements on education platforms and 19 agreements on practical training laboratories with 104 colleges and universities to sell smart education software platforms, smart practical training laboratories and supporting teaching content, realising a revenue of approximately RMB81 million; Moreover, we have optimised the structure of joint-established major cooperation and deepened the joint establishment cooperation on academic majors of larger scale and higher profit. We have been in cooperation with 62 colleges and universities on joint establishment of industrial colleges and academic majors, with a total of 280 cooperation projects, covering approximately 24,000 students, and realising a revenue of approximately RMB79 million in 2023.

1) *Expand the application scenarios of education resources and seek development on cooperation actively*

In recent years, China's digital transformation has developed into the accelerating stage, and we have actively explored new cooperation opportunities in cross-discipline fields, cross-group users and cross-region areas in the development trend of digital economy with our extensive, practical and flexible digital products.

In 2023, Neuedu established the Medical Healthcare Technology Industrial College with Shenyang Medical College, and established Digital Finance Industrial College with Hebei Finance University, realising the empowerment cooperation in cross-discipline fields; we signed an agreement with Shaanxi Xueqian Normal University on the establishment of the first Digital Intelligent Children Education Industrial College in China, realising the empowerment cooperation among cross-group users; we officially signed an agreement with Pu'er University (普洱學院) in Yunnan Province and Souphanouvong University in Laos on jointly establishment of the "PUSUNE Digital College" (一帶一路數字產業學院), realising international empowerment cooperation.

2) Refine the product matrix of education resources and deepen the integration of co-construction constantly

According to the demand curve of our client colleges and universities, Neuedu has continuously refined the standardised solution matrix serving the 9 core tasks of Double High-Level Construction. We also provide a full range of services including teacher training, curriculum developing, practical training, employment and entrepreneurship, and competition coaching, and continue to deepen the integration depth of cooperation and co-construction with client colleges and universities, relying on our self-developed intelligent education product series and 13 established apprenticeship programme sites, 8 of which were established with government.

Take the Neuedu Information Industrial College (東軟信息產業學院) that we jointly established with Yunnan Technician College (雲南技師學院) as an example – in 2023, Neuedu Information Industrial College of Yunnan Technician College has been approved to offer a new cooperative major of Modern Communication Technology, and completed the construction of 2 high-quality online courses and 3 high-quality teaching materials; it built 1 teachers' office and its teachers won 7 awards in national-level and provincial-level competitions; 9 training rooms have been set up and equipped with the training platforms, teaching platforms and corresponding course resources; we also provided support in successfully cultivating 2 innovative and entrepreneurial projects and visiting more than 70 enterprises for employment, which provided approximately 1,500 jobs for the college. In the future, we plan to continuously broaden and deepen the cooperation of co-construction and promote the joint-established majors of partner colleges and universities "from something to really something".

3) Enable and promote the client colleges and universities to optimise their teaching quality and make achievements through cooperation in all aspects

In 2023, with the gradual implementation and continuous empowerment of 4S-OMO service model in client colleges and universities, the advantages of our education resources business were increasingly evident, and our partner colleges and universities have been greatly improved in teachers' ability, students' potential and majors' strength:

- The Academic Major Talent Cultivation Plans of Software Technology and Big Data Technology proposed by Neuedu Information Industrial College, which is jointly established by us and Peyley Vocational College, have been highly recognised and affirmed by Whitireia in New Zealand, its cooperative partner;
- "Task-driven Courses on Computer Application Basics (Third edition)" published in cooperation with Shandong Vocational College of Science and Technology was selected into the list of the first batch of National Planning Textbook in the 14th Five-Year Plan of Vocational Education;
- Two projects respectively cooperated with Xinjiang University and Shenyang Ligong University were both recognised as the "Excellent Project Cases of Industry-University Cooperative Education in 2022" by the MOE;
- All three cases cooperated with Harbin University won the first prizes of "Excellent Teaching Cases of Computer Teaching Resources Construction" in the 5th China Computer Education Conference;
- Teachers and students of majors or industrial colleges jointly established with 21 partner universities won 1 international-level, 30 national-level, 120 provincial-level and 41 industry-level awards in terms of teaching achievements and discipline competitions.

2.3.2 Continuing Education Services

1) **2B training – make solid progress on training qualification application and an overall layout in domestic and foreign markets**

This year, we continued to firmly promote the applying for training qualifications, successfully newly obtained 3 national-level, 3 provincial-level and 4 municipal-level training qualifications, among which: we have successfully been approved as one of the first batch of pilot units for the construction of a national-level university for the elderly and co-construction units of National Elderly University, and have been selected into the list of construction units of 2023 “Mozi Workshop” Overseas Vocational Education Industrial College by the Educational Department of Liaoning Province to establish the Mozi Workshop for Digital Economy Industry in Bali Province, Indonesia.

Relying on our more than 70 national-level, provincial-level, municipal-level and industry-level training qualifications, we are capable of achieving a surge in business growth. During the Reporting Period, we implemented 166 2B training programmes for 70 institutions in 20 provincial regions across the country, covering approximately 25,000 trainees, more than three times of the number of trainees in 2022. In 2023, the 2B training business realised a revenue of approximately RMB36 million, representing an increase of 39.3% from last year.

2) **2C training – strengthen the brand radiation and promote the OMO delivery continuously**

This year, we continued to expand and promote the brand radiation and the brand influence of Neuedu through competitions and events, which received a positive response among the industry, universities and students. During the China International Digital and Software Services Fair in 2023, we planned and held the China International Digital and Software Services Innovation Competition, which attracted more than 2,000 applicants from all over the country; also meanwhile, we held the “Neuedu Cup” series of competitions, among which two competitions, namely the “Most Beautiful Campus” Digital Life Creativity Competition and “Digital Self of the Meta-Universe” Career Planning Challenge attracted more than 5,000 applicants from 22 provinces across the country, and the number of universities applying to be competition hosts reached 13.

This year, we further deepen and upgrade the delivery system of online and offline integration, optimising the quality and efficiency of our training delivery, relying on online education platforms such as Neuedu IT Cloud Class. In 2023, we have provided training services for approximately 25,000 trainees for 2C training business, 77% of which were undergraduates from our three universities; we also offered more than 400 online courses of around 1,600 hours on the Neuedu IT Cloud Class, contributing to the construction of the Neuedu “pan-IT” full-stage one-stop online learning system.

Through the OMO delivery system, our trainees received more flexible and diversified training services, and their training achievements received full recognition by the market. In 2023, our trainees were recommended to work in Huawei OD, Yonyou Group, China Information and other well-known enterprises, and the recommended rate of the employment class reached 87%, and the maximum annual salary of them is nearly RMB300,000.

3) *Formal continuing education – explore the depth and width of continuing education and make remarkable achievements in major construction for the three universities*

This year, we explored the depth and width of continuing education innovatively, and initially achieved international continuing education cooperation. We explored the construction of the Non-Academic Continuing Education Services Standardisation Pilot Project (非學歷繼續教育標準化試點), and made new breakthroughs in major construction through taking advantages of the education resources of the advanced majors of the three universities efficiently.

In 2023, we established cooperation in our Japanese International Bachelor Degree Programmes with two new partner universities, namely, Josai University and Hokuriku University; we also launched our English International Bachelor Degree Programmes for the first time, establishing cooperation with 5 universities in the United Kingdom, namely, University of the West of England, University of Plymouth, Edinburgh Napier University, University of Huddersfield and University of Sunderland. In October 2023, Dalian University was recognised as the “Pilot University for International Level Assessment among Universities and Colleges in Liaoning Province”, one of the first batch of universities recognised in Liaoning Province.

In 2023, the formal continuing education of our three universities offered 14 new majors in total, with an enrolment of approximately 5,000 students. At the same time, as one of the four educational standardisation pilot organisations including Tsinghua University approved in 2022, Dalian University continued to solidly promote the “Non-Academic Continuing Education Services Standardisation Pilot Project” with the School of Continuing Education at its core, and has completed the first phase of the national Non-Academic Continuing Education Services Standardisation Pilot Project with high quality, successfully formulating 106 standards.

3 FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB1,806.1 million for the year ended 31 December 2023, representing an increase of 16.6% as compared with the corresponding period of last year. Details of analysis are as follows:

- Revenue derived from our full-time formal higher education services was approximately RMB1,453.3 million, representing an increase of 23.7% as compared with the corresponding period of last year, mainly due to the increase of student enrolment and average tuition fee in our three universities.
- Revenue generated from the education resources was approximately RMB192.0 million, representing an increase of 5.3% as compared with the corresponding period of last year, mainly due to the increase of revenue from project training.
- Revenue derived from our continuing education services was approximately RMB158.6 million, representing an increase of 8.3% as compared with the corresponding period of last year, mainly due to the growth of training services.
- Revenue generated from the apprenticeship programme was approximately RMB2.1 million, representing a decrease of 95.2% as compared with the corresponding period of last year, mainly due to the transformation of apprenticeship programme model, which is, replaced the self-established apprenticeship programme training bases with those jointly established with government, and replaced the project developing and training programmes engineers directly participated in with self-developed online training project resources. During the Reporting Period, a vast majority of our revenue from the apprenticeship programme was derived from the revenue arising from the services provided by engineers. The decrease in the number of engineers resulted in the decrease in revenue from the apprenticeship programme.

Cost of Revenue

Our cost of revenue was approximately RMB941.0 million for the year ended 31 December 2023, representing an increase of 6.7% as compared with the corresponding period of last year. Such increase was mainly due to (i) the increase of staff remuneration resulting from the business growth, and (ii) the increase of operating expenses and depreciation as the expansion projects of three universities have been completed and put into use gradually.

Gross Profit

Gross profit was approximately RMB865.1 million for the year ended 31 December 2023, representing an increase of 29.7% as compared with the corresponding period of last year. Such increase was mainly due to that the increase in revenue outweighs the increase in costs.

Selling Expenses

Selling expenses was approximately RMB53.0 million for the year ended 31 December 2023, representing an increase of 36.5% as compared with the corresponding period of last year. Such increase was mainly due to the fact that we stepped up the development of the market of our education resources business and continuing education services.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses was approximately RMB207.3 million for the year ended 31 December 2023, representing an increase of 39.7% as compared with the corresponding period of last year. Such increase was mainly due to the growth of employee benefit expenses.

Other Income

Other income was approximately RMB148.2 million for the year ended 31 December 2023, representing a decrease of 21.5% as compared with the corresponding period of last year, mainly due to the decrease of government grants.

Other Expenses

Other expenses was approximately RMB36.5 million for the year ended 31 December 2023, representing an increase of 23.3% as compared with the corresponding period of last year, mainly due to the increase in software system technology development expenses.

Net Finance Expenses

Net finance expenses was approximately RMB86.9 million for the year ended 31 December 2023, representing an increase of 8.3% as compared with the corresponding period of last year, mainly due to the decrease of net exchange gains.

Income Tax Expenses

Income tax expenses was approximately RMB148.1 million for the year ended 31 December 2023, representing an increase of 12.1% as compared with the corresponding period of last year, mainly due to the increase in taxable profit during the Reporting Period.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2023, profit for the year increased by approximately 11.5% as compared with the corresponding period of last year. And the earnings per share increased by about 11.9% compared with the corresponding period of last year, mainly due to the increase in profit during the Reporting Period.

Net profit attributable to owners of the Company was approximately RMB429.5 million for the year ended 31 December 2023, representing an increase of 11.5% as compared with the corresponding period of last year, mainly due to the increase in profit for the year.

Non-IFRS Accounting Standards Measures

To supplement the Group's Consolidated Financial Statements which are presented in accordance with IFRS Accounting Standards, the Group also use "Adjusted Net Profit", "Adjusted Net Profit Attributable to Owners of the Company" and "Adjusted Net Profit Margin" as additional financial measures. The Group's Adjusted Net Profit is calculated as profit for the period/year after deducting the impact of (a) share-based compensation expense (if any); and (b) net exchange losses/(gains). The Adjusted Net Profit Attributable to Owners of the Company is calculated as profit for the period/year attributable to owners of the Company after deducting the impact of (a) share-based compensation expense (if any); and (b) net exchange losses/(gains). The Group defines Adjusted Net Profit Margin as Adjusted Net Profit divided by revenue. IFRS Accounting Standards does not define the Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company or Adjusted Net Profit Margin. The use of the Adjusted Net Profit, the Adjusted Net Profit Attributable to owners of the Company and the Adjusted Net Profit Margin as the analysis tool has significant restrictions, because each of them does not include all items affecting the Group's profit for the period/year and the profit attributable to the owner of the Company within the period/year. The Company presents these financial measures because it may eliminate potential impacts of non-recurring items that the management do not consider to be indicative of the Group's operating performance. The Company also believes that such non-IFRS Accounting Standards measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations of the Group in the same manner adopted by the management of the Company and in comparing financial results across accounting periods with peer companies.

In light of the limitations for Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company and Adjusted Net Profit Margin, when assessing the Group's operating and financial performance, you should not view Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company and Adjusted Net Profit Margin in isolation or as a substitute for the Group's profit for the period or any other operating performance measure that is calculated in accordance with IFRS Accounting Standards. In addition, because this non-IFRS Accounting Standards measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly measures used by other companies.

The following table reconciles the Group's Adjusted Net Profit for the year presented to the profit for the year calculated and presented in accordance with IFRS Accounting Standards:

	For the year ended 31 December	
	2023 (RMB'000)	2022 (RMB'000)
Profit for the year	429,641	385,416
Adjusted items:		
Share-based compensation expenses	–	3,785
Exchange gains – net	(928)	(8,593)
Adjusted Net Profit	428,713	380,608

Adjusted Net Profit was approximately RMB428.7 million for the year ended 31 December 2023, representing an increase of 12.6% as compared with the corresponding period of last year. Adjusted Net Profit Margin were 23.7% and 24.6% for the years ended 31 December 2023 and 31 December 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles the Group's Adjusted Net Profit Attributable to Owners of the Company for the year presented to the profit for the year attributable to owners of the Company calculated and presented in accordance with IFRS Accounting Standards:

	For the year ended 31 December	
	2023 (RMB'000)	2022 (RMB'000)
Profit for the year attributable to owners of the Company	429,540	385,393
Adjusted items:		
Share-based compensation expenses	–	3,785
Exchange gains – net	(928)	(8,593)
Adjusted Net Profit Attributable to Owners of the Company	428,612	380,585

Adjusted Net Profit Attributable to Owners of the Company was approximately RMB428.6 million for the year ended 31 December 2023, representing an increase of 12.6% as compared with the corresponding period of last year.

Financial and Liquidity Position

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 29 September 2020.

As at 31 December 2023, the issued share capital of the Company was HK\$129,241, and the number of issued ordinary Shares was 646,203,535 of HK\$0.0002 each.

As at 31 December 2023, cash and cash equivalents of the Group amounted to approximately RMB1,708.4 million (31 December 2022: approximately RMB1,183.8 million). As at 31 December 2023, total borrowings of the Group amounted to approximately RMB2,724.9 million (31 December 2022: approximately RMB2,386.3 million). The maturity range of loan is from one year to more than five years. As at 31 December 2023, borrowings of the Group are denominated in RMB (31 December 2022: denominated in RMB and HKD). Interests were charged at fixed rates and floating rates, with approximately RMB193.9 million for fixed rate loans and approximately RMB2,531.0 million for floating rate loans. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The 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 the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Net Current Liabilities

As of 31 December 2023, the net current liabilities amounted to approximately RMB381.1 million (31 December 2022: approximately RMB225.2 million), such increase was mainly due to the increase of borrowing.

As of 31 December 2023, the current ratio of the Group (i.e. current assets divided by current liabilities) was 0.84 (31 December 2022: 0.89).

Contingent Liabilities

As of 31 December 2023, the Group did not have any unrecorded significant contingent liabilities or any material litigation against the Group.

Foreign Exchange Exposure

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.

Charge on Assets

As at 31 December 2023, the Group had (i) bank borrowings of RMB1,813.5 million pledged by certain collection rights of tuition fees and boarding fees, (ii) bank borrowings of RMB325.5 million pledged by certain equity interests, and (iii) bank borrowings of RMB13.9 million pledged by the collection rights of the deposit from margin account.

Gearing Ratio

As at 31 December 2023, the gearing ratio (being total debt divided by total equity, of which total debt refers to the sum of interest-bearing bank loans, other borrowings and lease liabilities) of the Group was 133.6% (31 December 2022: 139.9%).

Capital Expenditures

The capital expenditures of the Group for the year ended 31 December 2023 amounted to approximately RMB545.3 million, which was primarily related to the upgrade and expansion of our campuses.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

For the year ended 31 December 2023, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant Investments

For the year ended 31 December 2023, the Company did not have any significant investment accounting for 5% of the Company's total assets.

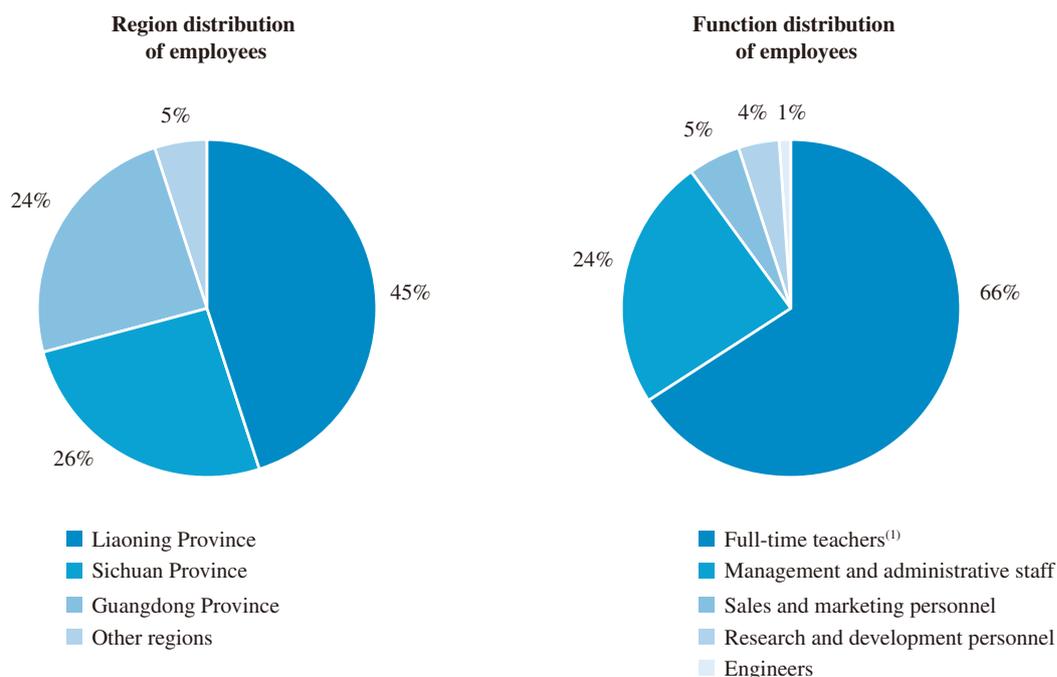
Future Plans for Material Investments or Capital Assets

Save as disclosed under the paragraph headed "Use of Proceeds from the Initial Public Offering of the Company" of this report, the Group did not have any other plans for material investments or capital assets as of the date of this report.

4 EMPLOYEE AND REMUNERATION

We believe that an experienced and dedicated faculty is essential to our success and are committed to building a professional, practical and internationalised faculty of a high standard. We insist on hiring outstanding teachers who have strong academic knowledge and/or practical skills in their respective professional fields, open mind to innovative teaching methods and caring about the health of students.

As of 31 December 2023, there were adding up to 2,139 full-time teachers and 1,134 part-time teachers in our three universities. Approximately 92% of the full-time teachers have a master degree or Ph.D. degree, approximately 49% with engineering practice experience in enterprises, and approximately 21% with overseas studies and/or work experience. As of 31 December 2023, the Group had 3,339 employees, of which the distributions by regions and functions are set forth as the charts below.



(1) Including 2,139 full-time teachers in our three universities and 77 full-time teachers for training business.

The Company believes that attracting, recruiting and retaining high-quality employees are essential to the success and sustainability of the Group. The Group provides employees with a competitive remuneration package, which is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. At the same time, as required by the applicable Laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including, among others, housing provident funds, pensions, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. In addition, the Group provides its employees with relevant training courses suited to their personal career development, and provides them with benefits, including commercial insurance, corporate annuities, welfare medical examinations, and holiday gifts. For the year ended 31 December 2023, the total cost of employee remuneration of the Group (including Directors' fees) was RMB704.7 million (2022: RMB631.1 million).

The Company adopted a Pre-IPO Share Incentive Scheme on 19 June 2019 and a Post-IPO Share Incentive Scheme on 11 September 2020 to motivate Directors and eligible employees. Details of such plans are set out in the section headed “Share Incentive Schemes” of the Appendix V to the Company’s Prospectus. As of 31 December 2023, 10,143,652 options have been cancelled, 4,465,116 options have lapsed, and 3,372,335 options have been exercised under the Pre-IPO Share Incentive Scheme; and no options have been granted, exercised, lapsed or cancelled under the Post-IPO Share Incentive Scheme.

5 PRINCIPAL RISK AND RISK MANAGEMENT

Principal risks and uncertainties the Group faces include:

- our business and results of operations depend on our ability to maintain and raise tuition and boarding fee levels;
- our business and results of operations depend on whether we can expand student enrolments and whether we can expand the number of universities that cooperate with us;
- our business relies heavily on our brand and reputation, and any damage to our reputation would materially and adversely affect our business;
- we are subject to uncertainties brought by the recent developments of PRC Laws relating to private education;
- we face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures; and
- risks relating to our Contractual Arrangements, please refer to the section “Risk Factors – Risks Relating to our Contractual Arrangements” in the Prospectus of the Group.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the Shares.

Facing the above multiple principal risks and uncertainties, our Group has established a reasonable risk management organisation system to deal with risks.

The Board is responsible for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management (including environment, social and governance risks) and internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. The Board, through the Audit Committee, oversees management on the above systems and conducts a review on the effectiveness of the systems including aspects of finance, operation, compliance control and risk management annually.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has established a risk management organization to periodically identify, evaluate and manage significant risk matters that may affect the Group's business objectives. The Audit and Supervision Department of the Group has the internal audit function and conducts an independent review on the adequacy and effectiveness of risk management and internal control systems on an annual basis. Such review covers all material risks and controls, including finance, operation, business and strategies, compliance as well as risk management, primarily by (1) interviewing with the Board and supervisors of different operation units regarding the Company's daily operation flow; and (2) paying extra attention to major internal control system, and adopting appropriate auditing procedures to analyse the adequacy and effectiveness of the system. The Audit and Supervision Department reports to the Board from time to time, and has provided its findings and recommendations in respect of enhancing the effectiveness on the risk management and internal control systems of the Company to the Audit Committee, and takes actions to resolve the defects once identified.

The Board has conducted an annual review on the effectiveness of the risk management and internal control system of the Company for the year ended 31 December 2023, and no major deficiencies were found. The Board believes that the risk management and internal control of the Group are adequate and effective.

The key features of the Group risk management and internal control systems include:

- A comprehensive financial accounting system to accurately measure the financial performance of the Group
- The Board monitors and maintains levels of cash and cash equivalents that the management believes adequate to finance the Group's operations
- Prior approval from Directors or senior management regarding commitment for all material matters
- Guidelines on assessing, reporting and disseminating inside information
- Organised and standardised procedures on recruitment and employee relocation
- Periodic review by management on the internal control procedures and risk factors
- Report to the Audit Committee about the findings on identified risks and measures to address such risks

The Group will continue to conduct a periodical review on the internal control and risk management system, to identify potential improvement opportunities and strengthen its governance, risk management (including environment, social and governance risks) and control measures. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programs and internal audit budget in terms of the Group's accounting and financial reporting functions.

The Group has a policy for handling and dissemination of inside information, including relevant control processes and safeguards. The processes and safeguards are implemented when and as necessary by the department head and the management involved in the handling and dissemination of inside information.

6 FUTURE DEVELOPMENT

6.1 Development Environment

6.1.1 Establishing a Deep Integration of Industry and Education to Promote the Reform of the Vocational Education System

- In June 2023, eight departments including the National Development and Reform Commission, the Ministry of Education, and the Ministry of Human Resources and Social Security jointly issued the “Implementation Plan for the Empowerment and Enhancement of Vocational Education Industry-Education Integration (2023-2025)”, proposing various policy measures to address the issue of “two separate tracks” between talent cultivation and industrial development by focusing on the empowerment and enhancement of vocational education industry-education integration.
- In July 2023, the General Office of the Ministry of Education issued the “Notice on Accelerating the Implementation of Key Tasks for the Reform of Modern Vocational Education System”, emphasising that all regions and schools should adhere to the principle of “education following production and industry-education going hand in hand”. It also pointed out that regions should support leading enterprises and high-level universities and vocational schools to take the lead and unite the industry organisations, schools, research institutions, upstream and downstream enterprises, and others to establish a cross-regional industry-education integration community with deep integration of industry and education, efficient connections between services, and support for industry development.

6.1.2 Grasping the Development Trend of the Times that Digital Economy Becomes one of China’s Key Development Areas in the Future

- According to the “Report on the Development of China’s Urban Digital Economy (2023)”, China’s digital economy has exceeded RMB50 trillion in scale, ranking second in the world, accounting for 41.5% of Gross Domestic Product (“GDP”), and becoming increasingly integrated with the real economy. According to the “Research and Development Report on Industrial Digital Talents (2023)”, China currently has an overall gap of approximately 25 million to 30 million in comprehensive digital talents, and this gap is continuing to widen.
- In February 2023, the Central Committee of the CPC and the State Council issued the “Overall Plan for the Construction of a Digital China”, emphasising the need to promote citizens’ equitable access to digital public services, vigorously implement the national education digitalisation strategy, and improve the national smart education platform. It also called for the overall layout of a number of academic major sites in the digital field to cultivate innovative, applied, and compound talents, and to promote the participation of universities, research institutions, enterprises, and others in the construction of a digital China.

6.1.3 Implementing the Strategy of Education Digitalisation to Build a Learning-Oriented Country for Lifelong Learning by All People

- In January 2023, the National Education Work Conference was held, pointing out that efforts should be made to vigorously implement the national educational digitalisation strategy and promote the shaping of new tracks, new drivers, and new forms of educational development. It also emphasised the need to promote the construction of education digitalisation and a learning-oriented society and country.
- In September 2023, the Ministry of Education issued the “Key Tasks for the Construction of a Learning-Oriented Society”, emphasising that we will implement the “Strategy for the Construction of a Learning-Oriented Society and National Education Digitalisation”, and use education digitalisation as a “multiplier” to accelerate the construction of a learning-oriented society.
- In March 2024, four departments including the Ministry of Education jointly issued the “Key Work Points for Improving National Digital Literacy and Skills in 2024”, proposing to implement the industry-education integration on digital skills, support the collaboration between enterprises, general universities, and vocational colleges in establishing joint schools, laboratories, internship bases, etc., enrich the supply of high-quality digital resources, and establish a lifelong digital learning system to promote new achievements in the actions to enhance national digital literacy and skills.

6.1.4 The Growing Rapidly “Silver Economy” is Giving Birth to Two Major Markets of Health Care and Elderly Education

- According to data from the National Bureau of Statistics of PRC, by the end of 2023, China’s population aged 60 and above reached approximately 300 million, accounting for 21.1% of the country’s total population. Among them, the population aged 65 and above exceeded 200 million, accounting for 15.4% of the country’s total population. Currently, the size of the silver economy stands at around RMB7 trillion, accounting for approximately 6% of GDP. It is estimated that China will enter a stage of severe aging by around 2035, with the elderly population aged 60 and above exceeding 400 million, accounting for more than 30% of the total population, and the silver economy reaching a size of approximately RMB30 trillion, accounting for about 10% of GDP.
- In January 2024, the General Office of the State Council issued the Opinions on Developing the Silver Economy and Enhancing the Welfare of the Elderly, emphasising the need to optimise health services, improve elderly care services and enrich cultural and sports services for the elderly, and to create a new form of smart health and elderly care. Also, 12 departments including the Ministry of Civil Affairs jointly issued the “Opinions on Strengthening the Construction of the Elderly Care Service Talent Pool”, proposing to “focus on meeting the diverse, multi-level, and high-quality elderly care service needs”.
- In December 2023, the General Office of the MOE issued the “Guidance on the Cultivation of Talents for Health Services and Health Industries”, encouraging universities to accelerate the establishment of a number of adaptive and leading new medical majors. These include bachelor degree programmes such as health management and services, medical imaging technology, and intelligent medical engineering, as well as junior college diploma programmes in health management and services, and elderly care services and management.

6.2 Development Strategies

6.2.1 The Three Universities Adhere to Quality Improvement and Accelerate the Academic Majors Layout on Digital Media and Health Care

In the future, we will seize opportunities, innovate and integrate, and empower education with technology. With “quality improvement and excellence cultivation” as the main line, we will focus on “consolidating the foundation, tackling weaknesses, leveraging advantages, highlighting characteristics, and ensuring development”; upgrading and implementing the TOPCARES methodology, adhering to deepening industry-education integration, focusing on enhancing scientific research levels, accelerating the improvement of talent teams, effectively improving education resources utilisation, strengthening the assessment of educational quality, and strengthening university governance and management; we will enhance the construction quality of academic majors and course and comprehensive educational strength of the three universities, establishing a cluster of advantageous majors focusing on “IT + Digital Media + Smart Elderly Care”, to cultivate high-quality talents who possess interdisciplinary, digital, innovative, and practical skills. These talents will provide support for our integrated ecosystem of “education-medical care-elderly care” and offer sustained backing for the delivery of top-tier educational platforms, resources, models, and management.

6.2.2 Build Standardised and Normalised Teaching Resources and Build the Integrated and Intelligent Platform

In the future, we will focus on the fields of three predominant advantageous academic majors, namely, IT, digital media, and smart health care. Leveraging Neuedu’s strong industrial advantages and educational experience, guided by our unique TOPCARES methodology and integrating the five new concepts of “new theory, new technology, new application, new tools, and new products”, we will develop systematic products of education and teaching resources that are scientific, advanced, systematic, and practical, to cater for the urgent demand for high-quality, applied, and digital talents in such majors from all walks of the society. On the other hand, we will utilise advanced technologies in areas such as artificial intelligence, big data, metaverse, and blockchain to build a personalised lifelong learning intelligent education platform that covers “teaching, learning, practice, training, testing, evaluation, competitions, certification, management, exhibitions, entrepreneurship, employment, and industry” and integrates both 2B and 2C training services, and to build an intelligent health care platform that integrates all aspects of elderly care. Both platforms will empower the high-quality development of intelligent education and smart health care.

6.2.3 Innovate the Service Model for Two Strategic Businesses to Drive Scale Development and Efficiency Enhancement

Looking ahead, we will further innovate and improve product and service solutions based on the 4S service model, develop and optimise various educational resources, aiming to drive the scale development of our Two Strategic Businesses and enhance delivery quality and efficiency. This will establish Neuedu's unique leading brand in education resources and continuing education services.

In the field of education resources, we will utilise modern technological means to empower partner institutions in their reform and development as well as digital transformation, supported by our integrated intelligent education platform, specialised educational management software, standardised education and teaching content, and integrated data evaluation.

In the field of continuing education services, we will continuously optimise service processes and content to enhance the quality and effectiveness of our continuing education services. We will improve the integrated business ecosystem of "learning-evaluation-employment" and establish the "Phoenix College" to develop specialised elderly education, creating a unique continuing education model with online and offline integration and domestic and international interactions. This will empower learners to recreate their self-value and enable partners to recreate the value of their human resources.

6.2.4 Innovate and Expand our Business Layout, and Establish an Integrated Ecosystem for Education, Medical Care and Elderly Care

In response to population aging, we will actively expand the fields of elderly education and elderly health care, developing university-connected medical and care industries and elderly universities, and promoting the integration of education, medical care, and elderly care, forming a stable, interoperable, mutually supportive, efficient, and sustainable new business model, where education supports medical care and elderly care, medical care transitions to elderly care and assists education, and elderly care relies on medical care and assists education. Relying on the medical and elderly care service platform centred on two affiliated hospitals, and based on the national qualifications as one of the pilot units for the construction of national elderly universities and the co-construction units of National Elderly University, we will innovate and expand the field of elderly education services, leveraging our expertise in IT, digital media, and smart elderly care. At the same time, we will strengthen the training of high-quality elderly care professionals with digital technical skills to support the high-quality development of elderly care and health services.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this Report, our Board consists of nine Directors: one executive Director, five non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of Appointment as Director
LIU Jiren (劉積仁)	68	Non-executive Director, Chairperson	Overall strategic planning, overall management and business direction	Jun 2000	31 Aug 2018
WEN Tao (溫濤)	61	Executive Director, Chief executive officer, President	Overseeing operational performance and daily management	Jun 2000	31 Aug 2018
RONG Xinjie (榮新節)	61	Non-executive Director	Providing professional advice to the Board	Jan 2013	31 Aug 2018
ZHANG Xia (張霞)	58	Non-executive Director	Providing professional advice to the Board	May 2022	27 May 2022
ZHANG Yinghui (張應輝)	51	Non-executive Director	Providing professional advice to the Board	Feb 2003	31 Aug 2018
SUN Yinhuan (孫蔭環)	74	Non-executive Director	Providing professional advice to the Board	May 2021	25 May 2021
LIU Shulian (劉淑蓮)	69	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018
QU Daokui (曲道奎)	62	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018
WANG Weiping (王衛平)	72	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018

DIRECTORS AND SENIOR MANAGEMENT

Chairperson

Dr. LIU Jiren (劉積仁)

Dr. J. Liu, aged 68, is a non-executive Director, chairperson of our Board, chairperson of the Nomination Committee, and a member of the Remuneration Committee of the Company. He is a core founding member of the Group (and Neusoft Holdings Group). He has been and is currently the director, president or chairperson of the board of a number of the Group members, including: (i) our universities (since establishment); (ii) our school sponsors, Dalian Development (from July 2002 to December 2022), Chengdu Development (from July 2002 to July 2022), and Foshan Development (from January 2002 to May 2023); (iii) Neusoft Education Technology (since establishment); (iv) Neusoft Education HK and Neusoft Education BVI (both since September 2018); (v) Neusoft Ruixin (since establishment); and (vi) Tianjin Ruidao (from March 2012 to July 2022). Dr. J. Liu is also the chairperson of Neusoft Holdings since November 2011.

Dr. J. Liu received his bachelor's, master's and doctorate degrees in computing (計算機) from Northeastern University (東北大學, formerly known as Northeastern University of Technology (東北工學院)) in April 1980, December 1982 and November 1987, respectively.

Aside from the Group, Dr. J. Liu has more than 35 years of experience in the education industry. He was formerly a lecturer at the Northeastern University from May 1987 to June 1988 and a vice-principal from March 1995 to August 2014 and he has been a professor of the university since June 1988. Dr. J. Liu is the chairperson since August 1999 and was the CEO from June 2008 to April 2021 of Neusoft Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600718). Dr. J. Liu has served as a non-executive director and the chairperson of the board of Neusoft Xikang Holdings Inc. (東軟熙康控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 9686) since July 2011.

Save as disclosed in this section, Dr. J. Liu did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Executive Director

Dr. WEN Tao (溫濤)

Dr. Wen, aged 61, is an executive Director, chief executive officer and president of the Company. Dr. Wen has served, or acted as a director or chairman of various companies of the Group, including: (i) principal and director of Dalian Neusoft Vocational College of Information Technology (merged into Dalian University in 2012) (both from June 2000 to May 2012); principal (from April 2004 to March 2022), honorary principal (since March 2022), a director (since April 2004) and vice chairman (since April 2020) of Dalian University; (ii) a director (since establishment) and vice chairman (since May 2018) of Chengdu University; (iii) a director (since establishment) and vice chairman (since June 2019) of Guangdong University; (iv) director (since July 2002), general manager (from January 2012 to December 2022) and chairman (since December 2022) of Dalian Development; (v) director (since July 2002) and chairman (since July 2022) of Chengdu Development; (vi) director (since January 2002) and chairman (since May 2023) of Foshan Development; (vii) director and general manager of Neusoft Ruixin (since May 2019); (viii) director and general manager of Neusoft Education Technology (since August 2018); (ix) director (since March 2012) and chairman of Tianjin Ruidao (since July 2022); and (x) director of Neusoft Education HK and Neusoft Education BVI (both since December 2021). Dr. Wen works as executive director of member companies of the Group (including Dalian Yunguan, Suzhou Neusoft Ruixiang Technology Co., Ltd., Suzhou Neusoft Technology Development Co., Ltd., Putian Neusoft Digital Technology Lab Co., Ltd. and Dalian Technology).

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wen received his bachelor's degree in aviation electrical engineering (航空電氣工程) and master's degree in engineering, majoring in signals, circuits and systems (信號·電路與系統) from Northwestern Polytechnical University (西北工業大學) in China in July 1984 and April 1987, respectively. He also completed a doctorate degree in engineering (工學) at Northeastern University (東北大學, formerly known as Northeastern University of Technology (東北工學院)) in March 1994.

Dr. Wen is a director since November 2011 and vice-president of Neusoft Holdings from January 2013 to May 2021. He also holds a number of directorships in related companies of Neusoft Holdings, including: Dalian Ruidao Yibo Education Information Technology Co., Ltd. (大連睿道易博教育信息技術有限公司) since August 2018; Neusoft Healthcare Management Co., Ltd. (東軟健康醫療管理有限公司) since June 2023, as well as a supervisory position in Shenyang Kang Ruidao since December 2014. Shenyang Kang Ruidao holds interests in Neusoft Holdings through Dalian Kang Ruidao and Dalian Siwei.

Dr. Wen is currently (or was) appointed to a number of positions at many professional and government organizations, including a member of the National Evaluation Committee for the Establishment of Institutions of Higher Learning (全國高等學校設置評議委員會), member of the Teaching Steering Committee for Software Engineering Major in Institutions of Higher Learning of the Ministry of Education (教育部高等學校軟件工程專業教學指導委員會), an expert in National Center for Schooling Development Programme (教育學校規劃建設發展中心), chairman of Vocational Education Committee of China Institute of Communications (中國通信學會職業教育工作委員會主任), founding chairman of the Vocational Education Development Committee of China Computer Federation (中國計算機學會職業教育發展委員會), executive director of the Chinese Society for Technical and Vocational Education (中國職業技術教育學會), vice chairman of the Computer Vocational Education Teaching Steering Committee of the National Teaching Steering Committee for Industrial and Informational Vocational Education (全國工業和信息化職業教育教指委計算機職業教育教學指導分委員會), executive director of the Education Digitalization Working Committee of the Chinese Society for Technical and Vocational Education (中國職業技術教育學會教育數字化工作委員會), vice chairman of the Artificial Intelligence and Cloud Computing Specialty Group Committee of the Teaching Steering Committee for Technician Education and Vocational Training at the MHRSS (人社部技工教育和職業培訓教指委人工智能與雲計算專業群分委員會), member of the Decision-making Advisory Committee of CPC Liaoning Provincial Committee and Provincial Government (中共遼寧省委省政府決策諮詢委員會), one of the fifth provincial educational inspectors of Liaoning Provincial People's Government (遼寧省人民政府), vice chairman of the Expert Steering Committee for Training Applied Talents in Colleges and Universities of Liaoning Province (遼寧省普通本科高校應用型人才培養專家指導委員會), chairman of the board of supervisors of the Private Education Association of Liaoning Province (遼寧省民辦教育協會). Dr. Wen was vice president of Fushun Petro College (Liaoning Petrochemical University) and secretary of CPC in Dalian Neusoft University of Information. He won the first and second prizes of National Teaching Achievement of Higher Education, "National Advanced Individual of Vocational Education", "Innovation Award of China's Private Higher Education", "China's Most Charming President", "China's Outstanding Educator", "University President Loved by Students", the government allowances from the State Council, one of 100 talents in the "Millions of Talents Project" of Liaoning Province, "Liaoning Province Outstanding Educators and Teachers", "Liaoning May 1st Medal", "Liaoning Province Outstanding Experts", "Dalian Special Grade Labor Model", the "First Leading Talents in Dalian" and other honors.

Dr. Wen did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie (榮新節)

Mr. Rong, aged 61, is a non-executive Director of the Company and a member of the Audit Committee. He held various directorships within the Group, including: (i) our school sponsor – Dalian Development (from March 2013 to December 2022), Chengdu Development (from April 2013 to July 2022) and Foshan Development (from June 2013 to May 2023); (ii) our universities – Chengdu University and Dalian University (both from January 2013 to September 2018), Guangdong University (from January 2013 to June 2019); and (iii) Dalian Technology (from October 2013 to June 2019).

Mr. Rong received his bachelor's degree in computer science (電子計算機) from the China University of Mining and Technology (中國礦業大學) in July 1984. Mr. Rong also received an associate professorship from the Senior Teachers Assessment Committee at Shandong University of Finance and Economics (山東財政學院教師職務高級評審委員會) in October 1995.

Aside from the Group, Mr. Rong is now the vice chairman (since May 2023) as well as chief executive officer (since January 2024) and chief strategy officer (since April 2023) of Neusoft Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600718), and he also was a director and senior vice-president of Neusoft Corporation from September 2004 to May 2008. Mr. Rong is now the chairman (since April 2024) of Dalian Qixian Zhiyuan Science and Technology Research Institute Co., Ltd (大連七賢智遠科技研究院有限公司). Mr. Rong served in various companies of Neusoft Holdings Group and its associated companies, including: (i) general manager, a director and vice chairman of the Board of Neusoft Holdings (from February 2013 to January 2017), and general manager and chief executive officer of Neusoft Holdings (from January 2017 to April 2023); (ii) director (from June 2008 to December 2023) and chairman (from March 2018 to December 2023) of Liaoning Neusoft Venture Capital Co., Ltd.; and (iii) director of Shanghai Sirui (from March 2016 to May 2023).

Save as disclosed in this section, Mr. Rong did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Dr. ZHANG Xia (張霞)

Dr. ZHANG Xia, aged 58, is a non-executive Director of the Company. She has been a director and president of Shenyang Neusoft Intelligent Medical Technology Research Institute Limited (瀋陽東軟智能醫療科技研究院有限公司) since its establishment and a director of Hanlang Network Information Technology (Beijing) Limited (漢朗網絡信息科技(北京)有限公司) since June 2017. Since joining Neusoft Corporation in January 1993, Dr. ZHANG Xia has served in various positions such as the head of Database System Department, Software Center, the head of Software Products Business Department and the director of Software Technology Center, and in particular, during the period from November 2004 to April 2021, she worked as senior vice president, chief technology officer and chief knowledge officer of Neusoft Corporation. Dr. ZHANG Xia was awarded the "Most Leading CTO Award" (最具領導力CTO獎) and the "Most Valuable CTO Award" (最具價值CTO獎) in China by CSDN & ITValue in December 2014.

Dr. ZHANG Xia received a bachelor's degree in computer science, a master's degree in computer application and doctor's degree in computer application from Northeastern University (東北大學) in China in July 1986, March 1989 and March 1995, respectively. She has been a professor of Northeastern University since April 2002. She is currently a recipient of the third batch of 100 Persons Level of Liaoning Province's Ten Million Talents Project (遼寧省第三批百千萬人才工程百人層次), an Outstanding Talent in Shenyang City (瀋陽市傑出人才), May Day Labour Medal in Shenyang City (瀋陽市五一勞動獎章) and a recipient of the Special Government Allowance of State Council (國務院政府特殊津貼).

Dr. ZHANG Xia is now working with several professional groups and has made outstanding achievements, including without limitation, acting as deputy director of National Computer Software Engineering Research Center (計算機軟件國家工程研究中心), vice chairman of the Computer Engineering and Application Branch of China Electronics Institute (中國電子學會計算機工程與應用分會) since June 2017, and the outstanding member of China Computer Institute (中國計算機學會) since 27 September 2020, etc. Dr. ZHANG Xia also acted as the project leader or project executive leader for more than ten projects, such as National 973 Project, 863 Project, Nuclear Takamoto (核高基), key research projects of the National Natural Science Foundation, and Technological Innovation 2030, and was honored with the second and third prizes for national science and technology progress and the first prize in the science and technology progress award granted by the Ministry of Education and the provincial and municipal departments.

Dr. ZHANG Xia did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Dr. ZHANG Yinghui (張應輝)

Dr. ZHANG Yinghui, aged 51, is a non-executive Director of the Company. He has served, or acted as director or chairman in several companies of the Group, including: (i) the general manager since April 2013 and director of Chengdu Development since July 2022; (ii) executive director of Chengdu Neusoft Education Technology Co., Ltd. since April 2019; (iii) director since December 2016 and principal since February 2003 of Chengdu University; (iv) director of Neusoft Ruixin from May 2019 to June 2021; (v) director of Neusoft Education Technology from August 2018 to July 2021; and (vi) chairman of Chengdu Qingcheng Kangdao Hotel Management Co., Ltd. (成都青城康道酒店管理有限公司) and Dujiangyan Qingcheng Kangdao Traditional Chinese Medicine Hospital Co., Ltd. (都江堰青城康道中醫醫院有限公司) since January 2023.

Dr. ZHANG Yinghui received his bachelor's degree in software computing (計算機軟件) and doctorate degree in applied computing (計算機應用技術) from Northeastern University in July 1994 and September 1998, respectively. Dr. ZHANG Yinghui also received professorship certification from Sichuan Provincial Vocational Reform Bureau (四川省職改辦) in China in December 2007.

Dr. ZHANG Yinghui did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Mr. SUN Yinhan (孫蔭環)

Mr. Sun, aged 74, is a non-executive Director of the Company. He is a director of Neusoft Holdings, one of the Controlling Shareholders of the Company since November 2011. Mr. Sun is currently a director of China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司). Mr. Sun was the founder and the chairman of Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639) from 2014 to 2016, the standing committee member of the Twelfth National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會), the vice-chairman of the Eleventh All China Federation of Industry & Commerce (第十一屆中華全國工商業聯合會), the vice president of the China Enterprise Confederation (中國企業聯合會); the vice president of the APEC China Business Council (APEC中國工商理事會) and the standing council member of the Fourth China Economic and Social Council (第四屆中國經濟及社會理事會). Mr. Sun received his bachelor's degree in Construction Engineering from the Dalian University of Technology.

Mr. Sun did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Dr. LIU Shulian (劉淑蓮)

Dr. S. Liu, aged 69, is an independent non-executive Director of the Company, chairperson of the Audit Committee, and a member of the Nomination Committee. Dr. S. Liu was an independent director of Neusoft Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600718) from May 2017 to May 2023. Prior to this, she was an independent director of Dalian Huarui Heavy Industry Group Co., Ltd. (大連華銳重工集團股份有限公司) (formerly known as Dalian Huarui Heavy Industry Steel Casting Co., Ltd. (大連華銳重工鑄鋼股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 002204) from March 2007 to April 2013; and she was an independent director of Dashang Co., Ltd. (大商股份有限公司) (formerly known as Dashang Group Co., Ltd. (大商集團股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600694) from April 2007 to April 2013.

Dr. S. Liu received her bachelor's degree in economics, master's degree in economics and doctorate degree in management from Dongbei University of Finance and Economics (東北財經大學) (formerly known as Liaoning Finance Institute (遼寧財經學院)) in January 1982, December 1989 and March 2001, respectively. She received her professorship from Dongbei University of Finance and Economics and she has been teaching and conducting research at the accounting school of Dongbei University of Finance and Economics since January 1982. Dr. S. Liu also received her qualification certification for college teachers (高校教師資格) from the Liaoning Provincial Human Affairs Department (遼寧省人事廳) in China in July 1998. She is recognised by the Shanghai Stock Exchange to act as an independent director since September 2007; acted as a member of the Financial Management Committee (財務管理專業委員會委員) of the Accounting Society of China (中國會計學會) from 2008 to 2018; and was admitted as a non-practising member by Liaoning Provincial Institute of Certified Public Accountants in December 2009. Dr. S. Liu has the appropriate professional accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

Save as disclosed in this section, Dr. S. Liu did not hold any directorships in any other listed company during the three years prior to and including the date of this Report.

Dr. QU Daokui (曲道奎)

Dr. Qu, aged 62, is an independent non-executive Director of the Company, the chairperson of the Remuneration Committee, and a member of the Audit Committee. Dr. Qu was the president (from January 2000 to March 2022) and deputy chairman (from January 2000 to March 2024) of SIASUN Robot & Automation Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300024). Prior to this, Dr. Qu was a project supervisor from June 1986 to September 1994, and assistant researcher, researcher, deputy department head and department head of research and development of robotics from October 1994 to April 2000 at the Shenyang Institute of Automation, Chinese Academy of Sciences (中國科學院瀋陽自動化研究所).

Dr. Qu received his master's degree in engineering (specialising in pattern recognition and intelligent control (模式識別與智能控制)) from Shenyang Institute of Automation, Chinese Academy of Sciences in June 1986, and a doctorate degree in engineering (specialising in power electronics and motor drives (電力電子與電力傳動)) from Harbin Institute of Technology (哈爾濱工業大學) in January 2008. Dr. Qu became a researcher at the Shenyang Institute of Automation, Chinese Academy of Sciences (中國科學院瀋陽自動化研究所) in September 1997. Dr. Qu was hired as a doctoral adviser in January 2003.

Save as disclosed in this section, Dr. Qu did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Dr. WANG Weiping (王衛平)

Dr. Wang Weiping, aged 72, is an independent non-executive Director of the Company, a member of the Remuneration Committee, and a member of the Nomination Committee. Dr. Wang Weiping was an independent non-executive director of Rici Healthcare Holdings Limited (a company listed on the Stock Exchange (stock code: 1526)) since June 2016 and re-designated as an executive director in June 2017. He ceased to be an executive director of the company in March 2019. Dr. Wang Weiping served as an independent non-executive director of Top Education Group Ltd. (a company listed on the Stock Exchange, stock code: 1752) from April 2018 to December 2021.

Dr. Wang Weiping received his bachelor's degree in medicine and master's degrees in medicine specialising in paediatric respiratory disease from Norman Bethune University of Medicine (白求恩醫科大學) (currently known as Norman Bethune Health Science Centre of Jilin University (吉林大學白求恩醫學部)) in China in August 1978 and October 1982, respectively, and a doctorate degree in paediatrics from Shanghai Medical University (上海醫科大學) in December 1988. Dr. Wang Weiping also received his professorship from Shanghai Medical University in December 1994. Dr. Wang Weiping is a professor specialising in paediatrics.

Save as disclosed in this section, Dr. Wang Weiping did not hold any directorships in any other listed company during the three years prior to and including the date of this Report.

SENIOR MANAGEMENT

The following table provides information about members of our senior management (aside from our Directors) of the Company as at the date of this Report:

Name	Age	Position	Roles and responsibilities	Date of joining the Group
CHAO Yujun (晁玉軍)	58	Vice-president; Chief financial officer	Finance management	February 2004
LI Yingao (李印杲)	52	Vice-president	Overseeing the business operations of education resources and continuing education	March 2020
WANG Weikun (王維坤)	52	Vice-president	Overseeing the operations of branding, administration, and logistics management	June 2002

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAO Yujun (晁玉軍) (“Mr. Chao”)

Mr. Chao, aged 58, is the vice-president and the chief financial officer of our Company, and a senior vice-president and the chief financial officer of Neusoft Education Technology, all since March 2020. Prior to this, Mr. Chao was the financial controller (財務總監) of Dalian University from May 2011 to January 2020. Over the past years, he has held many management positions within the Group, being primarily responsible for finance management. Mr. Chao received a bachelor's degree in industrial accounting (工業會計) from Northeastern Institute of Technology (東北工學院), now known as Northeastern University in July 1988. Apart from this, Mr. Chao has received a senior accountant title from the Liaoning Provincial Human Affairs Department (遼寧省人事廳) in September 1998.

Mr. Chao did not hold any directorships in any listed companies during the three years prior to and including the date of this Report.

Mr. LI Yingao (李印泉) (“Mr. Li”)

Mr. Li, aged 52, is a vice-president of our Company and a senior vice-president of Neusoft Education Technology, both since March 2020. From March 2015 to May 2021, he was a vice-president of Neusoft Holdings, primarily responsible for the operations of Tianjin Ruidao, and has been a director of Tianjin Ruidao since May 2012. Prior to this, Mr. Li was the director of human resources (人力資源總監) and general manager of the IT talent training department (IT人才實訓中心總經理) of Neusoft Corporation from March 2009 to May 2012. Mr. Li received his bachelor's degree in safety engineering (安全工程) and a master's degree in engineering (工學碩士學位) from Northeastern University in July 1993 and March 1996, respectively.

Mr. Li did not hold any directorships in any listed companies during the three years prior to and including the date of this Report.

Dr. WANG Weikun (王維坤) (“Dr. W. Wang”)

Dr. W. Wang, aged 52, has served as the vice president of the Company and the senior vice president of Neusoft Education Technology since March 2020. He has also worked, or acted as a director or executive director of member companies of the Group: (i) our universities – a director of Dalian University (since April 2022), a director of Chengdu University and (since February 2022), and a director of Guangdong University (since June 2019); (ii) our school sponsor – director of Dalian Development (since December 2022), director of Chengdu Development (since July 2022) and director of Foshan Development (since May 2023); (iii) director of Neusoft Training School (since August 2018), (iv) director of Tianjin Ruidao (since July 2022); (v) executive director of Neusoft Industry Management (since December 2022); (vi) executive director of Dalian DOIT (since November 2023); and (vii) executive director of Shanghai Ruixiang (since March 2024).

Dr. W. Wang received his bachelor's degree in engineering (工學學士學位) from Dalian University of Technology (大連理工大學) in July 1994, Master of Business Administration from Dongbei University of Finance and Economics (東北財經大學) in July 2002, and doctor of philosophy in education management (教育管理) from Dalian University of Technology in March 2018. Dr. W. Wang received his professorship from Dalian University in December 2019. Dr. W. Wang was a member of the Liaoning Provincial Colleges and Universities Charter Approval Committee (遼寧省高等學校章程核准委員會委員), awarded by the Education Department of Liaoning Province in April 2015, and was appointed a member of the public foundation courses committee (公共基礎課程專門委員會委員) of the Advisory Committee of Education Teaching in Vocational Education established under the Ministry of Education in China (教育部職業院校教育類專業教學指導委員會) in November 2018, and won the First Prize of the Liaoning Provincial Teaching Achievement Award (遼寧省教學成果獎一等獎) in April 2018.

Dr. W. Wang did not hold any directorships in any listed companies during the three years prior to and including the date of this Report.

None of the Directors and members of senior management of the Company are related to other Directors or members of senior management.

COMPANY SECRETARY

Ms. HE Jing (何婧) (“Ms. He”)

Ms. He, aged 39, is our company secretary and the head of the office of the board of directors (董事會辦公室主任) of Neusoft Education Technology since January 2024 and April 2020, respectively. Ms. He served as joint company secretary of the Company from June 2019 to December 2023. Ms. He was the deputy director of the general management department (綜合管理部副部長) of Neusoft Education Technology from November 2018 to April 2020. Prior to joining our Group, Ms. He was the securities affairs representative (證券事務代表) and the board secretary of INNOBIO Limited (大連醫諾生物股份有限公司), from March 2017 to August 2017 and from August 2017 to April 2018, respectively; and information disclosure officer at the office of the board of directors (董事會辦公室信息披露事務) for New China Life Insurance Co., Ltd. (新華人壽保險股份有限公司), a company listed on the Stock Exchange (stock code: 1336) and the Shanghai Stock Exchange (stock code: 601336) from August 2009 to June 2013.

Ms. He received her bachelor's degree in jurisprudence, and master's degree in civil and commercial law, from China University of Political Science and Law (中國政法大學) in July 2006 and June 2009, respectively. She was granted the legal professional qualification (法律職業資格) from the Ministry of Justice of the PRC (中華人民共和國司法部) on February 2007.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The corporate governance principles of the Company are to promote effective internal control measures, to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations, and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

During the year ended 31 December 2023, the Company has complied with the code provisions of the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

CORPORATE CULTURE AND DEVELOPMENT STRATEGY

Our Company takes "Boost smart education with digital technologies and empower students with innovative education" as its mission, promotes the values of "innovation, integration, progression, responsibility and integrity", and focuses on IT and healthcare technology. Guided by high-quality employment and entrepreneurship, the Company is committed to becoming a leading education service provider of digital talents in China.

After consideration, the Board unanimously believe that the culture, purpose, values and strategy of the Group are aligned. During the year ended 31 December 2023, the Company has implemented various initiatives to promote corporate culture and strengthen the Company's cultural framework. Details of relevant initiatives are set out in the section headed "Environmental, Social and Governance Report" in this Report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In addition, the Company has also adopted a code of conduct regarding the Directors securities transactions on terms no less exacting than the required standard set out in the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standard set out in the code of conduct and the Model Code throughout the year ended 31 December 2023.

THE BOARD

Responsibilities

The Board leads and provides direction to the management, directly, and indirectly through its committees, by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

The major powers and functions of the Board include, but not limited to, convening the general meetings, presenting reports at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operational plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and loss recovery plans, and exercising other powers and functions as conferred by the Articles of Association.

Delegation of Management Function

The Board is responsible for making decision with respect to the strategic plans, major investment decisions and other significant operational matters of the Company, while responsibilities with respect to the implementation of the decisions of the Board, and the execution of strategies and systems in the daily operations of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

Composition of the Board

As at the date of this Report, the members of the Board are set out below:

Chairperson and non-executive Director	Executive Director
Dr. LIU Jiren	Dr. WEN Tao
Non-executive Directors (aside from our chairperson)	Independent Non-executive Directors
Mr. RONG Xinjie Dr. ZHANG Xia Dr. ZHANG Yinghui Mr. SUN Yinhuan	Dr. LIU Shulian Dr. QU Daokui Dr. WANG Weiping

All Directors of the Company has extensive experience and in-depth knowledge, and are diligent and responsible, which is highly beneficial to the business development of the Company. The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goals. The executive Director of the Company is responsible for monitoring the daily operations of the Company. The non-executive Directors are responsible for providing professional advice to the Board. And the independent non-executive Directors are responsible for providing independent judgments in the overall decision-making process of the Board. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this Report. A list of the Directors specifying their roles and functions is available on the Stock Exchange's and the Company's website.

There is no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members of the Company.

As regards the CG Code provision requiring Directors to disclose to the issuer 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 an indication of the time involved, the Directors have agreed to disclose their commitments and any subsequent change to the company in a timely manner.

The Board regularly reviews whether the Directors have devoted sufficient time to discharge their duties and responsibilities, as well as their contribution to the Company.

Board Meetings and General Meeting

The Articles of Association of the Company sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Not less than 14 days' notices are given for all regular Board meetings to provide all Directors with an opportunity to attend and discuss matters in the agenda for a regular meeting. For other Board meetings and Board Committee meetings, reasonable notices are generally given in the circumstances. Relevant documents for a meeting shall be dispatched to the Directors at least three days before the date of the meeting to ensure that they have sufficient time to review the relevant documents.

The Company Secretary/(Secretaries) of the Company are responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient details in respect of matters considered by the Board and committees and the decisions reached. Final versions of these minutes are available for inspection by Directors. Under the Listing Rules, any Director who has a material interest in a transaction to be discussed at a Board meeting and his/her associates (as defined in the Listing Rules) are required to abstain from voting on the resolution to approve the transaction and shall not be counted in the quorum of the meeting.

During the year ended 31 December 2023, the Company held four regular Board meetings and one temporary meeting and passed five written resolutions. Five Board meetings were held on 23 February 2023, 29 March 2023, 29 August 2023, 20 October 2023 and 14 December 2023 respectively. In addition, the Company held one annual general meeting during the year ended 31 December 2023 and the attendance records of each of the Directors at the Board meetings and the general meeting are set out below:

Name of Director	Number of Board meetings attended in person/attended by entrusting other Directors/obliged to attend	Attendance in person at Board meetings	Attendance in person/number of general meetings	Attendance in person at general meetings
Dr. LIU Jiren ^(Note 1)	4/0/4	100%	1/1	100%
Dr. WEN Tao ^(Note 1)	4/0/4	100%	1/1	100%
Mr. RONG Xinjie	5/0/5	100%	1/1	100%
Dr. ZHANG Xia	5/0/5	100%	1/1	100%
Dr. ZHANG Yinghui ^(Note 2)	4/1/5	80%	1/1	100%
Mr. SUN Yinhuan ^(Note 1)	4/0/4	100%	0/1 ^(Note 3)	0% ^(Note 3)
Dr. LIU Shulian	5/0/5	100%	1/1	100%
Dr. QU Daokui ^(Note 4)	4/1/5	80%	1/1	100%
Dr. WANG Weiping	5/0/5	100%	0/1 ^(Note 3)	0% ^(Note 3)

Notes:

- The chairperson Dr. LIU Jiren, the executive Director Dr. WEN Tao and the non-executive Director Mr. SUN Yinhuan were not obliged to attend the Board meetings held on 20 October 2023 as they were required to abstain from voting on all the issues of the meeting.
- The non-executive Director Dr. ZHANG Xia was entrusted to attend and vote on the Board meetings of the Company held on 23 February 2023 by the non-executive Director Dr. ZHANG Yinghui.
- The non-executive Director Mr. SUN Yinhuan and the independent non-executive Director Dr. WANG Weiping were unable to attend the annual general meeting of the Company held on 30 May 2023 due to other business commitments. Dr. LIU Jiren, the chairperson and non-executive Director of the Company, who acted as the Chairman of the annual general meeting, and other members of the Board who attended the annual general meeting, had sufficient ability and had responded adequately to the issues raised at the annual general meeting.
- The independent non-executive Director Dr. LIU Shulian was entrusted to attend and vote on the Board meeting of the Company held on 29 March 2023 by the independent non-executive Director Dr. QU Daokui.

CORPORATE GOVERNANCE REPORT

In addition to the above Board meetings, during the Reporting Period, the Company held a separate meeting for the chairperson and independent non-executive Directors in accordance with the code provision C.2.7 of Part 2 of the CG Code.

Training and Continuous Professional Development of Directors

The Directors shall always learn about their responsibilities as the Directors of the Company and shall observe the code of conduct and follow-up business activities of the Company and the development of the Group.

The Company is aware of the importance of Directors' engagement in appropriate continuing professional development to deepen and refresh their knowledge and skills to ensure that they provide an informed contribution to the Board. The Company has arranged trainings for all Directors, and has also regularly provided all Directors with internal briefings on updates in relation to the Company's performance, condition and prospects to enable the Board and each Director to discharge their duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

During the Reporting Period, the records of professional trainings received by the Directors are set out as follows:

Name of Director	Number of training lessons attended	Reading the training materials
Dr. LIU Jiren ^(Notes 1)	1	√
Dr. WEN Tao ^(Notes 1)	1	√
Mr. RONG Xinji ^(Notes 1)	1	√
Dr. ZHANG Xia ^(Notes 1)	1	√
Dr. ZHANG Yinghui ^(Notes 1)	1	√
Mr. SUN Yinhuan ^(Notes 1)	1	√
Dr. LIU Shulian ^(Notes 1 and 2)	1	√
Dr. QU Daokui ^(Notes 1 and 2)	1	√
Dr. WANG Weiping ^(Notes 1 and 2)	1	√

Notes:

1. All Directors attended the training organized by the Company on 29 August 2023 to fully understand and learn about connected transactions under the Listing Rules. All Directors read and studied the training materials for the Elements of Establishing a Corporate Integrity Culture on 19 December 2023.
2. All independent non-executive Directors read and studied the training materials for A Snapshot of Independent Non-Executive Directors' Roles and Responsibilities on 4 December 2023.

The Company has kept the training records of each Director for the year ended 31 December 2023.

Insurance of Directors and Officers

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against them arising out of corporate activities.

Independent Non-executive Directors

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, all independent non-executive Directors will continue to make various contributions to the Company.

During the year ended 31 December 2023, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A 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 and the number of independent non-executive Directors represents at least one-third of the Board.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

Chairperson and Chief Executive Officer

During the year ended 31 December 2023, Dr. LIU Jiren has served as chairperson and Dr. WEN Tao has served as chief executive officer. The chairperson is responsible for leading the Board to formulate the overall strategic planning, overall management and business direction of the Company. The chief executive officer is responsible for overseeing the operational performance and daily management of the Company.

There is a clear and effective division of responsibilities between the chairperson and the chief executive officer to ensure a balance of power and authority.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract or letter of appointment with the Company for a term of three years.

Notwithstanding the specific term of appointment, provisions under the Articles of Association of the Company require that at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to the Articles of Association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

In accordance with Article 108 of the Articles, Mr. SUN Yinhan, Dr. QU Daokui and Dr. WANG Weiping shall retire from office as Directors at the annual general meeting and, being eligible, offer themselves for re-election at the annual general meeting.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees (namely, the Audit Committee, the Remuneration Committee and the Nomination Committee) for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The Board committees are provided with sufficient resources to perform their duties and may seek independent professional advices where appropriate when receiving reasonable requests. The relevant costs shall be borne by the Company.

Audit Committee

The Company has established the Audit Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with Rule 3.21 of the Listing Rules and the CG Code. During this financial year, the Audit Committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. QU Daokui) and one non-executive Director (Mr. RONG Xinjie) of the Company. Dr. LIU Shulian is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review financial statements, financial reports, and to provide professional judgements on material events, to review and supervise the reasonableness and effectiveness of the financial reporting process and internal control system (including risk management) of the Group, and to make recommendation to the Board on the appointment and removal of external auditors and other matters. The committee must meet, at least twice a year, with the external auditors, to check on the progress of the auditor's work, to improve the quality of financial reports, to assist and advise the Board in establishing formal and transparent arrangements.

During the year ended 31 December 2023, the Audit Committee held three Audit Committee meetings on 29 March 2023, 29 August 2023 and 26 December 2023, respectively. The Audit Committee meeting held on 29 March 2023 reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2022 and confirmed that the applicable accounting principles, standards and requirements had been complied with and adequate disclosures had been made, and reviewed the Company's risk management, internal control systems, the re-appointment of external auditors and the effectiveness of the Company's internal audit system. The Audit Committee meeting held on 29 August 2023 reviewed the unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2023. The Audit Committee meeting held on 26 December 2023 listened to the report about audit strategy of the Company for the year ended 31 December 2023. No executive Director attended the three meetings between the Audit Committee and the external auditors.

The composition of the Audit Committee and attendance of members at committee meeting are as follows:

Composition of the committee (C = Chairperson; M = Member of the committee)	Attendance/Number of meetings held
Dr. LIU Shulian (C)	3/3
Dr. QU Daokui (M) ^{Note}	2/3
Mr. RONG Xinjie (M)	3/3

Note:

Dr. QU Daokui was absent from the Audit Committee meeting held on 29 March 2023 due to other business commitments.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with the CG Code. During this financial year, the Nomination Committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. WANG Weiping) and one non-executive Director (Dr. LIU Jiren) of the Company. Dr. LIU Jiren is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to identify, consider and recommend to the Board appropriate candidates to serve as Directors of the Company, to evaluate the independence of the independent non-executive Directors, to review and recommend to the Board the nomination policy and the Board diversity policy. The Nomination Committee will take into consideration a candidate's qualification, experience, expertise and knowledge, the requirements applicable to the Company and the structure and composition of the Board, to identify and review and nominate candidates suitably qualified as Board members with due diligence and care before making recommendations to the Board for their final appointment.

During the year ended 31 December 2023, the Nomination Committee held one Nomination Committee meeting on 29 March 2023 which reviewed the independence of the independent non-executive Directors, the membership structure and composition of the Board, and made recommendations to the Board on the re-appointment of retiring Directors to be considered at the annual general meeting on 30 May 2023.

CORPORATE GOVERNANCE REPORT

The composition of the Nomination Committee and the attendance of its members at the committee meetings are as follows:

Composition of the committee (C = Chairperson; M = Member of the committee)	Attendance/Number of meetings held
Dr. LIU Jiren (C)	1/1
Dr. LIU Shulian (M)	1/1
Dr. WANG Weiping (M)	1/1

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with the CG Code. During this financial year, the Remuneration Committee is comprised of two independent non-executive Directors (Dr. QU Daokui and Dr. WANG Weiping) and one non-executive Director (Dr. LIU Jiren) of the Company. Dr. QU Daokui is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are (i) to review the policy and structure of the remuneration (including remuneration packages, bonuses and other compensation) of all Directors and senior management, and make recommendations to the Board with regard to the establishment of a formal and transparent procedure for the development of the remuneration policies; (ii) to review the remuneration policy from time to time with reference to the corporate purposes, objectives and Directors' performance and their contribution to the Company, and make recommendations to the Board with regard to the remuneration package for Directors and senior management; and (iii) to review and/or approve the matters related to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2023, the Remuneration Committee held one meeting on 29 March 2023 which discussed the remuneration policy and structure of the Company's Directors and senior management, the remuneration packages for 2023, the revision of the Terms of Reference of the Nomination Committee and made recommendations to the Board.

The composition of the Remuneration Committee and the attendance of the members at the committee meetings are as follows:

Composition of the committee (C = Chairperson; M = Member of the committee)	Attendance/Number of meetings held
Dr. QU Daokui (C) ^{Note}	0/1
Dr. LIU Jiren (M)	1/1
Dr. WANG Weiping (M)	1/1

Note:

Dr. QU Daokui was absent from the Audit Committee meeting held on 29 March 2023 due to other business commitments.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and members of senior management as at the date of this Report are set out in the section headed “Directors and Senior Management” in this Report. Pursuant to the code provision E.1.5 of Part 2 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management (excluding equity settled share option expense) categorized by remuneration group for the year ended 31 December 2023:

Group ^{Note}	Remuneration (RMB)	Number of Individuals
1	1,000,001-3,000,000	1
2	3,000,001-5,000,000	1
3	5,000,001-10,000,000	2
4	10,000,001 and above	1

Note:

Group 1 includes 1 members of senior management of the Company.

Group 2 includes 1 member of senior management of the Company.

Group 3 includes 1 Director and 1 member of senior management of the Company.

Group 4 includes 1 Director (also as a member of senior management of the Company).

The key principles of the remuneration policy for Directors and senior management of the Company are as follows:

Remuneration of executive Director and senior management:

1. Remuneration packages and structure shall reflect a fair reward system for the executive Director and senior management with an emphasis on performance. The Company adopted a special contribution award which will be approved and awarded according to the outstanding performance of the executive Director and senior management in major matters of the Company’s development.
2. Remuneration of executive Director and senior management, which is comprised of fixed and variable components, is determined with reference to various factors such as market terms and conditions, economic situation, time commitment, qualification, experience, and responsibilities assumed by executive Director and senior management. A significant proportion of remuneration shall link rewards to corporate and individual performance.
3. Remuneration shall be set at levels that ensure comparability and competitiveness with Hong Kong based companies competing for a similar talent pool. Independent professional advice is to be sought where appropriate and necessary.

Remuneration of non-executive Directors (including Independent non-executive Directors):

1. Remuneration of non-executive Directors (in the form of annual Director's fees), shall be set at an appropriate level to attract and retain first-class non-executive talent.
2. Remuneration practice shall be consistent with recognised best practice standards for non-executive Directors' remuneration.
3. Remuneration of non-executive Directors (subject to Shareholders' approval) shall be set by the Board (with recommendations from the Remuneration Committee). To ensure that non-executive Directors are appropriately remunerated for their time and responsibilities devoted to the Company, the Remuneration Committee undertakes periodic reviews and takes into account factors including fees paid by comparable companies, time commitment, employment conditions elsewhere in the Group and individual responsibilities.
4. Independent non-executive Directors shall not receive equity-based remuneration (e.g. share options or grants) with performance-related elements from the Company.

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 paragraphs headed "Pre-IPO Share Incentive Scheme" and "Post-IPO Share Incentive Scheme" of Directors' Report in this Report.

During the year ended 31 December 2023, none of the Directors waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

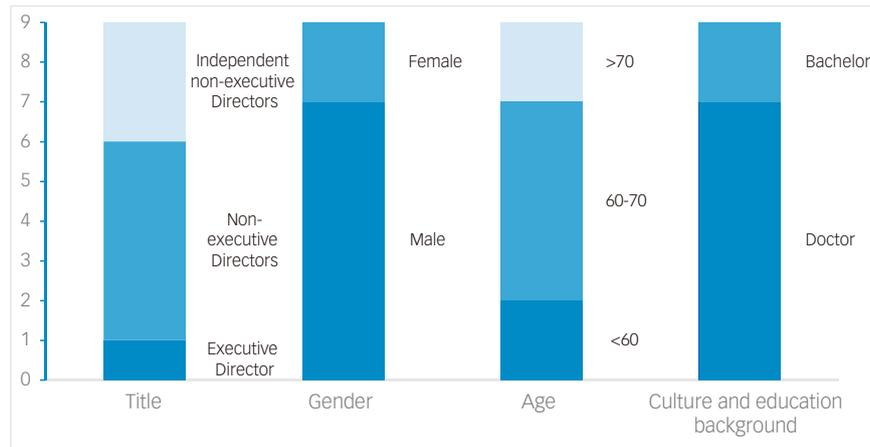
Further details relating to Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix D2 of the Listing Rules are set out in notes 11 and 38 to the financial statements.

BOARD DIVERSITY POLICY

The Company has adopted a policy of the Board diversity which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board diversity policy provides that the Company should endeavor to ensure that Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board diversity policy, selection of candidates for Directors will be based in a range of measurable objectives, including but not limited to gender, age, culture and educational background, professional qualification, skills, knowledge and industry experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Directors believe that such merit-based appointments will better enable the Company to serve the Shareholders and other stakeholders. In order to further improve the Company's channels for appointing Directors and identify suitable candidates, the Company will establish a strong and diversified talent pool mechanism and an appropriate structure in the recruitment and internal selection at all levels (including the Board), so as to take into consideration diversified candidates and make proper and timely preparation for their positions in the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board diversity policy to ensure the effectiveness of the Board diversity policy. The committee will make amendments to the policy and submit it to the Board for consideration and approval, where necessary.

The below chart shows the diversity profile of the Board as at 31 December 2023:



As of the date of this Report, the Board comprises nine members, two of whom are female directors, thus achieving the goal of gender diversity in the Board. The Company will continue to strive to increase the number of female Directors and achieve an appropriate balance of gender diversity with reference to Shareholders' expectations and the best industry practices.

For the year ended 31 December 2023, the employee team of the Group generally followed the Company's philosophy of diversity, including gender diversity. As of the date of this Report, 61.07% of the Company's employees are female employees. The Company has implemented fair employment and merit-based recruitment rules, without gender discrimination. The Company will continue to work hard to increase the representativeness of women in the workforce.

The Directors nomination policy of the Company ensures that the Board will have alternate potential female successors to keep the existing gender diversity of the Board. Meanwhile, the Company will achieve gender diversity in recruiting employees, and ensure that the proportion of female employees will reach 30%-70%, and provide career development opportunities for female employees. The Company is committed to having a group of female senior management and potential successors to the Board.

DIRECTORS NOMINATION POLICY

The Company has adopted nomination policy, which sets out the nomination criteria and nomination procedures. According to the Directors nomination policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the following criteria, including, among other things, integrity and credit, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board diversity policy), and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s). The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship based on the needs of the Company and reference check of each candidate.

MECHANISMS FOR THE BOARD TO OBTAIN INDEPENDENT VIEWPOINTS AND OPINIONS

Pursuant to the Code Provision B.1.4 of Part 2 of the CG Code, the Board adopted a mechanism for obtaining independent viewpoints and opinions (the “**Mechanism**”), which aims to ensure the strong independence of the Board and improve the working efficiency and the independence of decision-making of the Board. The Board will review the implementation and effectiveness of the Mechanism annually. The Mechanism specifies that all Directors have the right to obtain sufficient resources provided by the Company to perform their duties, and Directors have the right to make a request to the Company for independent professional advice (the relevant expense will be borne by the Company) if they believe that the advice is relevant and necessary for performing their duties. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. The full text of the Mechanism is available on the website of the Company at <http://www.neuedu.com>.

WHISTLEBLOWING POLICY

Pursuant to Code Provision D.2.6 of Part 2 of the CG Code, the Company adopted the Whistleblowing and Supervision Management Measures, which provides channels for the employees of the Group and any outsiders to report violations of laws and disciplines and defines the report handling procedures, so as to ensure fairness and justice. In order to facilitate the independent investigation into relevant matters and take appropriate follow-up actions, the Company publicized various whistleblowing methods, including hotline (0411-84466600), special email address (audit@neuedu.com), interview, and mail (Room 201, East Tower, Building D1, No. 66, North Section of Digital Road, Ganjingzi District, Dalian, 116023), and a report may be submitted on an anonymous and non-anonymous basis. The Company’s whistleblowing policy has been conveyed to all employees. The whistleblowing hotline and complaint mailbox have been added to the address books of colleges and universities of the Company, as well as the appendixes to contracts signed with suppliers. The whistleblowing channels, the summary of the whistleblowing policy and contact information have been published on the website of the Company at <http://www.neuedu.com>.

ANTI-FRAUD POLICY

Pursuant to Code Provision D.2.7 of Part 2 of the CG Code, the Company has adopted the Anti-fraud Management regulation, which reflects its “zero tolerance” of all forms of fraud, bribery, corruption and other behaviors that harm the Company’s legitimate economic interests, and provides guidance to employees on how to prevent and control possible fraud in their work. The Audit Committee is responsible for assisting the Board of Directors in guiding and continuously supervising the Company’s anti-fraud work, so as to ensure the effective operation of the Company’s internal anti-fraud mechanism. The Company has conveyed the anti-fraud policy to all employees and carried out anti-corruption training for employees to enhance employees’ compliance awareness, effectively safeguard the legitimate rights and interests of the Company and Shareholders, and ensure the realization of the business objectives and the continuous, stable and healthy development of the Company.

DIVIDEND POLICY

Subject to the Articles of Association and applicable laws, the Company may declare dividends in any currency at general meeting but no dividends shall exceed the amount recommended by the Board. For further details on the dividend policy of the Company, please refer to the section headed “Dividend Policy” in Directors’ Report in this Report.

AUDITOR'S REMUNERATION

The independent auditor of the Company is PricewaterhouseCoopers. PricewaterhouseCoopers provided services in respect of the audit of the Company's consolidated financial statements for the year ended 31 December 2023 which were prepared in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASS**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

For the year ended 31 December 2023, the total fee paid/payable (excluding disbursements) in respect of audit and non-audit services provided by the independent auditor is set out below:

	RMB'000
Annual audit and related services	3,000
Non-audit services	800
Total	3,800

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for the year ended 31 December 2023. The responsibilities of the Company's auditor on the consolidated financial statements of the Company are set out in the Independent Auditor's Report on pages 155 to 160 of this Report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Board confirms that, to the best of its knowledge and having made appropriate enquires, the Company has adequate resources to continue in operational existence in the foreseeable future and has prepared the financial statements on a going concern basis accordingly.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management (including environment, social and governance risks) and internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. The Board, through the Audit Committee, oversees management on the above systems and conducts a review on the effectiveness of the systems including aspects of finance, operation, compliance control and risk management annually.

CORPORATE GOVERNANCE REPORT

The Group has established a risk management organization to periodically identify, evaluate and manage significant risk matters that may affect the Group's business objectives. The Audit and Supervision Department of the Group has the internal audit function and conducts an independent review on the adequacy and effectiveness of risk management and internal control systems on an annual basis. Such review covers all material control measure and risk management system in aspect of finance, operation, compliance, primarily by (1) interviewing with the Board and supervisors of different operation units regarding the Company's daily operation flow; and (2) paying extra attention to major internal control system, and adopting appropriate auditing procedures to analyse the adequacy and effectiveness of the system. The Audit and Supervision Department reports to the Board from time to time, and has provided its findings and recommendations in respect of enhancing the effectiveness on the risk management and internal control systems of the Company to the Audit Committee, and takes actions to resolve the defects once identified.

The Board has conduct an annual review on the effectiveness of the risk management and internal control system of the Company for the year ended 31 December 2023, and no major deficiencies were found. The Board believes that the risk management and internal control of the Group are adequate and effective.

The key features of the Group risk management and internal control systems include:

- A comprehensive financial accounting system to accurately measure the financial performance of the Group
- The Board monitors and maintains levels of cash and cash equivalents that the management believes adequate to finance the Group's operations
- Prior approval from Directors or senior management regarding commitment for all material matters
- Guidelines on assessing, reporting and disseminating inside information
- Organized and standardized procedures on recruitment and employee relocation
- Periodic review by management on the internal control procedures and risk factors
- Report to the Audit Committee about the findings on identified risks and measures to address such risks

The Group will continue to conduct a periodical review on the internal control and risk management system, to identify potential improvement opportunities and strengthen its governance, risk management (including environment, social and governance risks) and control measures. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programs and internal audit budget in terms of the Group's accounting and financial reporting functions.

The Group has a policy for handling and dissemination of inside information, including relevant control processes and safeguards. The processes and safeguards are implemented when and as necessary by the department head and the management involved in the handling and dissemination of inside information.

COMPANY SECRETARY

Ms. HE Jing is the company secretary and a full-time employee of the Company. Ms. HE Jing is responsible for making recommendations to the Board on issues related to corporate governance, ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed, as well as reporting corporate governance matters to the chairperson and chief executive officer of the Company. For details of Ms. HE Jing, please refer to the section headed "Directors and Senior Management" of this Report.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws strictly, the Board also appointed Ms. MAK Po Man Cherie, the vice-president of SWCS Corporate Services Group (Hong Kong) Limited to be the other joint company secretary of the Company, to assist Ms. HE Jing in discharging the duties of a company secretary. The Stock Exchange has confirmed that Ms. HE Jing has attained the relevant experience and is qualified to act as the company secretary under Rule 3.28 and Rule 8.17 of the Listing Rules. Ms. MAK Po Man Cherie has resigned as the joint company secretary of the Company with effect from 1 January 2024. Ms. HE Jing has served as the sole company secretary from 1 January 2024. For related details please refer to the announcement of the Company dated 29 December 2023.

In compliance with Rule 3.29 of the Listing Rules, Ms. HE Jing and Ms. MAK Po Man Cherie undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings.

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 the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meetings and Putting Forward Proposals

Under the Articles of Association of the Company, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

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 the Company.

Enquiries Made to the Board

Shareholders who intend to put forward their enquiries about their shareholdings to the Board could directly send their enquiries to Hong Kong Share Registrar of the Company, Tricor Investor Services Limited or send email to enquiries@hk.tricorglobal.com or hotline at +852 2980 1333 or go in person to the public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders who intend to raise their inquiries about corporate governance or other matters to the Board could send a written inquiry request marked "The Board" to the Company, and mail the written inquiry request to No. 8, Software Park Road, Ganjingzi District, Dalian, Liaoning Province, China.

Communication with Shareholders

The Company believes that effective communication with Shareholders is essential to enhance investor relations and investors' understanding of the Company's business performance and strategy. The Company also recognizes the transparency of its corporate information and the importance of timely disclosure of such information, which enables Shareholders and investors to make the best investment decisions.

The Board welcomes the views of Shareholders on matters affecting the Company and is committed to maintaining a dialogue with Shareholders, including but not limited to: (i) direct communication with Shareholders at an annual general meeting or any other general meeting of the Company; (ii) the Company ensures that investors and Shareholders of the Company receive accurate, clear, comprehensive and timely information of the Company, by publishing annual reports, announcements and circulars; and (iii) the Company publishes the latest information regarding the Company on the website (<http://www.neuedu.com>), including business operations, financial information, corporate governance practices, company related information and other information.

Pursuant to the Rule 2.07A of the Listing Rules and the Articles of Association of the Company, the Company has disseminated the future corporate communications of the Company to its Shareholders electronically and only send in printed form to the Shareholders upon request. For more details, Shareholders are advised to see the "Dissemination of Corporate Communications" and "New Arrangements on Dissemination of Corporate Communications" on the website of the Company at <http://www.neuedu.com>.

To facilitate communication between the Company and the investment community, the Company regularly conducts briefings and meetings with institutional investors and analysts as well as media interviews and roadshows through individual contacts, to provide the latest and comprehensive information of the Company. Directors, investor relations managers and employees of the Company complied with the disclosure obligations under the Listing Rules in communicating with investors or other outsiders.

The Company has adopted the Shareholders Communication Policy. The Board periodically reviews the implementation of the Shareholders Communication Policy, and has reviewed Shareholders Communication Policy within the year. Considering the existing communication channels with Shareholders and the feedback received from Shareholders, investors and analysts of the Company, the Board believes that the Shareholders Communication Policy was properly implemented and effective in 2023 and the current Shareholders Communication Policy is still appropriate and effective. For more details, Shareholders are advised to see the "Shareholders Communication Policy" on the website of the Company at <http://www.neuedu.com>.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company adopted the revised and restated the Memorandum and Articles of Association of the Company on 11 September 2020, with effect from the Listing of the shares of the Company on the Stock Exchange. In order to conform to the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules, in particular the amendments made to Appendix A1 to the Listing Rules in relation to the core shareholder protection standards, which took effect on 1 January 2022, the Shareholders has passed a special resolution for the adoption of the Second Amended and Restated Memorandum and Articles of Association at the annual general meeting of the Company held on 30 May 2023, which took effect on the same date. For details, please refer to the announcement of the Company dated 29 March 2023 and the circular dated 27 April 2023.

The Second Amended and Restated Memorandum and Articles of Association of the Company are available on the website of the Company (<http://www.neuedu.com>) and the website of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREFACE, AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Corporate Culture and Development Strategy

Neuedu always regards its corporate culture as an internal driving force to support the Company in realizing its development goals and promote its sustainable development. With more than 20 years' development and growth, Neuedu has always adhered to innovation and integration, characteristic school running, daring to be the first, and forging ahead. It has accumulated and formed a characteristic culture system with the unity of knowing and doing.

The Alignment of Corporate Culture with the Long-term Goals of Corporate Development

Our vision is "Leading Education Service Provider of Digital Talents in China", and in striving to realize our goals, we have established the mission of "Boost Smart Education with Digital Technologies and Empower Students with Innovative Education". Led by our corporate culture, we will further build consensus on development, and achieve cultural resonance and simultaneous resonance among all staff, so as to promote the high-quality development of Neuedu's business.

The Alignment of Corporate Culture with the Corporate Value

The values of "Innovation, Integration, Progression, Responsibility and Integrity" are the core of our corporate culture and determine the Company's actions. Values of Neuedu make us always focus on creating student value and take the lead in innovation education. Meanwhile, we see it as our task to serve social development and promote the integration of education with regional economy, industry and information technology to create a win-win ecosystem.

The Alignment of Corporate Culture with the Corporate Strategies

Neuedu's corporate culture explicits the Company's operation philosophy and business orientation. Neuedu has been focusing on digital talent education services in China. It vigorously expands the two major business segments of educational resources and continuing education services based on innovative full-time formal higher education business. Relying on the research and development capabilities of "education + technology", Neuedu has established a service ecosystem in which the three business segments support each other and interact with each other.

ABOUT THE ESG REPORT

The Group is pleased to release the 2023 environmental, social and governance report ("**ESG Report**") to disclose the Group's environmental, social and governance performance in relation to corporate social responsibility and sustainable development.

Basis of Preparation

Prepared in accordance with Appendix C2 of the Listing Rules of the Stock Exchange of Hong Kong, Environmental, Social, and Governance Reporting Guide (the "**Guide**"), and ESG Report has complied with the "mandatory disclosure requirements" and the "comply or explain" provisions, and the requirements of the four reporting principles (materiality, quantitative, balance and consistency) of the Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality	We have disclosed in this ESG Report the process for identifying material environmental, social and governance factors and the criteria for selection, as well as a description of material stakeholders and the process and results of stakeholder engagement.
Quantitative	We have disclosed the information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).
Balance	This ESG Report provides an unbiased picture of our performance during the Reporting Period, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.
Consistency	There is no difference in the preparation of the ESG report compared to that of the previous years. In the future, if there are any changes to the statistical methods or KPIs or any other relevant factors that affect meaningful comparison, we will make clear explanation in future report.

Scope of the ESG Report

The time frame of ESG Report covers the period from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). Unless otherwise stated, the scope of ESG Report is consistent with the scope covered by the Group’s annual report during the Reporting Period. The scope of data for environmental KPIs covers the Group’s headquarters and the three universities operated by the Group, namely Dalian Neusoft University of Information (“**Dalian University**”), Chengdu Neusoft University (“**Chengdu University**”) and Neusoft Institute, Guangdong (“**Guangdong University**”).

Language of the ESG Report

The ESG Report is published in both Chinese and English. In case of inconsistency, the Chinese version shall prevail.

Approval of the ESG Report

The ESG Report has been considered and approved for issue by the Board on 26 March 2023.

Publication of the ESG Report

The electronic version of the Report is published on the Group’s official website (<http://www.neuedu.com>) and the HKEXnews website of the Stock Exchange (<http://www.hkexnews.hk>).

Feedback on the ESG Report

The Group values your views on the ESG Report. If you have any inquiries or suggestions, please feel free to contact us through the following means:

Address: No. 8, Software Park Road, Ganjingzi District, Dalian, Liaoning Province, China

E-mail: IR@neuedu.com

Tel: +86-0411-82379616

1. SUSTAINABILITY GOVERNANCE

1.1 STATEMENT OF THE BOARD

The Group has established the ESG Committee. Under the leadership of the Board of Directors, the ESG Committee has formulated the Group's strategic planning and institutional policies in environmental, social and governance aspects, promoted the effective implementation of the strategic planning and various policies in the Group, and continuously improved the Group's environmental, social and governance level and performance. The Board assumes full responsibility for the Group's ESG strategies and reporting.

During the Reporting Period, the Group conducted a materiality assessment to identify and prioritise material ESG issues in order to formulate appropriate ESG approaches and strategies. We identify and assess material ESG risks (including climate-related risks) that may have an impact on us based on our Comprehensive Risk Management Manual, and we have formulated the Internal Control Management Manual and relevant responding systems to manage these risks¹. We have set a number of ESG related goals and formulated relevant systems and measures to achieve these goals. We also regularly review the targets set and review the implementation progress of various environmental objectives. We will explore more energy saving and emission reduction opportunities in our business operation. The Board will regularly review ESG important issues to ensure the effectiveness of the issues, and regularly review ESG management policies and ESG performance to better fulfill its sustainable development responsibilities.

1.2 SUSTAINABILITY GOVERNANCE STRUCTURE

The aforementioned ESG Committee is chaired by WANG Weikun, the senior vice president of the Group, with HE Jing, the company secretary of the Company and the head of the office of the board of directors (董事會辦公室主任) as the vice chairman, and members include the heads of various departments, so as to ensure that employees with different professional backgrounds are covered and can plan the Group's ESG work from various perspectives. The ESG Committee reports regularly to the Board on the status of the Group's ESG efforts and related risks and, under the leadership of the Board, promotes the implementation of ESG policies, measures and efforts across the Group.

1.3 PROMOTING STAKEHOLDERS' ENGAGEMENT

Maintaining close communication with stakeholders and engaging them in our daily operations have a profound impact on the Group's sustainability governance. This is not only an effective way to listen to the opinions on sustainable development governance, but also an effective way to enhance stakeholders' understanding of our strategies and initiatives. It is also an important part of practicing sustainable development governance. We maintain close contact with stakeholders such as investors/shareholders, teachers/employees, students/parents, business partners, suppliers, government/regulatory authorities, alumni, community/non-governmental organisations, the general public and the media through various communication channels, such as regular results announcement conferences, regular employee communication meetings and seminars, and on-site inspections by the government, regulatory authorities and partners, to understand their expectations and demands on the ESG aspects of the Group so as to continuously optimise our sustainable management and enhance our sustainable development performance.

¹ For the identification, assessment and management of significant ESG risks and climate-related risks, please refer to "3.1 Comprehensive Risk Management" and "5.5 Responding to Climate Change"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major stakeholders	Key focus areas	Main communication channels
Investors/ shareholders	<ul style="list-style-type: none"> Compliant and stable operation Transparency of information Performance achievements Corporate image 	<ul style="list-style-type: none"> Annual general meeting Performance disclosure Investor conference Teleconferences/web conferences Interim report and annual report Shareholder visits
Teachers/employees	<ul style="list-style-type: none"> Career development Employee remuneration benefits Healthy and safe Working environment 	<ul style="list-style-type: none"> Channels for employees to express their opinions (e.g. suggestion boxes, emails, etc.) Work performance evaluation and interview Employee communication meetings Training Business briefings Special discussion panels Seminars/talks
Students/parents	<ul style="list-style-type: none"> Education service quality Healthy and safe Campus Teaching resources Teachers' experience and qualification Student employment rate 	<ul style="list-style-type: none"> Satisfaction survey Supervisory feedback Regular visits Parents' meetings Students' symposium Online platforms (e.g. WeChat group, QQ group, etc.) Phone calls, emails, face-to-face meetings, etc.
Business partners	<ul style="list-style-type: none"> Education service quality Compliant and stable operation Business growth 	<ul style="list-style-type: none"> Strategic partnership projects Cooperation meetings Exchange activities Visits Talks Phone calls, emails, visits, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major stakeholders	Key focus areas	Main communication channels
Suppliers	<ul style="list-style-type: none"> Fair and impartial procurement Business growth 	<ul style="list-style-type: none"> Supplier management procedures Meetings (e.g., negotiation meetings between parties) Supplier/contractor review and evaluation Site visits Tendering activities Phone calls, emails, etc.
Government/regulatory authorities	<ul style="list-style-type: none"> Compliant operation Education service quality Teacher qualification 	<ul style="list-style-type: none"> Talks School assessment School visits Compliance review on education operation Annual inspection, audit, etc.
Alumni	<ul style="list-style-type: none"> School reputation School development 	<ul style="list-style-type: none"> Media information School websites Alumni events Official media (e.g. official accounts, video accounts, etc.), phone calls, emails
Community/non-governmental organisations	<ul style="list-style-type: none"> Promote community development Participation in public charity Environmental protection 	<ul style="list-style-type: none"> Public welfare activities Education fund/scholarship Community events Talks
General public	<ul style="list-style-type: none"> Education service quality Teaching resources Information transparency 	<ul style="list-style-type: none"> Media information Official website Education fair Public announcements (e.g. teaching quality reports), official media, phone calls, emails
Media	<ul style="list-style-type: none"> Corporate image Performance achievements 	<ul style="list-style-type: none"> Press releases News Senior executives interviews Performance disclosure Media gatherings

1.4 MATERIALITY ASSESSMENT

In order to identify key ESG aspects of concern and disclosure, we engaged an independent consultant to conduct a materiality assessment and analysis of ESG issues during the Reporting Period.

Steps of materiality assessment during the Reporting Period

1. Identify key stakeholders and important ESG issues

We identified key stakeholders based on our business operations, the degree of interaction between our stakeholders and us, and other factors. By considering our business development direction and operations, we identified 28 potentially important ESG issues with reference to the Guide of the Hong Kong Stock Exchange and the materiality map of the Sustainability Accounting Standards Board (SASB).

2. Stakeholders' participation in questionnaires or interviews

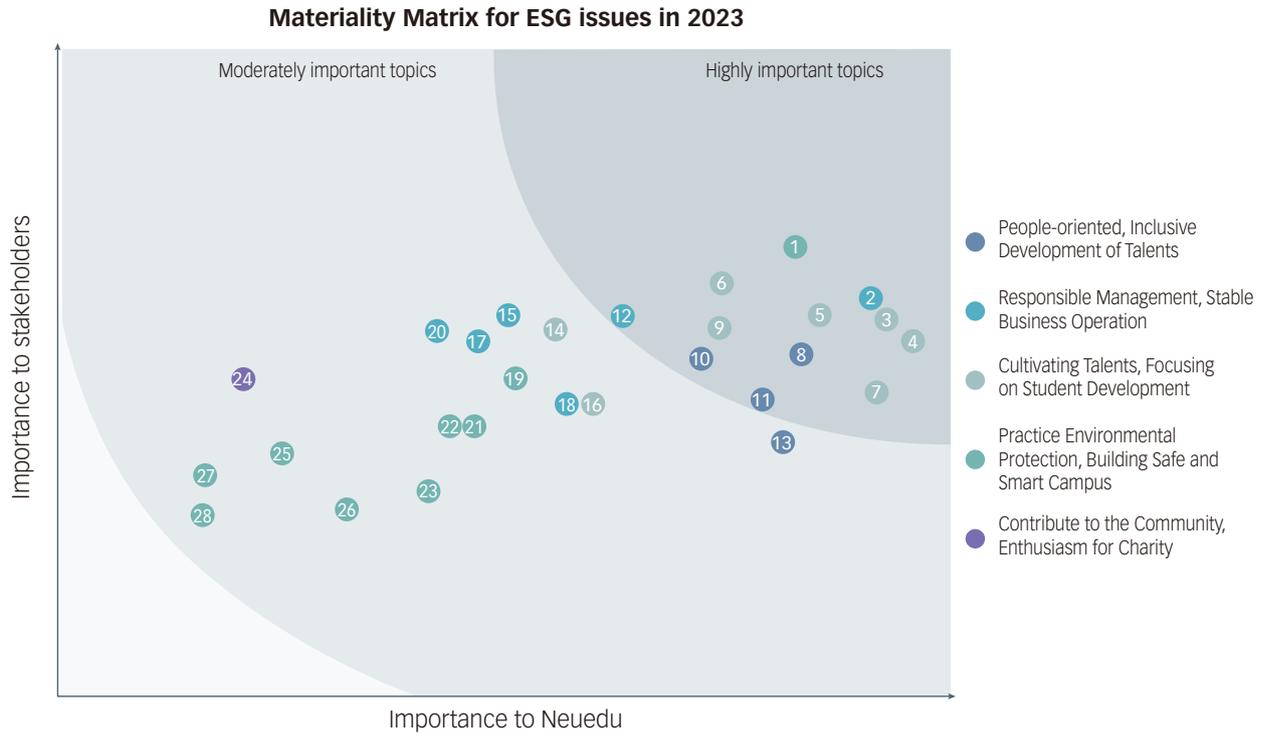
During the Reporting Period, we conducted questionnaire surveys or interviews with students/parents, teachers/employees, investors/shareholders, government/regulatory authorities, business partners, suppliers, communities/non-governmental organisations and other stakeholders to understand their concerns and appeals on the Group's ESG issues.

3. Analysis of important ESG issues

Based on the results of the questionnaire surveys and interviews, we conducted materiality assessment based on two dimensions, namely the importance to stakeholders and the importance to the Group's development, prioritized important ESG issues to form a materiality matrix, and finally determined 12 highly important issues and 16 moderately important issues.

4. Determination of the results of material ESG issues

The Board and management of the Group confirmed the materiality assessment results of ESG issues and discussed and analysed the key concerns of stakeholders to adjust the Group's sustainable development strategy accordingly.



Based on the results of the materiality matrix, Neuedu has identified the direction of important ESG issues, including "Cultivating Talents, Focusing on Student Development", "Responsible Management, Stable Business Operation", "People-oriented, Inclusive Development of Talents", "Practice Environmental Protection, Building Safe and Smart Campus" and "Contribute to the Community, Enthusiasm for Charity". This ESG Report will focus on these five aspects to reflect our ESG focuses and contributions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Highly important ESG topics	Relevant sections
1	Health and safety of students	Practice Environmental Protection, Building Safe and Smart Campus
2	Compliance operation	Responsible Management, Stable Business Operation
3	Advanced teaching concepts and methodology	Cultivating Talents, Focusing on Student Development
4	Quality control of teaching services	Cultivating Talents, Focusing on Student Development
5	Investment in research and development	Cultivating Talents, Focusing on Student Development
6	Abundant and quality educational resources	Cultivating Talents, Focusing on Student Development
7	Employment quality of students	Cultivating Talents, Focusing on Student Development
8	Health and safety of staff	People-oriented, Inclusive Development of Talents
9	Students' growth	Cultivating Talents, Focusing on Student Development
10	Qualifications and professional conduct of teachers	People-oriented, Inclusive Development of Talents
11	Protection of employment rights and welfare	People-oriented, Inclusive Development of Talents
12	Brand promotion and corporate culture	Responsible Management, Stable Business Operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Moderately important ESG topics		Relevant sections
13	Employee training and development	People-oriented, Inclusive Development of Talents
14	Communication and complaint handling of students, parents and customers	Cultivating Talents, Focusing on Student Development
15	Protection of intellectual property right	Responsible Management, Stable Business Operation
16	Innovation and smart teaching	Cultivating Talents, Focusing on Student Development
17	Responsible supply chain management	Responsible Management, Stable Business Operation
18	Anti-corruption	Responsible Management, Stable Business Operation
19	Smart campus and green office	Practice Environmental Protection, Building Safe and Smart Campus
20	Information and privacy protection	Responsible Management, Stable Business Operation
21	Consumption and efficiency of water resource	Practice Environmental Protection, Building Safe and Smart Campus
22	Waste management	Practice Environmental Protection, Building Safe and Smart Campus
23	Pollution reduction and emission reduction	Practice Environmental Protection, Building Safe and Smart Campus
24	Involvement in welfare and charity	Contribute to the Community, Enthusiasm for Charity
25	Greenhouse gas emission management	Practice Environmental Protection, Building Safe and Smart Campus
26	Energy consumption and efficiency	Practice Environmental Protection, Building Safe and Smart Campus
27	Use of resources and materials	Practice Environmental Protection, Building Safe and Smart Campus
28	Responding to climate change	Practice Environmental Protection, Building Safe and Smart Campus

2. CULTIVATING TALENTS, FOCUSING ON STUDENT DEVELOPMENT

2.1 INNOVATIVE EDUCATIONAL CONCEPT

Based on constructivism and cognitive development theory, and integrated with the Outcome-Based Education (OBE) engineering education concept, we have creatively proposed TOPCARES² methodology, and comprehensively implemented the TOPCARES integrated talent training model, which focuses on student development, internalises and calibrates the results of international engineering education reform. In order to keep up with the demands of the time, continue to iterate the TOPCARES methodology, further promote the reform of hybrid education, and help the digital transformation and upgrading of education, we pioneered higher education reform, integrated the latest achievements of international engineering education reform, and followed with domestic and overseas authoritative indicator systems in 2023. Focusing on the five major capacity themes of “Digital Literacy, Complex Problem Solving Ability, Students’ Comprehensive Development, Sustainable Development, Diversity and Inclusiveness”, we updated and formed the “TOPCARES Training Evaluation System V3.0”, which consists of 8 first-level indicators, 28 second-level indicators and 108 third-level indicators. At present, the TOPCARES methodology has been applied to the education and teaching process of all majors in our three universities, which plays an important role in improving the overall quality of students and achieving high-quality employment and entrepreneurship.

2.2 CARE FOR STUDENTS

We have adhered to the original intention of running schools, and the educational concept of “education creates student value”. We empower students to grow comprehensively by giving attention to their psychological health, expanding their professional knowledge, supporting their innovation and entrepreneurship, and striving to reach full employment.

Constantly pay attention to students’ psychological health. We attach importance to the development of students’ physical and psychological health, and carry out all kinds of psychological health education activities through multiple channels, forms and media to help students correctly understand themselves, and pay attention to self-psychological situation, so as to constantly improve students’ psychological quality and ego personality. At the school level, we pay attention to students’ personal growth and exploration, imagination and creativity training and emotional support. In 2023, we planned and undertook a series of thematic activities, such as “3.25 Love Me – Embracing Your Hundreds of Emotions” and “5.25 University Students’ Psychological Health Awareness Month”, to create campus brand activities, such as “Star River Dream Initiation”, “Psychological Oxygen Bar” and “Listening to Your Heart”. At the professional level, we organized and undertook a variety of psychological health activities for each class, including psychological health knowledge sharing sessions, group psychological outward bound, psychological film appreciation, psychological cartoon contest, meditation, coloring pressure reduction, exercise pressure reduction, etc., so as to help students develop healthy mental states which are self-liking and positive.

² TOPCARES is a combination of the first English letter of the eight primary culture indicators, which are Technical knowledge and reasoning, Open thinking and innovation, Personal and professional skills, Communication and teamwork, Attitude and manner, Responsibility, Ethical values, Social Value Created by Application Practice. The integrated and synchronous training of these eight training indicators fully reflects our “TOPCARES” for students.

Actively broaden students' professional horizons. In order to help students apply what they have learned in time and continuously improve their professional abilities, we support students to participate in various academic competitions, and carry out same-stage competition, learning and exchanges with domestic and foreign college students at home and abroad to fully demonstrate the professional style of the students from Neuedu. In 2023, our students won more than 5,500 provincial-level third-level or above awards in various major academic competitions. At the same time, in order to give students chance to experience diversified cultures and improve their overall quality, we give full play to the advantages of group-running schools and organize intercollegiate exchanges among students from the three universities, so that students from different universities and regions get different learning and life experiences. Moreover, in order to improve students' international vision and their ability of cross-cultural communication, learning and cooperation, we actively undertook various collaboration with universities and colleges abroad, such as dual degree and exchange programs with universities and colleges in different countries, such as Japan and South Korea, and overseas learning programs in the practice term with universities and colleges in the United Kingdom, Malaysia and other countries in 2023, all of which have enhanced the cross-border learning and living abilities of our students and increased their personal experience and insights.

Give full support for students' innovation and entrepreneurship. We have attached importance to innovation and entrepreneurship education since the beginning of our school running, which has been widely recognized by all walks of life over the years. In order to cultivate students' innovation and entrepreneurship thinking, awareness, spirit and ability, we integrated innovation and entrepreneurship education combined with professional education and all-round education into the whole process of talent cultivation. Relying on our original SOVO (Student Office & Venture Office) platform, we built an advanced practice system of "universal education of innovation and entrepreneurship + innovation and entrepreneurship project implementation + virtual company operation + entrepreneurship results incubation". In 2023, our students were awarded 245 national projects of University Students' Innovation and Entrepreneurship and 480 provincial projects, successfully incubated more than 260 virtual companies and founded nearly 100 physical companies.

Comprehensively help students to be fully employed. High-quality employment of students is an important indicator of our competitiveness. Our career guidance and services are given through the entire university-study period of each student, providing targeted services for students' occupational understanding, planning and selection at all stages. We actively give career guidance for students, expand their employment channels through "going out" and "bringing in", and help them obtain high-quality employment. On the one hand, we actively "went out" to explore potential jobs, and built the platform of "school, government, enterprise and industry" by visiting government authorities, enterprises, industry associations, science parks, etc., so as to expand employment channels; at the same time, we made full use of alumni resources to promote the employment of students in alumni enterprises by visiting alumni enterprises for exchanges and inviting alumni to return to school to give career development lectures. On the other hand, we took the initiative of "bringing in" and established various employment platforms to improve the employment competitiveness of graduates by holding online and offline double-channel choosing meetings, inviting HRs of first-class enterprises and senior mentors to the universities to give lectures on job-hunting skills, and organizing career experiential activities. With our unremitting efforts, the employment rate of fresh graduates from each of the three universities in 2023 exceeded 90%.



Campus Tour of Intercollegiate Exchange Students



Forum for Intercollegiate Exchange Students

2.3 STRICT QUALITY MANAGEMENT

Quality is the cornerstone of our survival and development, and the fundamental guarantees for the sustainable development of our businesses. With reference to the advanced quality management concepts and methods such as OBE and PDCA, and oriented to the training of applied talents, we have constantly improved the TOPCARES quality assurance system and optimized the operational mode of “education and teaching, education quality and teaching support”. Based on strict quality standards digital means, we have built a closed-loop quality assurance system empowered by big data with full participation, whole process monitoring, and all-round evaluation, which includes six sub-systems of quality planning, organizational assurance, process resource management, information collection and analysis, quality inspection and evaluation, and feedback control and improvement. We have constantly optimized the evaluation model and improvement mechanism empowered by literacy and big data, strengthened the construction of a “big data perception” quality evaluation system and an “internal and external driven” system to support teachers’ development. We collect, analyze and utilize data from the whole process of teaching and learning, so as to continuously empower the education and teaching reform and high-quality development of the universities.

Our quality assurance system has been widely recognized externally. In 2023, a number of our quality construction achievements were selected as outstanding achievements by national, provincial and related organizations, including the case collection of the Education Quality Assessment Center of the Ministry of Education, the typical cases of education evaluation reform in Liaoning Province and Guangdong Province, the “first national exemplary cases of quality culture construction in higher education” by the Chinese Network of Internal Quality Assurance Agencies in Higher Education (CIQA), and were awarded the first prize of the “selection and establishment of excellent examples of quality assurance system in different types of colleges and universities in China” by CIQA.

2.4 SMOOTH COMMUNICATION CHANNELS

In order to continuously improve the quality of our education services, it is important to establish a smooth feedback mechanism and make continuous improvements on this basis.

Based on the “Student Informant System”, we regularly collect information from all informants across the campus, comprehensively collect students’ comments on learning, life and other aspects. Then, we send the “Quality Notice” to all departments of the universities soon, and deal with the feedback in time. We have a “student feedback platform” in our self-developed smart student system. Students can log in the smart student system at any time to submit their personal feedback, we will give feedback to the students within 24 hours after receipt of their feedback. Our response rate this year reached 100%. In addition, we regularly hold student forums, so as to understand students’ opinions on school teaching management, teachers’ teaching and other aspects through “face-to-face” communication, and solve the problems and perfect related work as soon as possible.

We have also established a “Family-school Connection System” to strengthen the communication between the school and parents, and help parents know more about their children’s situations in the school through investigation of family conditions, contact and communication between family and school, hospitality of parents’ school visit, seminars and visiting the family of students with special needs. In 2023, our education and teaching services were widely praised, and there were no material complaints about the quality of the education and teaching services throughout the year.

According to the development needs of education resources and continuing education business, we also collect customers’ opinions on various services through interviews, online platforms, follow-up phone calls, questionnaires and other means, and improve in time based on the feedback.

3. RESPONSIBLE MANAGEMENT, STABLE BUSINESS OPERATION

3.1 COMPREHENSIVE RISK MANAGEMENT

We are fully aware that a sound, complete and effective risk management system contributes to the sustainable, healthy and stable development of the Group. We formulated the Comprehensive Risk Management Manual by adopting the Risk Management System of the Committee of Sponsoring Organisations of the Treadway Commission with reference to the actual situation of the Group, integrating risk management into our operation management to create and maintain corporate value.

We specify the risk management organisation structure and the responsibilities of each department in risk management in the Comprehensive Risk Management Manual. We have established a risk management committee composed of senior management and heads of various departments, and the committee carries out the risk management under the authorisation of the Board. The Risk Management Office is authorised by the Risk Management Committee to carry out the daily work of the Group's risk management. The Audit and Supervision Department independently supervises the risk management based on the authorisation of the Audit Committee under the Board.

Our comprehensive risk management process consists of five steps, including identification, assessment, response, supervision and reporting, to manage various risks of the Group, such as strategic risk, financial risk, market risk, operational risk, legal risk, various environmental, social and governance risks (including climate-related risks).

The Company is commencement a full range of risk control from internal environment, risk assessment, controls over activities, information communication and internal supervision. In order to conduct risk management in a more effective manner, we have formulated the Comprehensive Risk Management Manual with risk management as the core, which specifies the management objectives, management systems or related documents of various risks and provides guidance for risk management in order to strengthen the Group's risk prevention capabilities and provide reasonable protection for the Group's strategic development. We have identified and assessed environmental, social and governance risks in each business process that may have a significant impact on us in accordance with a comprehensive risk management process, including those related to environmental protection and resource conservation, human resources, students' safety, procurement, engineering projects, outsourcing, intangible assets, research and development, information systems, etc. In order to manage these environmental, social and governance risks, we have established and improved various management systems, management methods or management regulations. The identification, assessment and management of major climate-related risks will be described in "5.5 Responding to Climate Change" in ESG report.

3.2 STRICT COMPLIANCE OPERATION

Neuedu adheres to compliance operations and strictly abides by various laws, regulations and industry regulatory requirements related to our business, such as the Education Law of the People's Republic of China and the Private Education Promotion Law of the People's Republic of China and its implementation regulations.

3.2.1 Intellectual property management

In order to protect the legitimate rights and interests of the Group and facilitate the promotion, application and transformation of scientific and technological achievements, we have formulated the Intellectual Property Management Measures in accordance with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Regulations on the Implementation of Copyright of the People's Republic of China and other relevant laws and regulations to regulate the management of intellectual property rights of the Group. This year, the Group added 21 software Copyrights, owned 70 trademark rights and continued to increase, and added intellectual property management system certification and CMMI level 3 qualification certification.

The Intellectual Property Management Measures stipulates the ownership of intellectual property rights created during the work, management measures for intellectual property declaration, intellectual property confidentiality management systems and intellectual property transfer management methods, so that our due intellectual property rights can be effectively protected. At the same time in order to motivate teaching staff to carry out scientific research and enhance the scientific and technological research and development capability and service capability of the universities, we have formulated the Calculation Method for Scientific Research Workload and the Incentive Method for Significant Achievements to measure the scientific research capability of the staff and their contribution to scientific research, and to give rewards to them.

In addition, we firmly support the use of legitimate teaching and research teaching data and fully support the intellectual property rights of others.

3.2 Information release and brand management

In order to strengthen the brand management of Neuedu, ensure the accuracy, timeliness, completeness and effectiveness of information release, improve the Group's ability to prevent against brand risks, and at the same time promote the effective use of media resources and brand innovation, we have formulated the Compilation of Brand Management Systems in accordance with the Advertising Law of the People's Republic of China and the Measures for the Administration of Internet Information Services. These include the "news information release management system", "brand market activity planning management system", "media resource management system", "event management system", "media public opinion management system", "visual image identification system management system" and "domain name management system". This year, the Brand Marketing Department of the Group revised the "News Information Release Management System", "Media Public Opinion Management System" and issued the "Notice on Further standardizing and Clarifying the division of Work in the formulation and implementation of the Brand Marketing Department planning Plan" in combination with the actual situation of the Education Group.

The Brand Marketing Department and the University Management Department of the Group are responsible for coordinating the brand promotion and marketing work of each business department and each university, giving guidance, management and supervision. Ensure that the content of information released on websites or new media platforms and external media is accurate, and strengthen the organization and release of news spokespersons and media interviews. We have also stipulated this in the Confidentiality Management System. In addition, we have also established a public opinion collection, monitoring and research and judgment mechanism, customer feedback and satisfaction survey mechanism, timely and comprehensively collect research and judgment of the media, the public, investors, customers and other concerns about the Group. The brand Marketing Department of the Group periodically organizes relevant units to carry out public opinion research and judgment and early warning, and timely organizes news release and public communication.

3.3 COMMITMENT TO INTEGRITY

Neuedu strictly abides by the Anti-unfair Competition Law of the People's Republic of China. By following the principles of resolving both apparent and fundamental issues, comprehensive management, combining punishment with prevention and emphasis on prevention. We strictly enforce the Anti-Fraud System according to the relevant provisions of the Company Law and the Prevention of Bribery Ordinance, to strengthen education and supervision, and build an incorruptible corporate atmosphere, guide all employees of the Group and the stakeholders to act in accordance with the law, conduct fair competition and be honest and trustworthy. During the Reporting Period, the Group had no lawsuits involving corruption, bribery, extortion, fraud and other violations of laws and regulations.

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We have actively promoted anti-fraud management in the following aspects:

- In terms of employment management, we conduct strict background investigation for staff who are preparing to hire or promote to important positions, such as education experience, work experience, integrity records, etc, focusing on the inspection of personal conduct and past experience.
- In terms of the code of conduct, we have formulated the code of conduct for employees, specifying the basic code of conduct that employees must abide by, and the company policies that should be followed when dealing with the company's affairs, such as the acceptance of advantages, the declaration and management of conflicts of advantages, and the acceptance of hospitality.
- In terms of training and education, we provide various forms of publicity or training on anti-fraud to ensure that employees receive training on relevant laws, regulations and professional ethics. This year, We have conducted two trainings on Anti-Fraud for new employees, the coverage rate of which reached 100%. At the same time, for all directors, the training "Elements of Building Corporate Integrity Culture" was carried out, including the role and responsibility of directors to prevent corruption, integrity culture, and maintaining a clean society.
- In terms of fraud handling, we publicly disclose the handling results of major fraud events, so that all employees can fully understand the harmfulness of fraud and take a warning; at the same time, we encourage the reporting of unethical and dishonest behaviors in real name or anonymously, and reward those who provide valuable reporting clues.
- In terms of prevention and supervision, the Audit and Supervision Department of the Group carries out investigations and studies, grasp the characteristics and laws of improper transactions and commercial bribery, study targeted and specific countermeasures and measures and implement various methods such as education and publicity, perfecting the system, reporting and monitoring, so as to effectively prevent typical, symptom and tendency problems; it identifies the key sections and focus areas of the businesses of the Group which are likely to give rise to fraud and conduct key audits; it return visits to suppliers, customers, etc. from time to time to find out whether relevant employees have corrupt behaviors in the process of cooperation.
- In order to effectively prevent and punish all kinds of corruption and bribery and other violations of laws and regulations, we strictly abide by the "Administrative Measures of Reporting and Monitoring", and include the anti-fraud work in the annual audit work. Any unit or individual can prosecute and expose to the Audit and Supervision Department of the Group by letter, email, telephone, face-to-face and other channels. We will keep the personal information of the reporter and the content of the report strictly confidential. After receiving the report, we will conduct a preliminary investigation of the report information as soon as possible. After confirming that the report information conforms to the scope of the report acceptance, the report clue is clear, and the report evidence supports the audit investigation, we will accept the relevant report and carry out the investigation and ensure that the reported event is dealt with in a timely and effective manner. For the violations of laws and regulations verified by the investigation, we will punish those responsible for violations of rules and disciplines according to the relevant management systems of the Group; if the case constitutes an economic crime, we will transfer them to the judicial authorities for criminal liability.

3.4 INFORMATION AND PRIVACY PROTECTION

As a digital talent education service provider, Neuedu attaches great importance to information security and protecting the privacy of customers and students. We strictly abide by the Regulations of the People's Republic of China on the Security Protection of Computer Information Systems and the Administrative Measures on the Protection of Computer Information Network Internet Security and other laws and regulations related to information security. In order to standardize and manage the operation and maintenance of the Group's information technology, the Group has formulated the IT Operation and Maintenance Management System, which includes the computer rooms management, regular inspection, network access, Emergency response, Fault management and other aspects for prevention and control, to ensure the safe, stability and efficient operation of our information system. Network operation and maintenance staff should follow the data center confidentiality system to ensure the security of user information, strictly implement the approval process and keep records of all operations. The Internet Data Center of the Group and each university should organize annual internal audit to ensure the effectiveness of the work.

In order to further standardize the confidentiality of internal information and maintain the information security of the Group, we have also strictly abided by the Confidentiality Management System. All employees of the Group shall assume confidentiality obligations for the confidential information of the Group. Without approval, it is not allowed to disclose, report or transmit contents related to confidential information of the Group to the outside world.

The key measures of the Confidentiality Management System are as follows:

- Strictly manage the carriers of confidential information. The production, receiving and sending, transmission, use, reproduction, preservation, maintenance and destruction of confidential information carriers shall be subject to the necessary approvals and records
- Standardize the management of the confidential information transmission process
- Standardize the management of office premises, and all visitors must register before entering
- All employees must sign a confidentiality agreement with the Group or relevant department upon entry
- The news, communications, reports and other works or articles released by the Group to the public must not involve any secrets of the Group, and the relevant manuscripts must be subject to confidentiality review by the President's Office
- For those who fail to manage or mismanage the confidential information according to this system, in addition to giving corresponding punishment to the directly responsible person, main person in charge of the department will also be held accountable, and the directly responsible person and his department will be given corresponding economic penalties. In serious cases, they will be handed over to judicial organisations and investigated for legal responsibilities

3.5 SUSTAINABLE SUPPLY CHAIN MANAGEMENT

In order to strengthen the supply chain management, standardise the procurement work and ensure the quality of procurement project, we established the Bidding and Procurement Work Leadership Group Office (hereinafter referred to as the "Office") to be responsible for the procurement of the whole Group. In 2023, the office further improved and revised the "Neuedu Procurement Management Regulations" and "Bid Evaluation Expert Database Management Measures", etc.

In the procurement process, corresponding departments will first submit their procurement demands in the system, while the office will be responsible for procurement upon approval. The office is responsible for taking strict control over the procurement process and selecting appropriate procurement methods, including public bidding, invitation to bid, competitive negotiation, single-source procurement, inquiry procurement, online platform procurement, etc. Except for single-source procurement, if there are less than three candidate bidders or suppliers, we will reorganize the bidding.

We have established the group's supplier database and set up the supplier entry threshold. The office will select or collect the shortlisted suppliers from the suppliers in the supplier database. The procurement strictly reviews the technical documents provided by the suppliers, and also carries out market research and technical analysis to ensure that it meets our and market needs. Under the premise of ensuring product quality, promote suppliers to fulfill environmental and social responsibilities, and actively carry out supplier communication and capacity improvement work.

Supplier Access: Set up a supplier qualification review team to pre-examine the new supplier's qualification, business ability, manpower, financial status and legal status. Conduct site inspection and review according to project requirements, and strictly ensure supplier quality.

Supplier Management: Establish supplier database and update supplier list dynamically according to supplier evaluation results. Based on the assessment results, establish hierarchical management of suppliers. For unqualified suppliers in the warehouse, they are prohibited to use within three years.

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To secure the integrity and self-discipline of our suppliers in cooperation, we also require candidate bidders or suppliers to sign the “Social Responsibility Commitment” and give an undertaking on meeting the following requirements in terms of compliance, environmental and social performance:



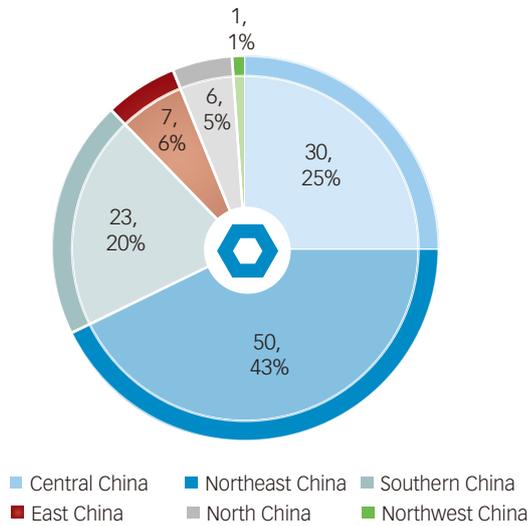
We stipulate that all employees involved in procurement activities must abide by relevant national laws and regulations, carry out their work according to the prescribed authority and procedures, maintain integrity and self-discipline, and accept supervision. The Audit and Supervision Department of the Group has the right to supervise and inspect our supply chain management. We have stipulated the integrity agreement on anti-commercial bribery in the contract signed with the supplier. If any violation of such agreement is found, we will terminate the contract with the supplier and require the supplier to take corresponding legal responsibility.

Furthermore, we advocate green procurement. The University’s Energy Conservation and Emission Reduction Programme stipulates that every infrastructure project of each university, as well as newly purchased equipment, parts and consumables, must meet the national environmental protection and energy conservation requirements. We take our own initiative to apply new energy-saving products, strictly implement the government’s plan on the energy-saving catalog procurement, give priority to the energy-saving products and energy-saving materials when purchasing and eliminate high-energy-consuming equipment and products that are explicitly prohibited by the government. We have also planned to eliminate and remodel severely aging and overdue equipment in an effort to reduce energy consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we have officially launched our online supplier qualification process and supplier database; 209 suppliers in the database have been implemented relevant supplier access practices thereupon and passed our qualification review, including 117 major suppliers having cooperated with us with the amount in excess of RMB200,000 this year, which provide us with electronic equipment, furniture, electrical appliances and other products, as well as repair and maintenance, property management, security, greening and consulting services, etc.

DISTRIBUTIONS OF SUPPLIERS



4. PEOPLE-ORIENTED, INCLUSIVE DEVELOPMENT OF TALENTS

Neuedu is well aware that excellent employees are the foundation that supports the continuous progress of our business, and the valuable asset for our sustainable development. In order to accelerate the construction of a high-level talent team, we optimise the human resource development plan that is in line with the development strategy of the Group, focused on the goal of building a talent team with coordinated development of scale, quality and structure, and strengthened the talent management mechanism to support the construction of organizational capabilities and the improvement of business performance. We protect the rights and interests of our employees and care about their well-being. By improving the position ranking system, optimizing the promotion mechanism, strengthening performance management, optimizing the salary structure, strengthening the associated incentives, promoting the growth of the talent team, and further improving employee satisfaction and loyalty. We attach great importance to talent development and improve the business capabilities of our employees through various types of training channels. We are people-oriented, committed to attracting and cultivating outstanding talents, and achieving the inclusive development of talents.

In terms of faculty, we attach great importance to the management of the team of teachers. In order to strengthen the management of teachers' teaching quality, promote the transformation of teachers' evaluation from "teaching evaluation" to "learning evaluation", and make the evaluation of teaching really help teachers improve teaching methods, improve teaching level and teaching quality, we have formulated management systems such as the "Management Measures of Sequential Teacher Positions", "Measures for Workload Assessment of Full-time Teachers", "Methods for Calculating Teachers' Teaching Workload" and "Measures for Evaluating Teachers' Teaching Quality" embracing the positioning of high-level, professional, application-oriented and international teaching force, aiming to conduct regular assessments on teachers' workload and teaching quality and conduct objective evaluation of teachers' teaching quality by means of "qualitative+quantitative" evaluation to ensure that the management of the teaching force is scientific, standardised and reasonable, promote teachers to improve teaching work accurately and improve the overall teaching quality.

We are also committed to promoting their ethics and professional conduct. In terms of institutional construction, the Group has issued the Notice on Thorough Implementation of the Ministry of Education's Ten Standards for Professional Conduct of Teachers in Universities in the New Era, which implements a "one-vote veto" for teacher misconduct in the engagements such as teacher recruitment, contract signing, title evaluation, annual assessment, merit evaluation and commendation and rewards. In terms of management measures, three universities organise and carry out a series of special education activities on teacher ethics for all teachers, and establish a teachers' improper behavior warning system, effectively prevent teachers' improper behavior, effectively promote the normalization and long-term construction of teachers' ethics, and guide teachers to implement the fundamental task of moral cultivation.

4.1 FULL PROTECTION OF RIGHTS AND INTERESTS

Neuedu strictly abides by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other relevant laws and regulations, and take various measures to safeguard employment rights. We have established a comprehensive employment management system and formulated a series of employment management documents, such as the Employee Handbook, the Recruitment Management System, the Salary Management System, the Performance Management System and the Employee Code of Conduct, to regulate all aspects of employment management including employee recruitment, salary and benefits, performance management, promotion, working hours, holidays and dismissal.

The Employee Handbook stipulates that the Group strictly prohibits any discrimination based on gender, ethnicity, race, religious belief, nationality, age and other factors in recruitment, salaries and benefits, training, promotion and dismissal, and respects multicultural and religious beliefs. Our recruitment process follows the principle of openness and fairness. Through multiple channels such as internal recruitment and external recruitment, we select suitable talents who meet the requirements by the position in terms of the character, knowledge, experience and capability. We strictly abide by the Provisions on Prohibition of Child Labour and review and inspect the applicant's ID card, academic certificate, and the information provided in the Job Application Form and other materials in accordance with the Recruitment Management System. If the information provided by the employee is found to be false, we have the right to terminate the labour contract with such employee immediately.

The Group strictly abides by the Labour Law of the People's Republic of China and signs labour contracts with employees on the basis of legality, fairness, equality, voluntariness and consensus, which will clearly set out the terms of employment. When recruiting employees, we are not allowed to collect deposits or earnest money, nor do we seize ID card, certificates or other statutory documents from the applicants. To avoid forced labour, we have formulated the Time Management System, which implements a standard working hour system of 8 hours a day and 40 hours a week, and allows employees to apply for leave based on their actual conditions. We strictly prohibit and never employ child labour or forced labour. If any violations in respect of child labour or forced labour are found, we will take immediate action to stop the violation and will follow up in strict accordance with relevant laws and regulations.

The termination and cancellation of all labour contracts of the Group are in compliance with national laws and regulations and the Company's rules and regulations. We hope that our employees can develop with us. If an employee proposes to resign, we will arrange a resignation interview to understand the employee's thoughts and needs. We will try to retain outstanding talents. If the employee is willing to stay with the Group after the resignation interview, we will assist him/her to find a platform for continued development.

In order to promote the continuous improvement of employees' work efficiency and make a reasonable evaluation of their performance, we have formulated the Performance Management System and established a performance management system based on key performance indicators. We follow the principle of openness, fairness and justice and use the actual performance of the assessed as the basis for assessment. The results of performance appraisal will be applied to employees' bonus, salary, promotion and training, so that the employees will be motivated to improve their work performance.

4.2 WARM CARE FOR EMPLOYEES

Neuedu cares about the needs of employees and understands that compensation and benefits serve as the driving force, incentive and reward for employees to create value for the Group. The Group optimises the remuneration mechanism, and effectively combines the interests of employees with our business development to provide employees with competitive remuneration. In addition to the basic salary, we have performance bonuses granted based on their performance and special bonuses for achieving significant results or win great reputation for the company, in order to encourage employees' outstanding performance.

In addition, Welfare is an important part of the Group's overall compensation system. The welfare system of Neuedu is based on the national basic social security system and is constantly innovated and improved through combining with the actual situation of the Company, aiming at providing rich and complete welfare protection for the employees.

In order to enhance the convenience of employees' work and life for the employees and effectively achieve a balance between their work and life needs, in addition to providing the employees with five social insurances and housing fund and statutory holidays prescribed by the state, we have also set up supplementary benefit schemes, includes enterprise annuity scheme, welfare leave plan (such as paid annual leave, marriage leave, prenatal check-up leave, maternity leave, lactation leave, nursing leave, funeral leave, etc.) supplementary commercial insurance, body checkup, wedding allowance, fertility allowance, funeral condolence payment, birthday benefits and holiday benefits, to convey employees care and blessings of Neuedu.

Comprehensive health and safety protection

The Group is committed to ensuring the health and safety of employees. All of our employees are entitled to free physical examinations. In addition, we also provide additional favorable physical examinations packages for the employees' families, putting our care into practice for the employees and their families. We also employ relevant experts to conduct physical and mental health lectures, guiding employees to establish correct health concept, to improve the physical and psychological "immunity" of employees.

Diverse employees' activities

Neuedu not only cares about the work needs of employees, but also regularly organises and carries out various employee activities, trying to promote the work-life balance between employees, enrich their daily life, and promote the sustainable development of the Group. During the Reporting Period, Neuedu organized various welfare activities such as Women's Day activities on March 8th, Children's Day activities on June 1st and Mid-Autumn Festival activities. By organizing a series of cultural activities such as annual meeting, award ceremony, corporate culture knowledge Q&A, new and old staff exchange meeting, etc., to improve the cohesion, centripetal force and sense of belonging between teams. We will continue to promote the construction of characteristic culture, gather development consensus, institutional consensus, environmental consensus, and behavioral consensus, and achieve cultural resonance and co-frequency resonance of the whole staff, guided by the construction of first-class culture.



NeuFun Carnival



4.3 EXCELLENT TALENT CULTIVATION

Neuedu is committed to providing each employee with an open career development platform and opportunities. “We provide our employees with opportunities for career development, not just a job” is the Group’s commitment to employees. We encourage employees to actively participate in academic education or professional skills training. We support the continuous development of employees through centralised training, corporate training, academic lectures, special seminars and broadening of channels for educational qualification improvement, and also enhance our staff’s education and teaching ability, engineering practice ability and application research and development ability with a view to reinforcing the construction of first-class talent team.

We provide different types of employees with diversified and customized trainings which are suitable for their needs, such as start-up education and training for new employees, coaching by internal mentors, development plans for key staff, succession plans for key positions, leadership development plan, etc.

During the Reporting Period, based on the business needs and the employee development plans, the Group organised a series of training activities totaling more than 240 in terms of teaching and research, innovation and entrepreneurship, cutting-edge technology, vocational skills, beginners’ education through various ways such as internal special training, lectures by external experts and outbound exchange. 2,822 employees participated in the training, and the average training hours of full-time general employees reached 31 hours. Through the trainings, the basic quality and professional level of faculty and staff have been improved in both theoretical and practical aspects. Details of training Please refer to Appendix I: KPI Data Table for the Group’s staff training details.

5. PRACTICE ENVIRONMENTAL PROTECTION, BUILDING SAFE AND SMART CAMPUS

With the aim of providing students with a high-quality living and learning environment, we have taken a series of measures in campus environment planning, education and teaching facilities construction, logistics service support, etc., and are committed to building a smart, safe, healthy and green campus for faculty, staff and students.

5.1 HEALTHY AND SAFE CAMPUS

The Group strictly abides by the Regulations on School Health Work, Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, the Fire Protection Law of the People’s Republic of China, the Food Safety Law of the People’s Republic of China and other relevant laws and regulations. We have formulated a series of rules and measures to protect campus safety, food safety, disease prevention and health safety, and carried out various health and safety education activities to fully protect the health and safety of our staff and students. During the Reporting Period, the Group did not have any major campus health and safety incidents.

5.1.1 Safety of Campus

We have formulated a series of systems and regulations to ensure campus safety, such as the Safety Management Measures for Building Facilities, Fire Safety Management Measures, Campus Security Management Regulations, Property Management System, Laboratory Safety System, Management Measures for Vehicles on Campus, etc. to protect the safety of various building facilities and key places on campus in many aspects, and strengthen the campus environment management and security management. We have organised a series of activities to ensure campus safety, such as organising relevant departments to regularly check hidden dangers in key places, conducting fire safety training and fire emergency drills, carry out fire safety education and evacuation drills for freshmen, carry out inspections of high-power electrical appliances and potential safety hazards in dormitories, and carry out safety theme lectures. It has improved the safety awareness and emergency response ability of teachers and staff, and provided strong guarantee for ensuring the safety and stability of campus.



Fire Emergency Drills

5.1.2 Food Safety

We strictly comply with the laws, regulations and requirements of the Food Safety Law of the People's Republic of China, the Regulations on Hygienic Management of School Canteens and Students' Collective Meals and the National Emergency Plan for Major Food Safety Accidents. We also have developed a series of systems and emergency plans to ensure the food safety in canteens, such as the Canteen Food Safety Responsibility System, the College Food Safety Management System, the College Canteen Standardised Management System and the Emergency Plan for Prevention of Food Poisoning.

In order to strengthen the management of food hygiene on campus, we have also clearly defined the responsible persons and units for food safety in canteens, who perform their food safety duties and fulfil their supervision and management responsibilities according to law, carry out daily inspection, weekly control and monthly scheduling, and work out the emergency plan and reporting system for various accidents. We have strengthened the management of food hygiene in canteens and shops, and implemented the vegetable supply, acceptance and sample retention procedures in canteens in strict accordance with the specifications, and strictly implement daily inspections, inspections and spot checks on the food business units in the school, and require them to complete food safety training and records. Meanwhile, we have formulated clear management regulations for canteen hygiene, personal hygiene of food-related personnel, hygiene of food preparation rooms, etc. to ensure the food safety of teachers and students.

5.1.3 Education on Health, Safety and Disease Prevention

During the Reporting Period, in order to help students develop good hygiene habits and strengthen the prevention and treatment of infectious diseases and common diseases among students, we have conducted a number of health, safety and disease prevention education and promotion activities to spread health knowledge among students, such as AIDS prevention publicity and education theme activities, anti-drug theme activities, college students' mental health theme activities, health knowledge theme lectures, etc.

5.1.4 Emergency response measures

In order to quickly and properly deal with various emergencies, we have set up various emergency response groups, including the Emergency Response Group for Public Health Emergencies, the Leading Group for Infectious Disease Prevention and Control, the Leading Group for Fire Prevention and Control, the Working Group for Flood Prevention and Control and other emergency command leading groups, established a sound emergency command system, investigated relevant risks in advance, formulated emergency plans, and strengthened emergency response capabilities and risk resistance capabilities.



5.2 SMART CAMPUS

Based on advanced network configuration, smart learning environment and integrated teaching platform, we actively promote the construction of smart campuses, continuously optimize students' learning experience, empower teachers to teach accurately, and improve school management efficiency.

Advanced network configurations. In order to promote the construction of a networked, digital, and intelligent campus, we continue to upgrade and optimize the hardware and network configuration. At present, we have built a non-perceptual converged campus network based on self-developed SDN technology, which is composed of WiFi-6 wireless APs, covering all teaching, office, dormitory buildings and outdoor areas. Based on the principle of "open source, easy to use, and flexible customization", we have built a private cloud data center based on the K8s technology stack based on the resources of the data centers of the three universities and combined with public cloud services to provide teachers and students with a good Internet experience.

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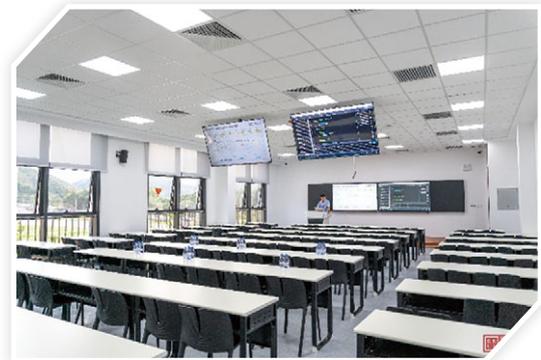
A digital learning environment. On the basis of full coverage of 5G and WiFi-6 wireless networks, we are not only equipped with intelligent hardware facilities such as smart blackboards, expansion screens, audio microphones, cameras, etc., but also equipped with normalized recording and broadcasting facilities, creating an intelligent teaching and learning environment for teachers and students. We also vigorously promote the centralized management of classroom teaching equipment, and remote monitoring and management have greatly reduced the failure rate of classroom equipment. In addition, we continue to innovate the cloud learning space, using metaverse technology to break through the limitations of physical space, and create a metaverse digital twin campus – an immersive learning space that combines virtual and real, with rich and colorful teaching resources for students to start metaverse classrooms anytime and anywhere.

Intelligent education platform. Focusing on the application scenarios of “teaching-learning-management-training-evaluation”, we have independently developed an integrated smart education platform, providing whole-process support from “professional talent training program” to “curriculum standards”, from “curriculum resources” to “blended learning”, from “homework assignment” to “performance management” and “learning effect analysis (evaluation)”, so as to realize data collection, statistics, diagnosis and improvement in all aspects and processes of education and teaching. Relying on the wisdom-empowered student growth support system and the data-driven teacher teaching support system, we can effectively serve students’ personalized and independent learning, assist teachers in differentiated and precise teaching, and promote the refined and intelligent management of schools.

Our smart campus construction has won praise from many parties. In 2023, Dalian University was successfully selected as the founding unit of the “Smart Education Demonstration School” in Liaoning Province, becoming the only private university selected; The Liaoning Provincial Development and Reform Commission’s digital economy special fund project approved by Dalian University based on the construction of smart campus has successfully passed the acceptance; The 6th edition of China Youth Daily gave an in-depth report on our unique smart and digital school-running road with the title of “Building a Digital Smart Campus and Cultivating a New Education and Teaching Ecology”.



Metaverse Laboratory



Smart Screen Classroom

5.3 PRACTICING GREEN OPERATIONS

We strictly complies with relevant environmental laws and regulations such as the Environmental Protection Law of the PRC, the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC and the Energy Conservation Law of the PRC. As a higher education service provider, the impact of our business operations on the environment and natural resources mainly includes electricity consumption, domestic water usage, school and office material usage, disposal of school, office and dormitory waste, and the use of the Group’s vehicles. We have adopted a number of effective programmes and measures to conserve energy and water, reduce air emissions and greenhouse gas emissions, and reduce waste, we have also promoted the implementation by staff and students, working with us to build a green campus. During the Reporting Period, the Group did not have any non-compliance with the law in relation to emissions and greenhouse gas emissions, water and land discharges, and disposal of hazardous and non-hazardous waste.

5.3.1 Establishing green campus

In order to build a green campus and enhance the awareness of environmental protection among teachers and students, we have formulated the University’s Energy Conservation and Emission Reduction Programme to create an energy-saving and emission reduction campus culture to achieve energy conservation and emission reduction. In order to ensure the implementation of the energy conservation and emission reduction programme, we have set up a leading group for relevant work. The leading group is mainly responsible for organising, checking and implementing energy conservation and emission reduction work, and actively carries out energy conservation and emission reduction work through the stages of promoting and launching, formulating measures, implementing and forwarding, checking and improving, and consolidating and developing. We have also incorporated energy conservation and emission reduction into our daily management as an important matter, and established a corresponding coordination mechanism to clearly set out the responsibilities and division of labour of relevant departments, and conduct supervision and assessment, to ensure implementation. We have implemented the following green operation measures for energy management, water resource management, and waste management:

Energy management
<p>Air-conditioning system</p> <ul style="list-style-type: none"> • Adopt water-cooled air-conditioning system • Set the minimum indoor air-conditioning temperature to 26 degrees Celsius in summer • Place the UV protection heat-insulating film onto the windows to reduce heat energy absorption <p>Lighting system</p> <ul style="list-style-type: none"> • Install sound-controlled and light-controlled switches in public areas, such as staircase • Install the latitude and longitude timer to control the street light switching time more accurately • Use energy-saving lamps at the roads, squares and green belts and other public areas, to implement green lighting when feasible <p>Electronic office equipment</p> <ul style="list-style-type: none"> • Strengthen the inspection of electronic equipment, turn off electronic devices in time during non-working hours, check and fix problems in time to increase the service life of the equipment

Water resource management

- Construct an intermediate water treatment station to treat and reuse domestic sewage
- Check water consumption monthly and inspect underground water pipes regularly to prevent water leakage and other waste of water resources
- Using professional leak detection technology, find out the leakage point and deal with the leakage situation in time
- Daily inspection of the area for constant water flow, and control the flow of water from the faucet
- Post water conservation signs in each area to remind water conservation
- Systematically renovate bathrooms, traditional flushing toilets, etc. and water-saving faucets were replaced in student apartments
- Strengthen the supervision of water use in school infrastructure projects

Waste and resources management

- Non-hazardous waste, such as food waste, will be collected by qualified units for treatment after waste separation
- Hazardous waste, such as wasted electronic products, will be collected and disposed of by qualified units
- Promote and implement waste separation, recycling, and reuse of office supplies such as envelopes and flipcharts, and reduce the use of disposable and non-recyclable products
- Adopt the office automation system, submit the school's documents and materials through the online system if possible, and promote paperless office
- Campus's photocopying, printing and other office paper are managed by designated personnel which is strictly controlled, and daily documents are printed on both sides

5.3.2 Sustainable development targets

To fulfill our corporate social responsibility to protect the environment, we have set preliminary directional targets for energy efficiency, water efficiency, waste reduction and greenhouse gas emissions during the Reporting Period and actively implemented the electricity conservation plan, water saving plan, material saving plan and the corresponding specific measures stipulated in the University's Energy Conservation and Emission Reduction Programme, gradually reducing per capita electricity consumption, per capita water consumption, and gradually reducing waste generation and greenhouse gas emissions to move towards energy saving, environmental protection and sustainable development. This year, we reviewed the progress of our environmental targets: direct greenhouse gas emissions were gradually reduced in line with the targets, mainly due to the increase in the number of trees we planted, which offset some of the greenhouse gas emissions, and this is the first step in the Group's active response to the national carbon neutrality strategy. The per capita power consumption and water consumption did not decrease as expected, mainly because time students stay in campus was longer than last year, and new buildings were put into use this year, so the total power consumption and water consumption increased; At the same time, however, due to the Group's efforts to promote paperless office and teaching, we still managed to reduce paper consumption per capita while students stayed in school longer. In the future, we will more actively promote and implement various environmental protection programs, and explore more opportunities for energy conservation and emission reduction.

5.4 PROMOTING GREEN EDUCATION

The Group actively promotes green education, focuses on the dissemination of green and environmental protection concepts, and encourages all staff, teachers and students to integrate environmental protection into their daily lives. During the Reporting Period, the Group's three universities actively organized and participated in various types of public benefit activities on environmental protection, aiming at stimulating students' awareness of environmental protection and making contributions to improving the ecological environment.

The Theme Activity of "Plant" for Green

In March 2023, Dalian University carried out an environmental protection theme activity of "Plant" for Green, which got students' positive response and extensive participation. Limited resources could be recycled unlimitedly through the recycling of idle clothes and books, different-place circulation and environmental recycling. By receiving and cultivating succulents, students could enhance their environmental awareness of planting and protecting plants, so as to pass on love and keep the green in the campus.



Action for River Protection and Water Conservation on World Environment Day

On 4 June, 2023, Water Volunteers from Dali, South China Sea, organized an activity to protect the water environment in conjunction with the Student Union of Guangdong University. This activity was carried out in the rural community, designed to disseminate and popularize water knowledge, make community residents know about the harm of water pollution and the importance of protecting the water environment, and lead the public to build the awareness of water environment protection. In the activity, student volunteers and water volunteers handed out leaflets on water environment protection to the community residents and communicated and interacted with them. The volunteers said that they would continue to devote themselves to the cause of environmental protection, making constructions to the beautiful South China Sea and beautiful China.



3.12 The Tree Planting Voluntary Activity

On 12 March, 2023, the Youth Volunteers Association of Chengdu University organized and participated in the theme activity of "Sowing Hope, Embracing Spring" in Dujiangyan. This activity was undertaken on the basis of the ecological concept of "green hills and clear water are mountains of gold and silver". It promoted the compulsory tree planting for the whole people by planting, so as to enhance the enthusiasm of the whole people to love and protect trees and nature, and to jointly protect the homeland that human beings survive on.



5.5 RESPONDING TO CLIMATE CHANGE

In recent years, global extreme weathers have occurred frequently, and climate change has brought potential risks to enterprises. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group has identified significant climate-related actual risks that may affect us, such as the extreme weather changes such as floods, typhoons, hail, snowstorms and sandstorms. To effectively address and mitigate these climate-related risks, we have included our external environmental management system in our Risk Management Manual, established external environmental management objectives, including external environmental management strategic objectives and external environmental management safety objectives, and developed contingency plans for various extreme weather changes. We have formulated various measures for managing climate-related risks, such as the Emergency Response Plan for Natural Disaster-type Emergencies, and have established a multi-level flood and wind prevention programme to enhance the ability to withstand flooding and typhoon disaster risks.

In addition, we have calculated our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol issued by the World Resources Institute and the World Business Council for Sustainable Development, and ISO 14064-1 as defined by the International Organisation for Standardisation. As a higher education group, the Group's greenhouse gas emissions mainly come from the use of electricity and the use of the Group's vehicles. The Group has adopted various measures for low-carbon operation. We encourage employees to use online meetings and conference calls instead of unnecessary business trips, and promote the use of public transportation to reduce greenhouse gas emissions. In addition to greenhouse gas emissions, the Group is aware of air emissions from our vehicles. We regularly arrange inspection and maintenance for the Group's vehicles to ensure the normal operation of engines, tires and other parts, so as to improve fuel consumption efficiency and reduce exhaust emissions. During the Reporting Period, please refer to Appendix I: KPI Data Table for our greenhouse gas emissions.

6. CONTRIBUTE TO THE COMMUNITY, ENTHUSIASM FOR CHARITY

As we strive to expand our digital talent education services, the Group is committed to developing charitable causes and actively fulfilling our social responsibility to give back to the community. During the Reporting Period, the Group and our three universities gave full play to their own strengths to organize a number of charity events, actively fulfilling their social responsibilities, giving back to the society with practical actions, and committing themselves to transforming enterprise advantages into social value.

During the Reporting Period, we organized voluntary activities such as “Living in Harmony and Amity as One Family – Building Dreams and Making Efforts Together” summer camp and social practice activities for elementary school students in Nagqu, the job fair for disabled college students, and an event on Poverty Alleviation and Financial Aid Day in (Foshan) Guangdong. A total of 4,118 staff and students participated in volunteer activities, with a cumulative volunteer time of 26,035 hours.

Dalian University

“Living in Harmony and Amity as One Family-Building Dreams and Making Efforts Together” summer camp and social practice activities for elementary school students in Nagqu

Symposium on Tibet Work and the Third Working Conference on pairing-up support for the Tibet, the Continuing Education Division of Neuedu, together with Dalian University of Information successfully undertook “Living in Harmony and Amity as One Family-Building Dreams and Making Efforts Together” summer camp and social practice activities for elementary school students in Nagqu.

The activities include traveling-based learning, learning exchange, patriotic education, pairing-up and exchange visits, etc. The students went to Shenyang, Dalian and other places, and visited “918” Memorial Hall in Shenyang and the cemetery of revolutionary martyrs in the war to resist U.S. aggression and aid Korea and other patriotic education bases, so as to learn about Chinese history, culture and social development. In these activities, the elementary school students in Nagqu experienced the history, culture and local customs and practices of Liaoning, enhanced the friendship between the teenagers of the two regions and promoted the cultivation of national unity.



Chengdu University

The job fair for disabled college students

On 17 November, 2023, in order to provide more precise and refined employment assistance services to disabled college students, volunteers from Chengdu University went to Tongxin Plaza in Yijie District to give warmth and assistance to disabled college students.

Upon the beginning of the job fair, the volunteers asked the disabled college students about their majors and their preferences for employment choices, introduced the relevant recruiting units to them, and guided them to their preferred recruiting units for consultation and understanding. After the activity, the volunteers helped the organizer to put the on-site tables and chairs in order and carefully cleared the on-site rubbish. This activity promoted the spirit of helping the disabled and created a social atmosphere of respecting and caring about the disabled.



Guangdong University

Poverty Alleviation and Financial Aid Day in (Foshan) Guangdong

From 15 June to 25 June, 2023, the Youth League Committee of Guangdong University, together with the Institute labor union, responded to the call for charitable causes by organizing and implementing an online donation activity. Since the beginning of the activity, it has received strong support and active participation from teachers and students of the whole Institute. The enthusiasm for charitable causes in the whole Institute was quickly stimulated by online communication ways, such as emails and tweets. The money raised for charity would be directly used to improve the sports environment of children in compulsory education schools in Genghe Town, creating a healthier and better space for them to grow up.

This activity not only shows that Guangdong University has deeply participated in and undertaken responsibility for charitable causes, but also reflects the Institute's concern and support for adolescent education business. In the future, we will actively engage in more charitable causes and activities, and work together with the whole society to help adolescents grow up and promote the sustainable development of the society.



APPENDIX I: KPI DATA TABLE

Environmental Aspect ³	Unit	FY2023
Air Emission of Vehicles⁴		
Nitrogen Oxides (NO _x)	kilogram (kg)	187.36
Sulphur Oxides (SO _x)	kilogram (kg)	0.36
Particulate Matter (PM)	kilogram (kg)	17.83
Greenhouse Gas Emission⁵		
Direct greenhouse gas emissions (Scope 1) ^{6,7}	tonnes carbon dioxide equivalent (CO ₂ -e)	121.26
Indirect greenhouse gas emissions (Scope 2) ⁸	tonnes carbon dioxide equivalent (CO ₂ -e)	26,957.08
Greenhouse gas emissions in total (Scopes 1 and 2)	tonnes carbon dioxide equivalent (CO ₂ -e)	27,078.34
Density of Greenhouse Gas Emission		
Density of greenhouse gas emissions (Scopes 1 and 2)	tonnes carbon dioxide equivalent (CO ₂ -e)/metre square (m ²)	0.0196
Density of greenhouse gas emissions (Scopes 1 and 2)	tonnes carbon dioxide equivalent (CO ₂ -e)/person*	0.45
Hazardous Waste		
Hazardous waste produced ⁹	tonnes	0 ¹⁰
Density of hazardous waste	tonnes/person^	0
Non-hazardous Waste		
Non-hazardous waste produced	tonnes	15,895.00
Density of non-hazardous waste produced	tonnes/person*	0.27

³ The environmental aspect collection scope covered the headquarter of the Group, Dalian University, Chengdu University and Guangdong University

⁴ The air emissions from the vehicles owned by the Group were calculated in reference to "How to Prepare an ESG Report – Appendix 2: Reporting guidance on Environmental KPIs" of Hong Kong Stock Exchange

⁵ The greenhouse gas emissions for Scope 1 and Scope 2 of the Group were calculated in reference to "How to Prepare an ESG Report – Appendix 2: Reporting guidance on Environmental KPIs" of Hong Kong Stock Exchange

⁶ Scope 1: direct greenhouse gas emissions produced by the sources owned and controlled by the Group

⁷ Greenhouse gas removals have been calculated for new tree planting

⁸ Scope 2: greenhouse gas emissions indirectly induced by the external electricity purchased by the Group

⁹ Including computers, batteries, waste ink cartridges, waste toner cartridges and other hazardous wastes

¹⁰ As all of our hazardous wastes were recycled and disposed of by qualified units, the amount of scrapped materials was relatively small during the Reporting Period, so no unified treatment was made for the time being

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Environmental Aspect ³	Unit	FY2023
Paper consumption		
Paper consumption	kilogram (kg)	15,978.13
Density of paper consumption	kilogram (kg)/person*	0.27
Electricity consumption		
Total electricity consumption	kilowatt hour (kWh)	47,268,242.46
Density of total electricity consumption	kilowatt hour (kWh)/ metre square (m ²)	34.26
Density of total electricity consumption	kilowatt hour (kWh)/person*	789.20
Vehicle fuel consumption		
Gasoline	litre	18,303.65
Diesel	litre	5,663.00
Water consumption		
Total water consumption	tonnes	1,653,586.21
Density of total water consumption	tonnes/metre square (m ²)	1.20
Density of total water consumption	tonnes/person*	27.61
Reclaimed water consumption	tonnes	50,630.00

* Calculated in accordance with the number of employees and students under the environmental data collection scope, as of 31 December 2023

^ Calculated in accordance with the number of employees under the environmental data collection scope, as of 31 December 2023

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Social Aspect ¹¹	Unit	FY 2023
Total workforce ¹²	number of people	3,339
Total Workforce (by Gender)		
Female employees	number of people	2,039
Male employees	number of people	1,300
Total Workforce (by Employee Category)		
Short-term contract/part-time employees	number of people	1,134
Full-time general employees	number of people	3,036
Full-time middle management	number of people	279
Full-time senior management ¹³	number of people	24
Total Workforce (by Age Group)		
Employees aged below 30 years old	number of people	1,122
Employees aged between 30-50 years old	number of people	2,055
Employees aged above 50 years old	number of people	162
Total Workforce (by Geographical Region)		
Employees in Northern China	number of people	38
Employees in Northeastern China	number of people	1,516
Employees in Eastern China	number of people	62
Employees in Central China	number of people	886
Employees in Northwestern China	number of people	17
Employees in Southern China	number of people	817
Employees in other regions	number of people	3

¹¹ Social aspect collection scope covered the Group entirely

¹² Employees include only regular employees and do not include short-term contract employees and part-time employees trained

¹³ Full-time senior management includes senior managers appointed by the administrations of the three universities operated by the Group

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Social Aspect ¹¹	Unit	FY 2023
Turnover Rate		
Total turnover rate of work force	%	18.84
Turnover Rate of Work Force¹⁴ (by Gender)		
Female employees	%	14.44
Male employees	%	24.90
Turnover Rate of Work Force¹⁴ (by Age Group)		
Employees aged below 30 years old	%	24.55
Employees aged between 30-50 years old	%	13.84
Employees aged above 50 years old	%	33.06
Turnover Rate of Work Force¹⁴ (by Geographical region)		
Employees in Northern China	%	50.65 ¹⁵
Employees in Northeastern China	%	12.87
Employees in Eastern China	%	72.07 ¹⁵
Employees in Central China	%	14.73
Employees in Northwestern China	%	37.04
Employees in Southern China	%	18.79
Occupational Health and Safety		
Number of work-related fatalities occurred in each of the past three years including the reporting year.	Number of person	0
Rate of work-related fatalities in the past three years including the reporting year	%	0
Lost days due to work injury	days	6

¹⁴ Turnover rate for the specific category = number of employees turnover for the specific category ÷ (number of employees turnover for the specific category + number of employees in the specific category in the end of the year) × 100%

¹⁵ Due to the adjustment of the company's business layout, the employee turnover rate in some regions in 2023 is relatively high

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Social Aspect ¹¹	Unit	FY 2023
Development and Training		
Percentage of Employees Trained¹⁶ (by gender)		
Female employees	%	52.16
Male employees	%	47.84
Percentage of Employees Trained¹⁶ (by Employee Category)		
Full-time general employees	%	93.09
Full-time middle management	%	6.52
Full-time senior management ¹³	%	0.39
Average Training Hours Completed Per Employee¹⁷ (by Gender)		
Female employees	hour	33
Male employees	hour	23
Average Training Hours Completed Per Employee¹⁷ (by Employee Category)		
Full-time general employees	hour	31
Full-time middle management	hour	20
Full-time senior management ¹³	hour	4
Anti-corruption		
Number of concluded legal cases regarding corrupt practices brought against the Group or employees	number of cases	0

¹⁶ Percentage of employees trained in the relevant category = number of employees trained in the specific category ÷ number of employees in the specific category × 100%, where employees include only regular employees and do not include short-term contract employees and part-time employees trained

¹⁷ Average training hours completed per employee = training hours of employees trained in the specific category ÷ number of employees in the specific category, where employees include only regular employees and do not include short-term contract employees and part-time employees trained

APPENDIX II: INDEX OF THE ESG REPORTING GUIDE

Index Content		Relevant Chapter	
A. Environmental Aspect			
A1 Emissions	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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. Practice Environmental Protection, Building Safe and Smart Campus
	A1.1	The types of emissions and respective emission data.	Appendix I: KPI Data Table
	A1.2	Direct (Scope 1) greenhouse gas emissions and indirect greenhouse gas emissions from energy (Scope 2) in total and, where appropriate, density.	Appendix I: KPI Data Table
	A1.3	Total hazardous waste produced and density.	Appendix I: KPI Data Table
	A1.4	Total non-hazardous waste produced and density.	Appendix I: KPI Data Table
	A1.5	Description of the established targets to mitigate emissions and the procedures for achieving such targets.	5.3 Practicing Green Operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled and description of the established targets to mitigate wastes and the procedures for achieving such targets.	5.3 Practicing Green Operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index Content		Relevant Chapter	
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5. Practice Environmental Protection, Building Safe and Smart Campus
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and density.	Appendix I: KPI Data Table
	A2.2	Water consumption in total and density.	Appendix I: KPI Data Table
	A2.3	Description of energy use efficiency targets and the procedures for achieving such targets.	5.3 Practicing Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets and the procedures for achieving such targets.	5.3 Practicing Green Operation The source of water of the Group is the municipal water supply, there is no issue in sourcing water.
A2.5	Total packaging material used for finished products and the volume per unit produced.	Not applicable, as the business of the Group does not involve packaging material.	
A3 The Environmental and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5. Practice Environmental Protection, Building Safe and Smart Campus
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	5. Practice Environmental Protection, Building Safe and Smart 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.	5.5 Responding to Climate Change
	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.	5.5 Responding to Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index Content		Relevant Chapter
B. Social Aspect		
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.
	B1.1	Total workforce by gender, employment type, age group and geographical region.
	B1.2	Employee turnover rate by gender, age group and geographical region.
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.
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.
	B2.2	Lost days due to work injury.
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.
		4.1 Full Protection of Rights and Interests 4.2 Warm Care for Employees
		Appendix I: KPI Data Table
		Appendix I: KPI Data Table
		5.1 Healthy and Safe Campus
		Appendix I: KPI Data Table
		Appendix I: KPI Data Table
		5.1 Healthy and Safe Campus

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index Content		Relevant Chapter	
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Excellent Talent Cultivation
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: KPI Data Table
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: KPI Data Table
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 and forced labour.	4.1 Full Protection of Rights and Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Full Protection of Rights and Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Full Protection of Rights and Interests
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.5 Sustainable Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3.5 Sustainable Supply Chain 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.	3.5 Sustainable Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.5 Sustainable Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5 Sustainable Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index Content		Relevant Chapter
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, labeling and privacy matters relating to products and services provided and methods of redress.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
	B6.2	Number of products and service related complaints received and how they are dealt with.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.
	B6.4	Description of quality assurance process and recall procedures.
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.
		3.2 Strict Compliance Operation
		3.4 Information and Privacy Protection
		Not applicable. As the Group provides IT higher education services and education service products, it does not involve products subject to recalls for safety and health reasons.
		2.4 Smooth Communication Channels
		3.2.1 Intellectual Property Management
		2.3 Strict Quality Management
		As the Group provides IT higher education services and education service products, no product recall procedures are involved.
		3.4 Information and Privacy Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index Content		Relevant Chapter	
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 bribery, extortion, fraud and money laundering.	3.3 Commitment to Integrity
	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.	3.3 Commitment to Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.3 Commitment to Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	3.3 Commitment to Integrity
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.	6. Contribute to the Community, Enthusiasm for Charity
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Contribute to the Community, Enthusiasm for Charity
	B8.2	Resources contributed to the focus area.	6. Contribute to the Community, Enthusiasm for Charity

DIRECTORS' REPORT

The Board is pleased to present this Report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

1. GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Shares of the Company were listed on the Main Board of the Stock Exchange on 29 September 2020.

2. PRINCIPAL BUSINESSES

The Company is an investment holding company. The Group is principally engaged in providing education services in the PRC, including (i) full-time formal higher education services; (ii) education resources; and (iii) continuing education services. Activities and particulars of the subsidiaries of the Company are set out in note 37 to consolidated financial statements.

3. BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023, comprising an analysis of the Group's performance during the year using financial key performance indicators, particulars of important events affecting the Group during the year and an indication of future developments of the Group, are set out in the sections headed "Chairperson's Statement", "Management Discussion and Analysis" in this Report. The review and discussion form part of this Directors' Report.

4. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection for pursuing long-term sustainable development. We establish various internal energy conservation and emission reduction systems, and promote energy conservation and emission reduction measures, including setting directional targets for energy efficiency, water efficiency, waste reduction and greenhouse gas emissions. We advocate paperless office, and disseminate environmental protection messages to the staff, and actively organise and participate in various types of environmentally friendly activities. The Group is committed to improving environmental sustainability and closely monitoring performance. The Group is always strictly complying with applicable laws and regulations of the places where it operates business, such as the Environmental Protection Law of the People's Republic of China. Such policies have been supported and effectively implemented by staff. For details, please refer to the section headed "Environmental, Social and Governance Report" of this Report.

For the year ended 31 December 2023, the Group was not subject to any fines or other penalties for breaching any health, safety or environmental protection laws and regulations.

5. PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties the Group faces include:

- our business and results of operations depend on our ability to maintain and raise tuition and boarding fee levels;
- our business and results of operations depend on whether we can expand student enrolments and whether we can expand the number of universities that cooperate with us;
- our business relies heavily on our brand and reputation, and any damage to our reputation would materially and adversely affect our business;
- we are subject to uncertainties brought by the recent developments of PRC Laws relating to private education;
- we face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures; and
- risks relating to our Contractual Arrangements, please refer to the section “Risk Factors – Risks Relating to our Contractual Arrangements” in the Prospectus of the Group

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the Shares.

6. CONNECTED TRANSACTION

1) Entering into the Partnership Agreement

Background and details of the transaction

For the purpose of deeply participating in the medical healthcare areas, and accumulating more practical resources for the major construction and student cultivation on medical healthcare technologies for the three universities, on 15 June 2023, Shanghai Ruixiang (as a limited partner), a wholly-owned subsidiary of the Company, entered into a partnership agreement (the **"Partnership Agreement"**) with Haorong Investment Management (Shanghai) Co., Ltd. (昊容投資管理(上海)有限公司) (**"Haorong Investment"**, as a general partner), Shenyang Hengxin Antai Equity Investment Fund Management Co., Ltd. (瀋陽恒信安泰股權投資基金管理有限公司) (as a general partner), Liaoning Fund Investment Co., Ltd. (遼寧基金投資有限公司) (as a limited partner), Shenyang Caisheng Investment Fund Co., Ltd. (瀋陽財盛投資基金有限公司) (as a limited partner), Shenyang Shengjing Financial Holding Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司) (as a limited partner), Neusoft Medical Systems Co., Ltd. (東軟醫療系統股份有限公司) (as a limited partner) and Liaoning Neusoft Venture Capital Co., Ltd. (遼寧東軟創業投資有限公司) (**"Neusoft Venture Capital"**, as a limited partner), in relation to the establishment and management of Liaoning Ruikang Medical Health Equity Investment Partnership (Limited Partnership) (遼寧睿康醫療健康股權投資合夥企業(有限合夥)) (the **"Fund"**). Pursuant to the Partnership Agreement, the total capital contribution of the Fund shall be RMB1,000 million, of which RMB90 million shall be contributed by Shanghai Ruixiang. The Fund is a limited partnership registered in the PRC and will engage in investing in areas of medical health including but not limited to innovative medical equipment, medical services and smart medical care. The Directors (including all independent non-executive Directors) are of the view that although the entering into the Partnership Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Partnership Agreement are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole.

Further details relating to entering into the Partnership Agreement are set out in the announcements of the Company dated 15 June 2023 and 26 June 2023.

Connected relationship

Haorong Investment and Neusoft Venture Capital are both subsidiaries of Neusoft Holdings, which is a Controlling Shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, each of Haorong Investment and Neusoft Venture Capital is a connected person of the Company, and the transaction under the Partnership Agreement constitutes a connected transaction of the Company.

2) Entering into the Loan Agreement

Background and details of the transaction

To facilitate the potential in-depth cooperation between the Group and Neusoft Healthcare (such as jointly establishment of student internship training bases and creation of a new model of industry-education integration, etc.), and thus to provide more development opportunities to the Group in the field of medical healthcare technology, on 29 August 2023, Shanghai Ruixiang, a wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Loan Agreement**”) with Neusoft Healthcare, pursuant to which, Shanghai Ruixiang agreed to provide a loan in the aggregate principal amount of RMB80.0 million to Neusoft Healthcare for a term of three years from 29 August 2023 to 28 August 2026, with the applicable interest rate of a floating interest rate equal to the latest one-year loan prime rate announced by the National Interbank Funding Center plus 0.8%. The Directors (including all independent non-executive Directors) are of the view that although the entering into the Loan Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Loan Agreement are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole.

Further details relating to entering into the Loan Agreement are set out in the announcement of the Company dated 29 August 2023.

Connected relationships

Neusoft Healthcare is a wholly-owned subsidiary of Neusoft Holdings, which is the Controlling Shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, Neusoft Healthcare is a connected person of the Company and the transaction under the Loan Agreement constitutes a connected transaction of the Company.

3) Exercise of the Put Option by Tianjin Ruiyi

Background and details of the transaction

On 19 May 2020, Neusoft Education Technology, a wholly-owned subsidiary of the Company, entered into a share option agreement (the “**Share Option Agreement**”) with Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (天津睿熠企業管理諮詢中心(有限合夥)) (“**Tianjin Ruiyi**”), pursuant to which, within three years from the Listing Date, Tianjin Ruiyi has the option to sell to Neusoft Education Technology (the “**Put Option**”), and Neusoft Education Technology has the option to acquire from Tianjin Ruiyi, 9.09% equity interest in the Tianjin Ruidao (the “**Target Equity**”) for a consideration of approximately RMB36.3 million.

On 15 June 2023, the Company was notified by Tianjin Ruiyi that Tianjin Ruiyi exercised the Put Option to sell the Target Equity to Neusoft Education Technology for a total consideration of approximately RMB36.3 million.

Therefore, in accordance with the Share Option Agreement, on 29 August 2023, Neusoft Education Technology entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Tianjin Ruiyi, pursuant to which Neusoft Education Technology agreed to acquire and Tianjin Ruiyi agreed to sell the Target Equity for a total consideration of approximately RMB36.3 million. Upon completion of this acquisition, Tianjin Ruidao has become an indirect wholly-owned subsidiary of the Company. The Directors (including all independent non-executive Directors) are of the view that although the entering into the Equity Transfer Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole.

Further details relating to the exercise of the Put Option by Tianjin Ruiyi are set out in the Prospectus and the announcement of the Company dated 29 August 2023.

Connected relationship

Tianjin Ruidao is a significant subsidiary of the Company, where Mr. LI Yingao holds the positions as a director and general manager. Therefore, Mr. LI Yingao is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Meanwhile, since Tianjin Ruige Enterprise Management Consulting Co., Ltd. (天津睿格企業管理諮詢有限公司) (“**Tianjin Ruige**”), the general partner and the managing partner of Tianjin Ruiyi, is owned as to 84% by Mr. LI Yingao, both of Tianjin Ruige and Tianjin Ruiyi are the associates of Mr. LI Yingao and also the connected persons at the subsidiary level of the Company under Chapter 14A of the Listing Rules, and the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company at the subsidiary level.

7. CONTINUING CONNECTED TRANSACTIONS

1) Neusoft Holdings Property Framework Agreement

Background and details of the transactions

On 11 September 2020, the Company (for itself and on behalf of the other members of the Group) and Neusoft Holdings (for itself and on behalf of the other members of Neusoft Holdings Group) entered into a framework agreement ("**Former Neusoft Holdings Framework Agreement**"), including the property leasing and management transactions underneath. The Former Neusoft Holdings Framework Agreement expired on 31 December 2022.

On 27 December 2022 the Company (for itself and on behalf of the other members of the Group) and Neusoft Holdings (for itself and on behalf of the other members of Neusoft Holdings Group) entered into a property framework agreement (the "**Neusoft Holdings Property Framework Agreement**"), renewing the property leasing and management transactions under the Former Neusoft Holdings Framework Agreement, pursuant to which the Group will lease out certain properties and offer property management services in relation to such properties to Neusoft Holdings Group and provide property management services in relation to the properties. The terms of the Neusoft Holdings Property Framework Agreement are entered into after arm's length negotiations on normal or better commercial terms, and effective for the period from 1 January 2023 to 31 December 2025 (both dates inclusive).

Further details relating to the Neusoft Holdings Property Framework Agreement are set out in the announcement of the Company dated 27 December 2022.

Connected relationship

Neusoft Holdings is a Controlling Shareholder of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Neusoft Holdings and its subsidiaries are connected persons of the Company, and the transaction under the Neusoft Holdings Property Framework Agreement constitutes a continuing connected transaction of the Company.

Pricing policies

Pursuant to the Neusoft Holdings Property Framework Agreement, the rental amount of the property leasing and management transactions thereunder will be agreed upon periodically, generally on an annual basis, between the parties with reference to historical rates of similar properties within the location, prevailing market rental rates, and facilities or fittings within the property. The total amount of rental may comprise (i) a base rental amount, (ii) certain taxes, (iii) service fees, (iv) utility fees (charged per unit used), (v) seasonal adjustments, (vi) internet and other communication and network services, and (vii) deposit. The property management fees shall be determined by the parties after arm's length negotiations, taking into account the utilities cost and the costs of operating and maintaining the public facilities charged by the relevant independent third parties, and with reference to market conditions, the gross floor area leased and the services provided. The property management fees may include, but without limitation, (i) public sharing expenses, (ii) electricity charges, (iii) water charges, (iv) heating charges, and (v) other entrusted service fees (to be charged based on the actual conditions).

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the transaction under the Neusoft Holdings Property Framework Agreement was RMB2.4 million, and the actual revenue of the Group under the Neusoft Holdings Property Framework Agreement was approximately RMB0.3 million.

2) Dr. J. Liu Property Framework Agreement

Background and details of the transactions

On 11 September 2020, the Company (for itself and on behalf of the other members of the Group) and Dr. J. Liu (on behalf of the entities controlled by him) entered into a property framework agreement ("**Former Dr. J. Liu Property Framework Agreement**"). The Former Dr. J. Liu Framework Agreement expired on 31 December 2022.

On 27 December 2022 the Company (for itself and on behalf of the other members of the Group) and Dr. J. Liu (on behalf of the entities controlled by him) entered into a property framework agreement (the "**Dr. J. Liu Property Framework Agreement**"), renewing the transactions under the Former Dr. J. Liu Property Framework Agreement, pursuant to which the Group will lease out certain properties and offer property management services in relation to such properties to entities controlled by Dr. J. Liu (excluding Neusoft Holdings Group and the Group). The terms of the Dr. J. Liu Property Framework Agreement are entered into after arm's length negotiations on normal or better commercial terms, and effective for the period from 1 January 2023 to 31 December 2025 (both dates inclusive).

Further details relating to Dr. J. Liu Property Framework Agreement are set out in the announcement of the Company dated 27 December 2022.

Connected relationship

Dr. J. Liu is a Controlling Shareholder of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Dr. J. Liu and the entities controlled by him are connected persons of the Company, and the transaction under the Dr. J. Liu Property Framework Agreement constitutes a continuing connected transaction of the Company.

Pricing policies

Pursuant to the Dr. J. Liu Property Framework Agreement, the rental amount thereunder will be agreed upon periodically, generally on an annual basis, between the parties with reference to historical rates of similar properties within the location, prevailing market rental rates, and facilities or fittings within the property. The total amount of rental may comprise (i) a base rental amount, (ii) certain taxes, (iii) service fees, (iv) utility fees (charged per unit used), (v) seasonal adjustments, (vi) internet and other communication and network services, and (vii) deposit. The property management fees shall be determined by the parties after arm's length negotiations, taking into account the utilities cost and the costs of operating and maintaining the public facilities charged by the relevant independent third parties, and with reference to market conditions, the gross floor area leased and the services provided. The property management fees may include, but without limitation, (i) public sharing expenses, (ii) electricity charges, (iii) water charges, (iv) heating charges, and (v) other entrusted service fees (to be charged based on the actual conditions).

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the transaction under the Dr. J. Liu Property Framework Agreement was RMB2.5 million, and the actual revenue of the Group under the Dr. J. Liu Property Framework Agreement was approximately RMB1.2 million.

3) Former Property Agreements A

Background and details of the transactions

In order to build the science-technology park of our universities, with a focus on healthcare technology in which the Group have established relevant majors, on 24 September 2021, Neusoft Industry Management, a wholly-owned subsidiary of the Company, entered into a property leasing agreement and a property service agreement (collectively, the “**Former Property Agreements A**”) with Dalian Ruikang Cardiovascular Hospital Management Co., Ltd. (大連睿康心血管醫院管理有限公司) (“**Dalian Ruikang Cardiovascular**”), pursuant to which Neusoft Industry Management agreed to lease Property A and provide property management services relating to the Property A to Dalian Ruikang Cardiovascular. The terms of the Former Property Agreements A are entered into after arm’s length negotiations on normal or better commercial terms and effective from 16 October 2021 to 15 October 2024 (both dates inclusive).

On 31 December 2021, Dalian Ruikang Cardiovascular Hospital (“**Hospital A**”), which is established and operated by Dalian Ruikang Cardiovascular, obtained its independent legal personality qualification, and therefore, as collectively confirmed by Neusoft Industry Management, Dalian Ruikang Cardiovascular and Hospital A, the rights and obligations of Dalian Ruikang Cardiovascular under the Former Property Agreements A have been transferred to Hospital A since 1 January 2022 in accordance with the Former Property Agreements A.

On 23 February 2023, Neusoft Industry Management, Dalian Ruikang Cardiovascular and Hospital A entered into a supplemental agreement to Former Property Agreements A, pursuant to which each party agreed to terminate the Property Agreements A on 28 February 2023, and to make a four-installment payment schedule by 31 December 2025 for the outstanding fees under the Property Agreements A as at 28 February 2023.

Further details relating to the Former Property Agreements A and its supplement agreement are set out in the announcements of the Company dated 24 September 2021 and 23 February 2023.

Connected relationship

Neusoft Holdings is a Controlling Shareholder of the Company while Dalian Ruikang Cardiovascular is an indirect wholly-owned subsidiary of Neusoft Holdings and Hospital A is a consolidated affiliated entity of Neusoft Holding. Therefore, Dalian Ruikang Cardiovascular and Hospital A are connected persons of the Company pursuant to Chapter 14A of the Listing Rules and the transactions under the Former Property Agreements A constitute continuing connected transactions of the Company.

Pricing policies

Pursuant to the Former Property Agreements A, the rental thereunder is determined after arm's length negotiations between Neusoft Industry Management and Dalian Ruikang Cardiovascular, after taking into consideration the prevailing market rental of comparable premises in the vicinity of the Property A. The property management service fees thereunder are determined after arm's length negotiations between Neusoft Industry Management and Dalian Ruikang Cardiovascular, after taking into consideration the public utility expenses charged by relevant independent third parties, the operation and maintenance cost of the public facilities and the floor area proportion of Property A in the Training Base.

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the transaction under the Former Property Agreements A was RMB30.0 million, and the actual revenue from rental and property management service fee of the Group under the Former Property Agreements A was approximately RMB2.6 million and approximately RMB0.3 million, respectively.

4) Property Agreements A

Background and details of the transactions

In order to build the science-technology park of our universities, with a focus on healthcare technology in which the Group have established relevant majors, on 23 February 2023, Neusoft Industry Management, a wholly-owned subsidiary of the Company, and Hospital A entered into a property leasing agreement and a property service agreement (collectively, "**Property Agreements A**"), pursuant to which Neusoft Industry Management agreed to lease Property A and provide property management services relating to the Property A to Hospital A. The terms of the Property Agreements A are entered into after arm's length negotiations on normal or better commercial terms and effective from 1 March 2023 to 28 February 2031 (both dates inclusive).

Further details relating to Property Agreements A are set out in the announcements of the Company dated 23 February 2023.

Connected relationship

Hospital A is a consolidated affiliated entity of Neusoft Holding, which is a Controlling Shareholder of the Company. Therefore, Hospital A is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions under the Property Agreements A constitute continuing connected transactions of the Company.

Pricing policies

Pursuant to the Property Agreements A, the rental thereunder is determined by Neusoft Industry Management and Hospital A after arm's length negotiation, taking into account the gross floor area above and below ground leased by Hospital A, the business growth cycle of Hospital A and the overall condition of the property leasing markets in the vicinity of Property A affected by the pandemic. The property management service fees thereunder are determined after arm's length negotiations among Neusoft Industry Management and Hospital A, after taking into consideration the public utility expenses charged by relevant independent third parties, the operation and maintenance cost of the public facilities and the floor area proportion of the Property A in the Training Base.

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the rental and property management service fee under the Property Agreements A was RMB14.0 million and RMB8.5 million, respectively, and the actual revenue from rental and property management service fee of the Group under the Property Agreements A was approximately RMB10.2 million and approximately RMB1.4 million, respectively.

5) Former Property Agreements B and Former Property Agreements C

Background and details of the transactions

In order to build the science-technology park of our universities, with a focus on healthcare technology in which the Group have established relevant majors, on 14 June 2022, Neusoft Industry Management, a wholly-owned subsidiary of the Company, respectively, (i) entered into a property leasing agreement and a property service agreement (collectively, the **"Former Property Agreements B"**) with Dalian Ruikang Stomatological Hospital Co., Ltd. (大連睿康口腔醫院有限公司) (**"Dalian Ruikang Stomatological"**, formerly known as Dalian Ruikang Stomatological Hospital Management Limited (大連睿康口腔醫院管理有限公司)), and (ii) entered into a property leasing agreement and a property service agreement (collectively, the **"Former Property Agreements C"**) with Liaoning Ruikang Medical Management Service Co., Ltd. (遼寧睿康醫療管理服務有限公司) (**"Liaoning Ruikang Medical"**). Accordingly, Neusoft Industry Management agreed to (i) lease Property B and provide property management services in relation to Property B to Dalian Ruikang Stomatological, and (ii) lease Property C and provide property management services in relation to Property C to Liaoning Ruikang Medical. The terms of the Former Property Agreements B and the Former Property Agreements C are entered into after arm's length negotiations on normal or better commercial terms and effective from 1 August 2022 to 31 July 2025 (both days inclusive).

On 23 February 2023, Neusoft Industry Management, Dalian Ruikang Stomatological and Dalian Dongkong Ruikang Medical Management Co., Ltd. (大連東控睿康醫療管理有限公司) (**"Dalian Dongkong Ruikang"**) entered into a supplemental agreement to Former Property Agreements B, pursuant to which each party agreed to terminate the Former Property Agreements B on 28 February 2023, and that Dalian Dongkong Ruikang shall pay the outstanding fees of Dalian Ruikang Stomatological under the Property Agreements B as at 28 February 2023 in four installments by 31 December 2025.

On 23 February 2023, Neusoft Industry Management, and Liaoning Ruikang Medical entered into a supplemental agreement to Former Property Agreements C, pursuant to which each party agreed to terminate the Former Property Agreements C on 28 February 2023, and that Liaoning Ruikang Medical shall pay the outstanding fees under the Property Agreements B as at 28 February 2023 in a lump sum by 30 April 2023.

Further details relating to the Former Property Agreements B and Former Property Agreements C and their supplemental agreements are set out in the announcements of the Company dated 14 June 2022 and 23 February 2023.

Connected relationship

Dalian Ruikang Stomatological and Liaoning Ruikang Medical are both indirect wholly-owned subsidiaries of Neusoft Holdings, which is a Controlling Shareholder of the Company. Therefore, Dalian Ruikang Stomatological and Liaoning Ruikang Medical are both connected persons of the Company pursuant to Chapter 14A of the Listing Rules and the transactions under the Former Property Agreements B and Former Property Agreements C constitute continuing connected transactions of the Company.

Pricing policies

Pursuant to Property Agreements B and Former Property Agreements C, the rental thereunder is determined after arm's length negotiations between Neusoft Industry Management and each of Dalian Ruikang Stomatological and Liaoning Ruikang Medical, respectively, after taking into consideration the prevailing market rental of comparable premises in the vicinity of the Property B and Property C. The property management service fees thereunder are determined after arm's length negotiations between Neusoft Industry Management and each of Dalian Ruikang Stomatological and Liaoning Ruikang Medical, respectively, after taking into consideration the public utility expenses charged by relevant independent third parties, the operation and maintenance cost of the public facilities and the floor area proportion of each of Property B and Property C in the Training Base.

Annual transaction cap and historical amount

For the year ended 31 December 2023, the total annual cap for the rental and property management service fees under the Former Property Agreements B and Former Property Agreements C was RMB11.0 million, and the actual revenue from rental and property management service fee of the Group under the Former Property Agreements B was approximately RMB0.3 million and approximately RMB0.1 million, respectively, and the actual revenue from rental and property management service fee of the Group under the Former Property Agreements C was approximately RMB0.01 million and approximately RMB0.005 million, respectively.

6) Property Agreements B

Background and details of the transactions

In order to build the science-technology park of our universities, with a focus on healthcare technology in which the Group have established relevant majors, on 23 February 2023, Neusoft Industry Management, a wholly-owned subsidiary of the Company, and Dalian Ruikang Zhuomei Stomatological Hospital Co., Ltd. (大連睿康卓美口腔醫院有限公司) ("**Hospital B**") entered into a property leasing agreement and a property service agreement (collectively, "**Property Agreements B**"), pursuant to which Neusoft Industry Management agreed to lease Property B and Property C and provide property management services relating to the Property B and Property C to Hospital B. The terms of the Property Agreements B are entered into after arm's length negotiations on normal or better commercial terms and would be effective from 1 March 2023 to 28 February 2031 (both dates inclusive).

Further details relating to Property Agreements B are set out in the announcement of the Company dated 23 February 2023.

Connected relationship

Hospital B is an indirect wholly-owned subsidiary of Neusoft Holding, which is a Controlling Shareholder of the Company. Therefore, Hospital B is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions under the Property Agreements B constitute continuing connected transactions of the Company.

Pricing policies

Pursuant to the Property Agreements B, the rental thereunder is determined by Neusoft Industry Management and Hospital B after arm's length negotiation, taking into account the gross floor area above and below ground leased by Hospital B, the business growth cycle of Hospital B and the overall condition of the property leasing markets in the vicinity of Property B and Property C affected by the pandemic. The property management service fees thereunder are determined after arm's length negotiations among Neusoft Industry Management and Hospital B, after taking into consideration the public utility expenses charged by relevant independent third parties, the operation and maintenance cost of the public facilities and the floor area proportion of Property B and Property C in the Training Base.

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the rental and property management service fee under the Property Agreements B was RMB6.0 million and RMB3.9 million, respectively, and the actual revenue from rental and property management service fee of the Group under the Property Agreements B was approximately RMB4.0 million and approximately RMB0.6 million, respectively.

7) Technicians Framework Agreement

Background and details of the transactions

Due to the acquisition of Shanghai Sirui by Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司) ("**Renrui**"), to normally proceed with the existing transactions between Shanghai Sirui (together with its subsidiaries) and the Group under the original apprenticeship programme model, and to gradually promote the transformation of apprenticeship programme business model, the Company and Renrui entered into the Technicians Supply Services Framework Agreement (the "**Technicians Framework Agreement**") on 21 September 2022, pursuant to which, the Group agreed to provide technicians supply services to Renrui and its subsidiaries (including Shanghai Sirui and its subsidiaries) upon the date when Renrui completed the acquisition of Shanghai Suirui. The terms of the Technicians Framework Agreement are entered into after arm's length negotiations on normal or better commercial terms and would be effective from 28 September 2022 to 31 December 2024 (both dates inclusive).

Further details relating to the Technicians Framework Agreement are set out in the announcements of the Company dated 21 September 2022 and 28 September 2022.

Connected relationship

Neusoft Holding, a Controlling Shareholder of the Company, holds 43% equity interest in Shanghai Sirui. Therefore, Shanghai Sirui (together with its subsidiaries) is an associate of Neusoft Holdings and a connected person of the Company. As the transactions under the Technicians Framework Agreement is conducted between the Group and Shanghai Sirui (together with its subsidiaries), such transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Pricing policies

The service fees payable by Renrui to the Company under the Technicians Framework Agreement are determined after arm's length negotiations between the parties with reference to the cost incurred by the technicians of the Group plus certain profit margin and other factors (including but not limited to taxes involved). The profit margin is expected to be in the range from 10% to 15%, which shall be determined based on the historical rates of the technicians, number of technicians requested, estimated hours to be engaged, seniority and experience of each of the technician engaged, nature of the client company's request, as well as nature and complexity of the underlying projects. The price and terms of the transactions under the Technicians Framework Agreement shall be on normal commercial terms and in any event (i) not lower than the price and terms offered by the Company to independent third parties for supply of similar technicians supply services (if any) and (ii) not higher than the price and terms offered to Renrui by independent third parties for supply of similar technicians supply services.

Annual transaction cap and historical amount

For the year ended 31 December 2023, the annual cap for the service fee under Technicians Framework Agreement was RMB30.0 million, and the actual revenue of the Group from service fee under Technicians Framework Agreement was approximately RMB2.1 million.

8) Structured contracts

Overview

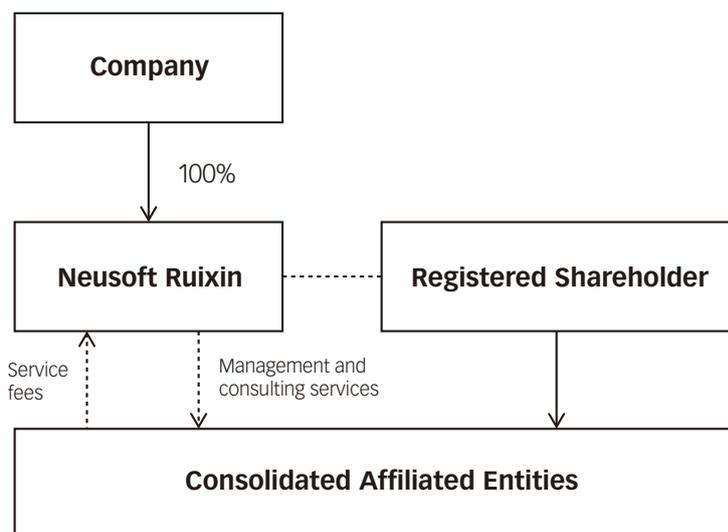
The Group (a) operates private higher education businesses (through our universities) ("**Education Business**"); and (b) publishes audio-visual products and electronic publications, and provides internet publishing service (through Neusoft Electronic Press) ("**Publishing Business**"), in China (collectively, the "**Relevant Business**").

PRC Laws regulate foreign ownership in the Relevant Business by (a) restricting foreign ownership in the Education Business; and (b) prohibiting foreign ownership in the Publishing Business. As such, the Group operates Relevant Business through the Consolidated Affiliated Entities. To comply with PRC Laws and maintain effective control over our Relevant Business, we entered into Contractual Arrangements, under which Neusoft Ruixin acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and became entitled to all of the economic benefits derived from their operations.

Accordingly, we do not directly own equity interest, or sponsor interest, in our Consolidated Affiliated Entities. Our three universities and Neusoft Electronic Press are ultimately majority owned by our Registered Shareholder, Neusoft Holdings (also a Controlling Shareholder), through Dalian Development.

The Consolidated Affiliated Entities under the Contractual Arrangements include following entities: (a) Dalian Development Co., Ltd.; (b) Dalian Neusoft University of Information; (c) Dalian Neusoft Electronic Press Co., Ltd.; (d) Chengdu Neusoft Information Technology Development Co., Ltd.; (e) Chengdu Neusoft University; (f) Foshan Nanhai Neusoft Information Technology Development Co., Ltd.; (g) Neusoft Institute, Guangdong; and (h) Dalian DOIT Human Resource Service Co., Ltd.. Details of the Consolidated Affiliated Entities are set out in the notes 37 to the consolidated financial statements.

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



Notes:

- (1) "—>" denotes direct legal and beneficial ownership in: (a) the equity interests of Dalian Development in the Consolidated Affiliated Entities, and (b) the sponsor interests in our universities.
- (2) "-.->" denotes the Contractual Arrangements.
- (3) "....." denotes control by Neusoft Ruixin over the Registered Shareholder and Consolidated Affiliated Entities under the Contractual Arrangements through: (a) powers of attorney to exercise all of the Registered Shareholder's rights in Dalian Development and the Consolidated Affiliated Entities; (b) exclusive options to acquire all or part of the Registered Shareholder's equity interest in Dalian Development and sponsor interests in our universities; and (c) equity pledge over the Registered Shareholder's equity interest in Dalian Development.

Summary of material terms of structured contracts

A summary of each of the specific agreements in force that comprise the structured contracts is set out below. For further details of these agreements, please refer to the section headed “Contractual Arrangements – Summary of the Material Terms of Our Contractual Arrangements” in the Prospectus.

a. Exclusive management consultancy and business cooperation agreement

Under the exclusive management consultancy and business cooperation agreement dated 21 June 2019, entered into between (i) Neusoft Ruixin; (ii) our Consolidated Affiliated Entities; and (iii) the Registered Shareholder of Dalian Development (the “**Exclusive Management Consultancy and Business Cooperation Agreement**”), Neusoft Ruixin has the exclusive right, or the right to designate a third party, to provide each of our Consolidated Affiliated Entities with corporate management consulting services, educational management consulting services, intellectual property licensing, technical support and business support services.

Without Neusoft Ruixin’s prior written consent, none of our Consolidated Affiliated Entities may accept from, or establish any cooperation with, a third party in relation to any services covered by the Exclusive Management Consultancy and Business Cooperation Agreement. Neusoft Ruixin owns all intellectual property rights arising out of the performance of this agreement.

In exchange, our Consolidated Affiliated Entities agree to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld) to Neusoft Ruixin as the service fee.

Under the Exclusive Management Consultancy and Business Cooperation Agreement, without prior written approval from Neusoft Ruixin, our Consolidated Affiliated Entities shall not enter into any transaction (except for those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operations, including but not limited to: (i) the provision of any security or guarantee in favour of a third party or the creation of any encumbrances in relation to its assets or interest, except to secure the performance of its own obligations; (ii) the entry into of any loan or debt obligations in favour of a third party; and (iii) in relation to a third party, the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of Neusoft Ruixin, none of our Consolidated Affiliated Entities may change or remove the members of its board of directors or replace any member of its senior management. Neusoft Ruixin also has the right to appoint the directors, general managers, financial controllers and other senior managers of our Consolidated Affiliated Entities. Neusoft Ruixin has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and their shareholders have undertaken not to make any distribution without Neusoft Ruixin’s prior written consent.

b. Exclusive call option agreement

Under the exclusive call option agreement dated 21 June 2019, entered into between (i) Neusoft Ruixin; (ii) the Registered Shareholder of Dalian Development; and (iii) Dalian Development and our universities (the **"Exclusive Call Option Agreement"**), the Registered Shareholder unconditionally and irrevocably agreed to grant Neusoft Ruixin an exclusive option to purchase all or part of the equity interest in Dalian Development and/or sponsor interests in our universities, respectively, held by the Registered Shareholder (including any additional sponsor interests in our universities obtained by the Registered Shareholder in the future) for the minimum amount of consideration permitted by applicable PRC Laws, under circumstances in which Neusoft Ruixin or its designated third party is permitted under PRC Laws to acquire all or part of the equity interests of Dalian Development and our universities.

Where the purchase price is required by PRC Laws to be an amount other than nil consideration, the Registered Shareholder undertakes to return the amount of purchase price they have received to Neusoft Ruixin or its designated third party. We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the Foreign Investment Restrictions in relation to the Education Business will be removed in the future, the likelihood of which we were not in a position to know or comment on as at the Latest Practicable Date.

To prevent the flow of our Consolidated Affiliated Entities' value and assets to their respective registered shareholders, pursuant to the Exclusive Call Option Agreement, none of the assets of Dalian Development or our universities are to be transferred or otherwise disposed of without the written consent of Neusoft Ruixin. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the sponsor interests and/or equity interests, as the case may be, in Dalian Development or our universities is permitted without Neusoft Ruixin's prior written consent.

Any distribution of profit or dividend from Dalian Development and our universities must be immediately transferred or paid (subject to the relevant tax payment being made under applicable laws and regulations) to Neusoft Ruixin (or its designated party). If Neusoft Ruixin exercises its option, all or any part of the equity interests or sponsor interests (as the case may be) in Dalian Development and our universities would be transferred to Neusoft Ruixin and the benefits of ownership in the equity interests or sponsor interests (as the case may be) would flow to Neusoft Ruixin and our Shareholders.

c. Equity pledge agreement

Each of our universities is a private non-enterprise entity (民辦非企業單位). Under PRC Laws, entities or individuals who establish a private non-enterprise entity are generally referred to as "sponsors" rather than "owners" or "shareholders", and the economic substance of "sponsor interest" with respect to a private non-enterprise entity is substantially similar to that of "ownership" from a legal, regulatory and tax perspective. Under PRC Laws, our School Sponsors' sponsor interests in our universities are not capable of being pledged as security in favour of Neusoft Ruixin. Our PRC Legal Adviser has advised us that any pledge of sponsor interests would not be registrable or enforceable under PRC Laws.

Accordingly, we have entered into an equity pledge arrangement in relation to the equity interest in Dalian Development held by its Registered Shareholder. Under the equity pledge agreement dated 21 June 2019, entered into by and between (i) Neusoft Ruixin; (ii) the Registered Shareholder of Dalian Development; and (iii) Dalian Development (the “**Equity Pledge Agreement**”), the Registered Shareholder unconditionally and irrevocably pledged all of the equity interests in Dalian Development in favour of Neusoft Ruixin in order to guarantee the performance of the obligations of the Registered Shareholder, Dalian Development, the School Sponsors and our universities under the Contractual Arrangements. Under the Equity Pledge Agreement, the Registered Shareholder has agreed that, without the prior written consent of Neusoft Ruixin, it would not transfer or dispose of the pledged equity interests or create or allow a third party to create any encumbrance on the pledged equity interests that would prejudice Neusoft Ruixin’s interest.

The pledge in respect of Dalian Development takes effect upon completion of registration with the relevant administration for industry and commerce and will remain valid until: (i) the satisfaction of all contractual obligations by the Registered Shareholder, Dalian Development, the School Sponsors and our universities under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and the Powers of Attorney (as defined below), or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

The Equity Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC Laws.

Documents supporting the structural integrity and stability of our main agreements

a. Power of attorneys

The Registered Shareholder of Dalian Development, the School Sponsors and Dalian University have each executed an irrevocable power of attorney dated 21 June 2019 (each a “**Power of Attorney**”, and collectively, the “**Powers of Attorney**”) granting Neusoft Ruixin (or a person designated by Neusoft Ruixin, including our Directors and their successors and any liquidators substituting our Directors, but excluding anyone who may give rise to a conflict of interest), as its attorney, with authorisation to vote on all matters that require our Consolidated Affiliated Entities’ shareholders’ or school sponsors’ approval and on which the respective grantor is entitled to vote, including the right to appoint directors and vote on the director’s behalf on the boards of our universities.

To prevent the Powers of Attorney from giving rise to a conflict of interest, each of the School Sponsors and Dalian University, under their respective Powers of Attorney, irrevocably undertook that:

- (a) the authorisations granted under the Powers of Attorney have not and would not lead to any conflict of interest between Neusoft Ruixin (or its parent companies) and our Consolidated Affiliated Entities; and
- (b) if the entity or any direct or indirect shareholder of the entity or their delegated representatives concurrently serve as the Director or senior management of the Company, the authorisations granted under the Powers of Attorney shall be exercised in a manner in favour of the Company.

Through the Powers of Attorney, Neusoft Ruixin has effectively acquired control over the Consolidated Affiliated Entities through shareholder or school sponsors' votes, which allows Neusoft Ruixin to control, the composition of the board of directors for our Consolidated Affiliated Entities. As advised by our PRC Legal Adviser, the Powers of Attorney are valid, legal and binding on the parties under PRC Laws.

b. Undertaking letters

To support the stability and continued validity and enforceability of our Contractual Arrangements, and in particular the Equity Pledge Agreement, Neusoft Ruixin received irrevocable undertakings (承諾函) on 21 June 2019 and 8 October 2019 (collectively, the "**Undertaking Letters**") from (a) each of the following shareholders of Neusoft Holdings (the Registered Shareholders): Dalian Kang Ruidao, Dalian Siwei, LIU Ming, Alpine China, Northeastern University Group, PICC Life, PICC Health, Yida Holdings; and (b) the following shareholders and/or controlling persons of the shareholders of Neusoft Holdings: Dr. J. Liu, the general partner of Dalian Kang Ruidao, Alpine Electronics, Baidu Online Network Technology (Beijing) Co., Ltd. and the three individual shareholders of Yida Holdings. Pursuant to the Undertaking Letters, the undertaking shareholders would not (or procure that respective shareholder of the Registered Shareholder not to, as the case may be) enter into an arrangement (including pledge, sale, disposal or creation of other third-party rights) in respect of the equity interests held by them (or that respective shareholder) in the Registered Shareholder that may reduce either the effectiveness of the Registered Shareholder's equity pledge to Neusoft Ruixin under the Contractual Arrangements or the stability of the Contractual Arrangements, unless: (i) they, except for PICC Life and PICC Health, have obtained Neusoft Ruixin's consent; and (ii) the counterparties or beneficiaries of the proposed arrangement have executed similar written undertaking(s) to the effect that they will not affect the performance of our Contractual Arrangements.

The main purpose of the Undertaking Letters is to further support the stability of the operation of the Contractual Arrangements. It is envisioned that the Undertaking Letters would achieve this purpose through, among others:

- (a) preventing the undertaking shareholders from entering into any arrangement involving their respective direct or indirect interests in the Registered Shareholder that would adversely affect the first priority pledge granted by the Registered Shareholder to Neusoft Ruixin under the Equity Pledge Agreement;
- (b) requiring the undertaking shareholders to refrain from taking any action that would harm the operation of the Contractual Arrangements (and the VIE Structure that it underpins); and
- (c) ensuring that the undertaking shareholders are aware of, and directly support, the Registered Shareholder's entry into, and obligations under, the Contractual Arrangements; and that any new person that proposes to obtain an interest in the Registered Shareholder would, before acquiring such interest, give similar undertakings to Neusoft Ruixin to maintain the stability of the Contractual Arrangements (and the VIE Structure that it underpins).

The Registered Shareholder is a corporate legal entity. It has separate legal personality and is legally bound by, and is required to perform under, the terms of the Contractual Arrangements. Notwithstanding the fact that the Registered Shareholder, being a corporate legal entity, is under substantively the same obligations, and legal responsibility, to perform under the Contractual Arrangements, as those that would be imposed on a natural person in the position of the Registered Shareholder, the following factors, among others, provide further protection in maintaining the operation and effectiveness of our Contractual Arrangements:

- (a) the Undertaking Letters given by the undertaking shareholders ensure that the ultimate controlling entities or natural persons behind the Registered Shareholder are supportive of, and would not undermine the stability of, or jeopardise the Registered Shareholder's performance under, the Contractual Arrangements;
- (b) although the undertaking shareholders may enter into arrangements that may directly or indirectly concern interests in the Registered Shareholder, as advised by our PRC Legal Adviser, under PRC Laws, these arrangements (which include any change in the shareholders of the Registered Shareholder) would not affect the validity of the Contractual Arrangements or its legally binding effect upon the Registered Shareholder; and
- (c) the undertaking shareholders (or their associates, as defined in the Listing Rules) are also our Shareholders or shareholders of Neusoft Ruixin; and therefore, each has a vested interest in ensuring that the parties to the Contractual Arrangements (including both the domestic and foreign parties) perform their obligations under the Contractual Arrangements and that the VIE Structure effectively ensures that control over our Consolidated Affiliated Entities vests in the Company (through Neusoft Ruixin) and allows the economic interests of our Consolidated Affiliated Entities to flow through to Neusoft Ruixin and that the financials of our Consolidated Affiliated Entities are able to be consolidated into the accounts of the Company.

c. Spousal undertakings

Each of the spouses of Dr. J. Liu, LIU Ming, and the three ultimate beneficial owners of Yida Holdings, being all the individual ultimate beneficial owners that control the shareholders of the Registered Shareholder, has given an irrevocable spousal undertaking (collectively, the "**Spousal Undertakings**") to our Group that:

- (i) he/she has full knowledge of Neusoft Ruixin and has consented to the entry into of the Contractual Arrangements by Neusoft Ruixin, the Registered Shareholder and Dalian Development;
- (ii) he/she undertakes to execute all necessary documents and take all necessary acts to safeguard the performance of the Contractual Arrangements and to give effect to the aims and purpose of the Contractual Arrangements, and confirms and agrees to all documents executed and acts taken in relation thereto;
- (iii) any undertaking, confirmation, consent and authorisation under the Spousal Undertakings would not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events in respect of the shares in the Registered Shareholder held by its shareholders; and
- (iv) any undertaking, confirmation, consent and authorisation under the Spousal Undertakings will not be revoked, prejudiced, invalidated or otherwise adversely affected by the spouse's death, loss of or restriction on legal capacity, or by divorce or other similar events.

Business activities of the Consolidated Affiliated Entities in the PRC and their significant financial contributions to the Group

In 2023, revenue from the Consolidated Affiliated Entities was approximately RMB1,561.4 million, accounting for approximately 86.5% of the total revenue of the Group (2022: approximately RMB1,269.6 million). As of 31 December 2023, the total assets of the Consolidated Affiliated Entities were approximately RMB5,840.1 million, accounting for approximately 87.3% of the total asset of the Group (2022: approximately RMB5,148.8 million).

Regulatory framework

a. Higher education business

Foreign control restriction

Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (“**Negative List**”), the provision of higher education in China falls within the “restricted” category of foreign investment activities. In particular, this means: (a) the catalogue explicitly restricts foreign-invested higher education institutions to Sino-foreign cooperation ventures (“**Sino-foreign Schools**”), meaning that foreign investors (such as our Company, “**foreign party**”) may only operate higher education institutions in China by cooperating with PRC incorporated entities (“**domestic party**”) that comply with the Sino-foreign Regulation (defined below); and even in such circumstances; and (b) the domestic party must play a dominant role in the Sino-foreign School (“**Foreign Control Restriction**”), meaning that (i) the schools’ principals or chief executives must be PRC nationals; and (ii) the domestic party’s representatives must account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign School (collectively, the “**governing body**”), as the case may be, depending on the governing structure adopted by the Sino-foreign School.

Qualification requirements

Even if a Sino-foreign cooperation meets the Foreign Control Restriction, pursuant to the Regulation on Operating Sino-foreign Cooperative Schools of the PRC (中華人民共和國中外合作辦學條例), promulgated by the Stated Council in 2003 and amended on 18 July 2013 and 2 March 2019 (the “**Sino-foreign Regulation**”) and further interpreted by its implementation measures, the foreign party in a Sino-foreign School must be a foreign education institution capable of providing quality education outside of China (the “**Qualification Requirements**”).

Foreign ownership restriction

Pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Fields of Education and Promoting the Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), promulgated by the MOE on 18 June 2012, the foreign portion of the total investment in a Sino-foreign School should be below 50% (the “**Foreign Ownership Restriction**”).

Sino-foreign schools in Liaoning, Guangdong, and Sichuan provinces

With the assistance of our PRC Legal Adviser, we consulted the International Cooperation and Exchange Office (國際交流合作處) and the Development Planning Office (發展規劃處) of the Educational Department of Liaoning Province on 22 May 2019, the Policy and Regulation Office (政策法規處) and the Cooperation and Exchange Office (交流合作處) of the Department of Education of Guangdong Province on 5 March 2019, the Development Planning Office (發展規劃處) of the Education Department of Sichuan Province on 17 June 2019, and the International Cooperation and Exchange Office of the Education Department of Sichuan Province on 12 June 2019. Based on such consultations, we were given to understand that:

- (a) the Foreign Control Restriction, the Qualification Requirements and the Foreign Ownership Restriction apply to Sino-foreign Schools engaging in higher education in Liaoning, Guangdong, and Sichuan provinces;
- (b) no implementing measures or specific guidance regarding the Qualification Requirements had been promulgated pursuant to the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC in Liaoning, Guangdong, or Sichuan provinces;
- (c) no Sino-foreign School providing higher education, the domestic party of which is a private educational institution, had ever been approved in Liaoning, Guangdong, or Sichuan provinces;
- (d) it is not practicable to convert our universities into Sino-foreign Schools; and
- (e) the execution and performance of the Contractual Arrangements do not require any prior filing or approval.

Our PRC Legal Adviser is of the view that each of the International Cooperation and Exchange Office and the Development Planning Office of the Educational Department of Liaoning Province, the Policy and Regulation Office and the Cooperation and Exchange Office of the Department of Education of Guangdong Province, the Development Planning Office and the International Cooperation and Exchange Office of the Education Department of Sichuan Province is competent to provide the above confirmation, since the International Cooperation and Exchange Office of the Educational Department of Liaoning Province, the Cooperation and Exchange Office of the Department of Education of Guangdong Province, and International Cooperation and Exchange Office of the Education Department of Sichuan Province are the responsible departments in their respective provinces to accept and perform a preliminary or final review of the applications for establishing Sino-foreign schools providing higher education, and the Development Planning Office of the Education Department of Sichuan Province and the Educational Department of Liaoning Province and the Policy and Regulation Office of the Department of Education of Guangdong Province are the responsible departments in their provinces to oversee the private higher education institutions in their respective provinces.

Based on the consultations above, our PRC Legal Adviser has advised us that, as of the Latest Practicable Date, there are no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements, particularly considering that no implementation measures or specific guidance are available for the relevant provinces in which our three universities are located.

Based on the foregoing, the Directors consider that it is not practicable for us to seek to apply to reorganise any of our universities as a Sino-foreign School.

b. Publishing business

Pursuant to the Negative List, foreign investment in the publication of audio-visual products and electronic publications and in the provision of internet publishing services is prohibited.

Based on (a) the fact that PRC Laws restrict foreign ownership in the Education Business (through the Foreign Control Restriction and the Foreign Ownership Restriction), and following consultations with the competent government authorities in Liaoning, Guangdong, and Sichuan provinces, the understanding that we are not able to presently meet the Qualification Requirements (due to, among other reasons, there being no implementing measures or specific guidance on the Qualification Requirements in Liaoning, Guangdong, and Sichuan provinces, and there is no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements); and (b) foreign investment is prohibited in our Publishing Business, our PRC Legal Adviser has advised us that it is not possible to convert our three universities into sino-foreign schools, nor is it possible for Neusoft Ruixin to directly hold any equity interest in Neusoft Electronic Press. Accordingly, our PRC Legal Adviser is of the view that our Contractual Arrangements, which cover our Education Business and our Publishing Business, are narrowly tailored.

c. Foreign investment law

On 15 March 2019, the 2nd session of the 13th National People's Congress enacted the Foreign Investment Law (the "**FIL**"), which 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 law in China. The FIL stipulates three major forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Company in the form of our Contractual Arrangements to establish control over our Consolidated Affiliated Entities by Neusoft Ruixin, and through which we operate our Relevant Business in China. If the then laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole, and each of the agreements comprising our Contractual Arrangements, will not be materially affected and will continue to be legal, valid and binding on the parties.

Notwithstanding this, the FIL stipulates that foreign investment includes "investment by foreign investors through such other methods under laws, administrative regulations or provisions prescribed by the State Council." There is the possibility that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements would be deemed in violation of foreign investment laws and regulations and how our Contractual Arrangements would then be handled by relevant PRC authorities. Therefore, there is no guarantee that our Contractual Arrangements, and the business of our Consolidated Affiliated Entities, will not be materially and adversely affected in the future due to changes in PRC Laws.

Plan to comply with the qualification requirements

We have implemented the following plan that represents our commitment and our meaningful endeavours to satisfy the Qualification Requirements (and should the criteria to be met by a foreign party under the Qualification Requirements be further clarified) (the two collaborations below, collectively the “Cooperations”):

- (a) on 28 May 2019, Neusoft Education HK entered into a memorandum of understanding with the University of Aizu (“**Aizu**”), a university in Japan accredited by the Ministry of Education, Culture, Sports, Science and Technology, Japan, pursuant to which we and Aizu agreed to cooperate in international higher education, including, in particular:
 - (i) information exchange concerning higher education, scientific research, and related activities;
 - (ii) provision of books, publications and documents, including curricula for higher education and scientific research;
 - (iii) mutual exchange of faculty and researchers;
 - (iv) joint research activities by faculty members or researches, and cooperation in applying and promoting national or international projects;
 - (v) mutual visits and/or exchange of students; and
 - (vi) establishing overseas bases in China and Japan, respectively,

pursuant to the memorandum of understanding with Aizu, the Group has established the Aizu-Neusoft Innovation Hub and the Neusoft Education Technology Co. Limited Contact Office on Aizu’s campus, as part of the Group’s efforts to establish overseas bases in Japan and to facilitate information and resource exchange with Aizu. In 2023, we cooperated with eight Japanese universities including Aizu in international student recruitment, student visit programmes and student exchange and practice groups. In 2023, Dalian University sent several teachers from the School of Digital Art and Design, the School of Foreign Languages, and the School of Higher Vocational and Technical abroad, visiting six universities including Hokkaido Information University and Josai International University and also nearly 10 companies including Alpine Co., LTD., the Sea of Japan International Exchange Centre and RIEI CO., LTD to further exchange the concept and practice of industry-learning interaction and industry-education integration.

- (b) on 18 June 2019, Neusoft Education HK entered into a memorandum of understanding with IT Innovation Ltd. (IT創新股份有限公司) (“**IT Innovation**”), pursuant to which IT Innovation agreed to provide consulting services to Neusoft Education HK for the provision of higher-education in Japan, on the following areas subject to further agreement:
 - (i) professional knowledge on education and training;
 - (ii) our cooperation and collaboration with and/or acquisition of Japanese colleges and universities specialising in IT education; and
 - (iii) exchange and secondments for teacher and personnel.

- (c) the Group continues communicating and negotiating with certain experienced and reputable overseas education services providers on potential collaboration opportunities, including expanding the Group's school network abroad. In 2023, Dalian University, approved by the Education Department of Liaoning Province, has launched a Sino-foreign cooperative education project with Ueda Gakuen Osaka Sogo College of Design, Japan, and set up the Virtual Reality Technology Application major (for junior college programmes), which has successfully completed the enrolment in 2023/2024 academic year. In addition, in 2023, we enrolled a total of 98 students in international programmes such as from bachelor degree to master degree programmes, exchange programmes and 2+2 double degree programmes. We also signed cooperation agreements with 7 institutions or companies with respect to overseas teacher programmes and 2+2 double degree programmes and other programmes to expand the Group's cooperation network at home and abroad.
- (d) we envisage operating a higher-education institution in Japan, solely or in cooperation with our partners. The implementing scheme is to be determined, however, we plan to establish a company in Japan with an initial investment of USD150,000, which will serve as the vehicle through which the Group will perform preparatory work and as the entity to operate and manage the Japanese higher-education institution that we will sponsor in the future. We have engaged an agent to assist us with better understanding and navigating the business environment in Japan and we are preparing relevant documents in relation to establishing a subsidiary in Japan. The establishment of our Japanese subsidiary has not been completed since such relevant documents has expired due to a long suspension on the establishment under the impact of the Coronavirus Disease pandemic. We are now in process of preparing new submission documents via the agent and expect to commence operations in the education sector in Japan as soon as all applicable regulatory approvals have been obtained, all preparatory work has been completed, and when the Directors believe it is in the best interests of the Group to do so.
- (e) it is intended that Neusoft Education HK will serve as a platform to:
 - (i) negotiate and execute contracts for international business cooperation; and
 - (ii) invest in education businesses overseas as and when appropriate.

Based on the steps taken above, our PRC Legal Adviser is of the view that:

- (a) there are no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements, in particular, what specific criteria must be met by the foreign party (such as the level of experience in overseas educational industry) so as to fulfil the Qualification Requirements;
- (b) notwithstanding the foregoing in (a) above, the higher-education institution to be established by us in Japan or another overseas higher-education institution that we may establish in the future, which will provide university level education service, shall meet the basic requirements under the Sino-foreign Regulation;

- (c) if the higher-education institution to be established by us in Japan, or any other overseas higher education institution that we may establish in the future, successfully commences operation and gains sufficient level of experience, it is likely that we can fulfil the Qualification Requirements and will be able to own, control and operate our existing universities in the PRC wholly or partly through such overseas higher-education institution, subject to compliance with any other legal restrictions including the Foreign Ownership Restriction and the Foreign Control Restriction and approval from the relevant education authorities in the PRC, and

in light of the steps taken by us highlighted above, the limited experience that we had in operating overseas education institutions as of the Latest Practicable Date and the lack of clear guidance or interpretation on the Qualification Requirements issued by the relevant competent authorities, our PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirements under the current circumstances.

We undertake to the Stock Exchange that we will:

- (a) under the guidance of our PRC Legal Adviser, continue to keep ourselves updated on all relevant regulatory developments and guidance relating to the Qualification Requirements; and
- (b) provide periodic updates in our annual and interim reports to inform our Shareholders of the actions undertaken towards meeting the Qualification Requirements.

Risks relating to the structured contracts

For risks related to the structured contracts, please refer to the section "Risk Factors – Risks relating to Our Contractual Arrangements" in the Prospectus of the Company.

The management of the Company has been working closely with our external lawyers and advisers on monitoring the regulatory environment and development of relevant laws and regulations to reduce the risk associated with Contractual Arrangement.

Major changes relating to the structured contracts

For the year ended 31 December 2023, there were no major changes in the structured contracts and/or the adoption of the structured contracts.

Unwinding of the structured contracts

As of the date of this Report, there has not been any unwinding of any structured contracts, nor has there been any failure to unwind any structured contracts when the restrictions that led to the adoption of the structured contracts are removed. For details related to the unwinding of the structured contracts, please refer to the sections headed "Contractual Arrangements – Circumstances under which we will unwind our Contractual Arrangements with respect to our Education Business" and "Contractual Arrangements – Circumstances under which we will unwind our Contractual Arrangements with respect to our Publishing Business" in the Prospectus of the Company.

Exemption from the stock exchange

The Stock Exchange has granted the Company an exemption from strict compliance with the requirements relating to the connected transactions under Chapter 14A of the Listing Rules in respect of the structured contracts. For details, please refer to the section headed "Connected Transactions-Contractual Arrangements" in the Prospectus of the Company.

Compliance with our Contractual Arrangements

We have adopted the following measures to ensure the Group's effective implementation, operation of, and compliance with, our Contractual Arrangements:

- (i) we will submit any major issues arising from implementing or complying with our Contractual Arrangements to our Board for discussion and review;
- (ii) the Board will review the overall performance of, and compliance with, our Contractual Arrangements at least annually;
- (iii) the Company will disclose the overall performance of, and compliance with, our Contractual Arrangements in the annual reports; and
- (iv) the Company will engage legal advisers and other professional advisers (if necessary) to assist the Board with reviewing the implementation of our Contractual Arrangements, and to deal with specific issues or matters arising out of our Contractual Arrangements.

Confirmation from independent non-executive Directors

The independent non-executive Directors have reviewed and confirmed the continuing connected transactions set out above are:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The independent non-executive Directors have reviewed the structured contracts and confirmed that (i) all transactions in relation to the structured contracts during the year ended 31 December 2023 were entered into and conducted pursuant to the relevant provisions thereunder; (ii) no dividends have been paid by the PRC Consolidated Affiliated Entities to their respective holders of equity which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new structured contracts entered into or renewed between the Group and our PRC Consolidated Affiliated Entities during the year ended 31 December 2023.

Confirmation from the auditor

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2023:

- (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) nothing has come to their attention that causes the auditor to believe that the continuing connected transactions as disclosed above have exceeded the annual cap as set by the Company;
- (v) nothing has come to their attention that causes the auditor to believe that dividends or other distributions have been made by Consolidated Affiliated entities to the holders of equity interest of Consolidated Affiliated Entities which were not otherwise subsequently assigned or transferred to the Group.

8. RELATED PARTIES TRANSACTIONS

Except for those disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" above in Directors' Report in this Report (all of which are connected transactions under Chapter 14A of the Listing Rules) and connected transactions that are fully-exempt pursuant to Chapter 14A of the Listing Rules, other related party transactions entered into by the Group for the year ended 31 December 2023 as set out in note 36 to the consolidated financial statements do not fall under connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended 31 December 2023.

9. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

10. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

11. SHARE CAPITAL AND ISSUED SHARES

As of 31 December 2023, the Company's authorised share capital of HK\$380,000 became divided into 1,900,000,000 Shares at par value of HK\$0.0002 each. As of 31 December 2023, 646,203,535 shares were in issue and fully paid. Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements.

12. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF THE COMPANY

The Shares of the Company have been listed on the Main Board of the Stock Exchange on 29 September 2020. The net proceeds from the Initial Public Offering ("IPO") are approximately HK\$924.2 million (equals to approximately RMB777.5 million), which are intended to be used for the purposes set out in the Prospectus.

On 8 June 2021, the Board resolved to reallocate part of the unutilised IPO proceeds of approximately RMB59.9 million (approximately 8% of the IPO proceeds) originally intended to be used for the acquisition of other schools to repay commercial loans of the Group. For details please refer to the announcement relating to the change in use of proceeds from the IPO of the Company dated 8 June 2021.

As of 31 December 2023, the use of proceeds from the IPO is as follows:

	% of net proceeds	Revised net proceeds from the IPO <i>RMB million</i>	Amount utilised during the year ended 31 December 2023 <i>RMB million</i>	Amount utilised as at 31 December 2023 <i>RMB million</i>	Amount unutilised as at 31 December 2023 <i>RMB million</i>	Expected timeline for fully utilising unutilised amount
Upgrading our existing school facilities and expanding our campus	51.4%	399.6	8.6	399.6	–	N/A
Acquisition of other schools	12.9%	100.0	-50.0 ⁽¹⁾	–	100.0	By the end of 2024 ⁽²⁾
Repay commercial loans	25.4%	198.0	–	198.0	–	N/A
Supplement working capital	10.3%	79.9	–	79.9	–	N/A
Total	100%	777.5	-41.4	677.5	100.0	

Notes:

- (1) On 28 August 2023, the Group and Fujian Jiantou Group Co., Limited ("Fujian Jiantou") agreed to terminate the Cooperation Project of establishing a new vocational college in Putian Meizhouwan Beian Economic Zone (莆田市湄洲灣北岸經濟開發區) and that Fujian Jiantou agreed to return the earnest money of RMB50.0 million that the Group had paid, for details relating to which please refer to the announcement of the Company dated 28 August 2023. The Group received such earnest money above on 5 September 2023.
- (2) The delay of expected timeline for fully utilizing unutilised amount planned for acquisition of other schools is due to the termination of Cooperation Project in Putian and no appropriate acquisition target on the market for the moment.

On 8 March 2024, the Board resolved to reallocate the unutilised IPO proceeds of approximately RMB100.0 million (representing approximately 12.9% of the IPO proceeds) originally intended to be used for the acquisition of other schools, of which approximately RMB93.4 million to repay commercial loans, and approximately RMB6.6 million to supplement working capital. For related details, please refer to the announcement of the Company dated 8 March 2024.

13. ISSUED BONDS

For the year ended 31 December 2023, the Company did not issue or maintain any bonds.

14. DIRECTORS

As of 31 December 2023 and as of the date of this Report, the Directors of the Company are as follows:

Chairperson and Non-executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie
Dr. ZHANG Xia
Dr. ZHANG Yinghui
Mr. SUN Yinhuan

Independent Non-executive Directors

Dr. LIU Shulian
Dr. QU Daokui
Dr. WANG Weiping

Every Director shall retire from office once every three years and for this purpose, at each annual general meeting one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the annual general meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years. Therefore, in accordance with article 108 of the Articles, Mr. SUN Yinhuan, Dr. QU Daokui and Dr. WANG Weiping shall retire from office as Directors and, being eligible, will offer themselves for re-election at the annual general meeting.

15. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this Report.

16. CHANGES IN DIRECTORS' OR CHIEF EXECUTIVE'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, all changes and updated information regarding the Directors and chief executive are set out in the section headed "Directors and Senior Management". Save as disclosed in the above section, there have been no other changes in the information of Directors and chief executive of the Company required to be disclosed pursuant to Rule 13.51(2)(a) to (e) and (g) of the Listing Rules since the publication of the 2023 interim report up to the Latest Practicable Date.

17. DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

The executive Director has entered into a service contract with the Company with effect for a term of three years commencing from 25 May 2021 until the third annual general meeting of the Company since 25 May 2021 (whichever is earlier), which shall be automatically renewed for successive periods of three years (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms thereof or by either party giving to the other not less than three months' prior notice in writing.

Each of our non-executive Directors and each of our independent non-executive Directors have entered into an appointment letter with the Company. All of them, except for Dr. ZHANG Xia, hold office for a term of three years commencing from 25 May 2021 or until the third annual general meeting of the Company since 25 May 2021, whichever is earlier and subject to retirement as and when required under the Articles of Association. The appointment letters will be with effect until terminated in accordance with the terms thereof or by either party giving to the other not less than one month's prior notice in writing. Dr. ZHANG Xia holds office for a term of three years commencing from 27 May 2022 or until the third annual general meeting of the Company since 27 May 2022, whichever is earlier and subject to retirement as and when required under the Articles of Association. The appointment letters will be with effect until terminated in accordance with the terms thereof or by either party giving to the other not less than one month's prior notice in writing. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee. The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

18. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Report, at no time for the year ended 31 December 2023 was the Company or 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 the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debentures of the Company or any other body corporate, or had exercised any such right.

19. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ISSUER OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that fall to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions that he/she is taken or deemed to have under such provisions of the SFO), or that have been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are set out below:

Interest in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company ⁽⁴⁾
LIU Jiren ⁽¹⁾	Interest in a controlled corporation and interest in a controlled corporation through voting proxy	408,241,200	63.18%
WEN Tao ⁽²⁾	Beneficial interest	9,595,000	1.48%
RONG Xinjie ⁽²⁾	Beneficial interest	300,000	0.05%
ZHANG Yinghui ⁽²⁾	Beneficial interest	3,145,000	0.49%
SUN Yinhan ⁽³⁾	Founder of a discretionary trust	65,010,000	10.06%

Notes:

- (1) Dr. LIU Jiren: (a) wholly-owns Kang Ruidao First, which holds all of the voting rights of Kang Ruidao; and (b) has more than one-third ultimate control over Dongkong First and Dongkong Second through a series of intermediary entities. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of equity interests held by each of Kang Ruidao, Dongkong First and Dongkong Second in the Company.
- (2) These interests were held through options granted under Pre-IPO Share Incentive Scheme that are convertible into Shares. Mr. Rong's options have been cancelled on 31 January 2024. Dr. Wen and Dr. ZHANG Yinghui's options have been cancelled on 29 February 2024.
- (3) Deluxe Trust was established by Mr. SUN Yinhan and is held by TMF (Cayman) Ltd. as trustee, which indirectly owns 99% of Deluxe Glorious Limited, which in turn owns 40% of Century Bliss. Under the SFO, Mr. SUN Yinhan, as the founder of Deluxe Trust, is deemed to be interested in the entire equity interest in the Company held by Century Bliss.
- (4) This percentage represents the total number of Shares held by each Director or the chief executive as at 31 December 2023 divided by the total number of issued Shares of the Company as at 31 December 2023 (646,203,535 shares).

Interest in associated corporations

Dalian Development

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the associated corporations
LIU Jiren ⁽¹⁾	Nominee shareholder whose shareholder rights are subject to the Contractual Arrangements ⁽¹⁾	359,000,000	100%

Note:

- (1) Dr. LIU Jiren has more than one-third ultimate control in Neusoft Holdings, which is the sole registered shareholder of Dalian Development. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of interest held by Neusoft Holdings in Dalian Development which is subject to the Contractual Arrangements.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

20. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2023, as far as the Directors are aware, the following persons (not being the Directors or chief executive of the Company) have or are taken or deemed to have interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, that fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or that are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as follows:

Interests in the Company

Shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest in the Company ⁽⁶⁾
Kang Ruidao ⁽¹⁾	Beneficial interest	154,344,200	23.88%
Kang Ruidao First ⁽¹⁾	Interest in a controlled corporation	154,344,200	23.88%
Dongkong First ⁽²⁾⁽³⁾	Beneficial interest	133,897,000	20.72%
Dongkong Second ⁽²⁾⁽³⁾	Beneficial interest	120,000,000	18.57%
Neusoft International ⁽²⁾	Interest in a controlled corporation	253,897,000	39.29%
Neusoft Holdings ⁽²⁾	Interest in a controlled corporation	253,897,000	39.29%
Century Bliss ⁽⁴⁾	Beneficial interest	65,010,000	10.06%
Deluxe Glorious Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	10.06%
Deluxe Capital Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	10.06%
TMF (Cayman) Ltd ⁽⁴⁾	Trustee of a trust	65,010,000	10.06%
CHENG Huiyan. ⁽⁴⁾	Interest of spouse	65,010,000	10.06%
FIL Limited ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%
Pandanus Partners L.P. ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%
Pandanus Associates Inc. ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%

Notes:

- (1) Kang Ruidao First holds all of the voting shares of Kang Ruidao. Under the SFO, Kang Ruidao First Inc. is deemed to be interested in all the shares of the Company held by Kang Ruidao.
- (2) Both Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. Under the SFO, each of Neusoft International and Neusoft Holdings is deemed to be interested in the full aggregate amount of Shares held by Dongkong First and Dongkong Second in the Company.
- (3) Under a supplemental trust loan agreement entered into between Neusoft Holdings and China Industrial International Trust Limited ("CIIT") dated 20 June 2019, Dongkong First and Dongkong Second granted securities over all of their Shares in favour of CIIT for the performance of Neusoft Holdings' obligations under its facility agreement with CIIT's affiliate. Neusoft International notified the Company that Dongkong First and Dongkong Second have pledged 127,465,000 Shares and 120,000,000 Shares which held of the Company respectively, to CIIT for the guarantee of the above loans.
- (4) Century Bliss is controlled as to more than one-third by Deluxe Glorious Limited, which is controlled as to more than one-third by Deluxe Capital Limited, and Deluxe Capital Limited is a wholly-owned subsidiary of TMF (Cayman) Ltd, which is the trustee of the Deluxe Trust. Ms. CHENG Huiyan is the spouse of Mr. SUN Yinhan (the founder of the Deluxe Trust). Accordingly, Ms. CHENG Huiyan, TMF (Cayman) Ltd., Deluxe Glorious Limited and Deluxe Capital Limited are deemed to be interested in all the Shares of the Company held by Century Bliss under the Securities and Futures Ordinance.
- (5) FIL Limited is deemed to own the 38,782,627 Shares of the Company through a series of subsidiaries. FIL Limited is controlled as to more than one-third by Pandanus Partners L.P., which is 100% controlled by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in all the Shares of the Company held by FIL Limited under the Securities and Futures Ordinance.
- (6) The percentage represents the total number of the Shares held by each Shareholder as at 31 December 2023 divided by the number of issued Shares of the Company as at 31 December 2023 (646,203,535 Shares).

Interests in the Group (excluding the Company)

Shareholder	Name of Group member	Capacity/ Nature of interest	Approximate percentage held by the substantial shareholder
Neusoft Holdings	Dalian Development	Interest of a Registered Shareholder	100%
ZHOU Zhenming	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	24%
GAO Yan	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	16%
Qinhuangdao Xingdong Technology Co., Ltd. ⁽¹⁾	Qinhuangdao Neusoft Venture School	Beneficial interest	10%
Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd. ⁽²⁾	Guangdong Ruidao Gongchuang Technology Co., Ltd.	Beneficial interest	49%
Zhejiang Wanli University Asset Operation Co., Ltd. (浙江萬里學院資產經營有限公司) ⁽³⁾	Ningbo Wanli Neusoft Digital Technology Co., Ltd.	Beneficial interest	49%

Notes:

- (1) According to publicly available information, the Qinhuangdao campus of the Northeastern University (東北大學秦皇島分校) wholly owns Qinhuangdao Xingdong Technology Co., Ltd. (秦皇島興東科技有限公司), and is therefore deemed to own 10% of the voting rights in one of our subsidiaries.
- (2) According to publicly available information, Foshan Nanhai District State-owned Asset Supervision and Administration Bureau (佛山市南海區國有資產監督管理局) wholly owns Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd. (廣東南海高新技術產業投資控股有限公司), and is therefore deemed to own more than 10% of the voting rights in one of our subsidiaries.
- (3) According to publicly available information, Zhejiang Wanli University (浙江萬里學院) wholly owns Zhejiang Wanli University Asset Operation Co., Ltd. (浙江萬里學院資產經營有限公司), and is therefore deemed to own more than 10% of the voting rights in one of our subsidiaries.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2023 (other than those owned by the Directors and chief executive of the Company) that fall to be disclosed to the Company pursuant to the Divisions 2 and 3 of Part XV of the SFO, or that have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

21. ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on 28 May 2024. Notice of the annual general meeting will be published and issued to the Shareholders in due course.

22. CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 20 May 2024 to Tuesday, 28 May 2024 (both days inclusive) during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 17 May 2024.

Entitlement to the proposed final dividend

For determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 14 August 2024 to Friday, 16 August 2024, both days inclusive, during which period no transfer of Shares can be registered. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 13 August 2024.

23. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions", "Continuing Connected Transactions" and "Related Parties Transactions" of Directors' Report in this Report and the note 36 to the consolidated financial statements, none of the Director had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Group was a party during the year ended 31 December 2023 and up to the Latest Practicable Date.

24. CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the section headed "Connected Transactions", "Continuing Connected Transactions" and "Related Parties Transactions" of the Directors' Report in this Report and note 36 to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and its Controlling Shareholder or any of its subsidiaries or for the provision of services to the Company or any of its subsidiaries by its Controlling Shareholder or any of its subsidiaries or no Controlling Shareholder had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Group was a party during the year ended 31 December 2023 and up to the Latest Practicable Date.

25. DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

26. NON-COMPETITION UNDERTAKING

Our Controlling Shareholders, Dr. J. Liu and Neusoft Holdings (for itself and on behalf of the entities that it controls) have given the Company a non-competition undertaking, pursuant to which, each of the two Controlling Shareholders has undertaken that while they remain a Controlling Shareholder of the Company, whichever is earlier, he/it would not, and would procure their respective close associate not to, carry on, engage or participate in the business that competes or is likely to compete, directly or indirectly, with the business of the Group, which consists of (i) full-time formal higher education services; (ii) continuing education services; and (iii) education resources and apprenticeship programme (collectively the **"Restricted Business"**) in China. The restrictions do not apply to (i) minority investments in any Restricted Businesses in which the Controlling Shareholders are merely passive investors; or (ii) opportunities in Restricted Businesses provided that we were given a priority option to participate in the opportunity and have decided not to take up the opportunity after a commercially reasonable period of time.

The Company has received a written confirmation from Dr. J. Liu and Neusoft Holdings in respect of their compliance with the aforementioned non-competition undertaking during the year ended 31 December 2023. The independent non-executive Directors have reviewed and are satisfied that each of the Controlling Shareholders have complied with the non-competition undertakings for the year ended 31 December 2023.

27. PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors of the Company, managing directors, alternate Directors, auditors, secretary/(secretaries) and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred by the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate liability insurance in respect of legal proceedings against the Directors.

28. LOAN AND GUARANTEE

Save as the section headed "Connected Transactions" of the Directors' Report in this Report, for the year ended 31 December 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors of the Company, senior management, the Controlling Shareholders or their respective connected persons.

29. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2023 and up to the Latest Practicable Date, save as set out in the section headed "Share Incentive Schemes" in the Prospectus, neither the company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

30. MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole and any substantial part of the business of the Group was entered into or in existence for the year ended 31 December 2023.

31. RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 set out in the consolidated income statement and consolidated statement of comprehensive income on pages 161 to 162 of this Report.

The Board has resolved to recommend the payment of a final dividend per share of HK36.6 cents for the year ended 31 December 2023 to Shareholders whose names appear on the register of members of the Company on 16 August 2024. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 28 May 2024, and if approved, it will be paid in cash on or around 30 August 2024.

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

32. DIVIDEND POLICY

The Company has formulated a dividend policy, which specifies the principles and guidelines shall be followed when the Board plans to declare and pay dividends to Shareholders.

Any declaration and recommendation of dividends will be at the sole discretion of the Board, subject to Shareholders' approval and will depend on the future operations and earnings of the Group, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to the Cayman Companies Law and the Articles of Association of the Company. The Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the subsidiaries of the Company. Regulations in the PRC may restrict the ability of the Company's Chinese subsidiaries to pay dividends to the Company.

The dividend policy reflects the Board's current views on the Company's financial and cash flow position. The Board will review and reassess the dividend policy and its effectiveness from time to time.

33. FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 262 of this Report.

34. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

35. TAXATION

The information on the taxation of the Company and the Group in 2023 is set out in note 13 to the audited consolidated financial statements.

36. TAX RELIEF AND EXEMPTION

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

37. BORROWINGS

As at 31 December 2023, the Group had outstanding bank borrowings and interest accruals of approximately RMB2,728.8 million (2022: RMB2,381.7 million). Details of the borrowings are set out in note 31 to the consolidated financial statements.

38. DONATIONS

In 2023, no donations were made by the Group (2022: Nil).

39. EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2023, the Group has 3,339 employees, and provides them with a competitive remuneration package, details of which are set out in the section of "Management Discussion and Analysis – Employee and Remuneration Policy" of this Report.

40. RETIREMENT BENEFITS SCHEME

The Group only has defined contribution pension schemes. The Group's employees in China participate in the defined contribution retirement scheme managed by local government, which is contributed to at a certain percentage of payroll costs determined by the relevant local government. Other than the above defined contribution retirement scheme under local government, the Group's employees in China also participate in a retirement scheme operated by the Group, whose assets are managed by an independent insurance company and contributed to at a certain percentage of payroll costs or under the provision of the scheme. Particulars are set out in note 11 to the financial statements.

As at 31 December 2023, there were no forfeited contributions available (by employers on behalf of employees who leave the scheme prior to vesting fully in relevant contributions) which may be used to reduce the contributions payable in the future or to reduce the Group's existing level of contributions under the pension schemes (including both the defined contribution retirement scheme under local government and the retirement scheme operated by the Group), and there was no forfeited contribution used during the year ended 31 December 2023.

41. PRE-IPO SHARE INCENTIVE SCHEME

A Pre-IPO Share Incentive Scheme was adopted by the Board of the Company on 19 June 2019 and subsequently approved and ratified by the Shareholders on 24 June 2019. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of our Company and our Shares for the benefit the Group and the Shareholders as a whole. The terms of the Pre-IPO Share Incentive Scheme are not subject to the Chapter 17 of the Listing Rules.

For the details of the Pre-IPO Share Incentive Scheme, please see the section headed the "Statutory and General Information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme" under Appendix V of the Prospectus of the Company. On 31 August 2020, the Company granted options to 246 participants pursuant to the scheme, involving a total of 50,000,000 Shares, representing approximately 7.74% of the Company's total issued share as at 31 December 2023.

During the year ended 31 December 2023, 10,143,652 options have been cancelled, and 4,465,116 options have lapsed, together with 3,372,335 options that have been exercised under the Pre-IPO Share Incentive Scheme.

42. POST-IPO SHARE INCENTIVE SCHEME

Summary

The Company conditionally adopted a share option scheme on 11 September 2020 with effect from the Listing Date. The share option scheme shall be valid for the period of ten years commencing on the Listing date. As of the date of this Report, the remaining period is about 5.5 years. The terms of the Post-IPO Share Incentive Scheme are governed by Chapter 17 of the Listing Rules. For the details of the Post-IPO Share Incentive Scheme, please see the section headed the "Statutory and General Information – Share Incentive Schemes – Post-IPO Share Incentive Scheme" under Appendix V of the Prospectus of the Company.

Since the adoption of the Share Option Scheme on 11 September 2020, no options have been granted, exercised, cancelled or lapsed in accordance with the Share Option Scheme and there were no outstanding options as at 31 December 2023. The following is a summary of the principal terms of the Post-IPO Share Incentive Scheme.

Purpose

The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and our Shares for the benefit of us and our Shareholders as a whole. The Post-IPO Share Incentive Scheme is further intended to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

Eligibility

Those eligible to participate in the Post-IPO Share Incentive Scheme include, among others, any director or employee of the Group or an affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

Maximum number of Shares

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the Post-IPO Share Incentive Scheme and any other schemes is 66,666,720, being no more than 10% of the Shares in issue on the date of the Shares commencing trading on the Stock Exchange ("**Post-IPO Mandate Limit**"), representing approximately 10.32% of the issued Shares of the Company as of the Latest Practicable Date. Options that have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) will not be counted for the purposes of calculating the Post-IPO Mandate Limit.

The overall limit on the number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Incentive Scheme and any options granted and yet to be exercised under any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time ("**Post-IPO Scheme Limit**"). No options may be granted if such options together with any other options granted under any schemes of our Company (or its subsidiaries) will result in the Post-IPO Share Incentive Scheme Limit being exceeded.

We may refresh the Post-IPO Mandate Limit at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Post-IPO Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval to refresh the Post-IPO Mandate Limit by our Shareholders in general meeting. Options previously granted under the Post-IPO Share Incentive Scheme or any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised) will not be counted for the purpose of calculating the Post-IPO Share Option Scheme Mandate Limit as refreshed.

We may also seek separate approval of the Shareholders in general meeting for granting options beyond the Post-IPO Mandate Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought.

Maximum entitlement of a grantee

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Incentive Scheme and share options granted and to be granted under any other share option scheme(s) of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue ("**Individual Limit**"). Any further grant of options to a participant that would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to that participant (including exercised, cancelled and outstanding options) in the 12-month period (up to and including the date of such further grant) exceeding the Individual Limit shall be subject to separate approval by our Shareholders (with the selected participant and his/her associates abstaining from voting in general meeting).

Subscription price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board in its absolute discretion and notified to the participant, but shall be no less than the higher of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Share on the date of grant.

Grant of offer letter and notification of grant of options

An offer shall be made to a participant by a letter in duplicate, in such form as the Board may from time to time determine, requiring the selected participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Rules.

An offer shall be deemed to have been accepted, and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the selected participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of RMB1.00 by way of consideration for the grant thereof, is received by the Company within ten business days of the date of the offer letter. Such remittance shall not be refundable in any circumstances.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that participant, it shall be deemed to have been irrevocably declined.

Time that it was vested and time for exercise of an option

An option may, subject to terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine, stating information including that the option is thereby exercised, the number of Shares in respect of which it is exercised, the period that it was vested and the period within which an option may be exercised.

43. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 16 to the consolidated financial statements.

44. RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements, of which, the reserves available for distribution to Shareholders as at 31 December 2023 are set out in note 28 to the consolidated financial statements.

45. AUDIT OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2023, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

46. AUDITOR

PricewaterhouseCoopers is the auditor of the Company for the year ended 31 December 2023, and has audited the consolidated financial statements of the Company for the year ended 31 December 2023. PricewaterhouseCoopers will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for reappointment. A resolution will be proposed at the forthcoming annual general meeting to be held on 28 May 2024 to seek Shareholders' approval on the appointment of PricewaterhouseCoopers as the auditor of the Company until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

During the past 3 years ended 31 December 2023, the Company has not changed the auditor.

47. MAJOR CUSTOMERS AND SUPPLIERS

Our customers

Our customers primarily are our students. For our education resources and 2B training service of continuing education services, our customers primarily include universities/colleges, vocational schools, companies, and government agencies.

In 2023, the goods and services provided by the Group to the five largest customers account for less than 30% of our revenue.

Our suppliers

Our suppliers primarily comprise landlords that lease properties to us for our school operations, construction companies for building campus facilities, property management service providers, electronic equipment providers, and software developers.

In 2023, the goods and services purchased by the Group from the five largest suppliers accounted for less than 30% of our operating costs.

48. RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining good relationships with employees, suppliers and customers to achieve its short- and long-term objectives. The Group maintains good relationships with employees, suppliers and customers. In the year ended 31 December 2023, the Group is committed to meeting the needs of students and parents by continuously providing better education services. The Group has also been in constant communication with suppliers to achieve a shorter payment cycle and better payment terms. During the Reporting Period, there were no significant and serious disputes between the Group and its employees, suppliers and/or customers. For further details please refer to the ESG Report of this Report.

49. PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, during the year ended 31 December 2023 and up to the Latest Practicable Date, at least 25% of the total issued shares of the Company are held by the public, which is in compliance with the public float requirements as stipulated in the Listing Rules.

50. CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this Report.

51. MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings for the year ended 31 December 2023.

52. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

53. EVENTS SUBSEQUENT TO THE END OF THIS YEAR

On 26 March 2024 (after trading hours), Neusoft Ruixin a wholly-owned subsidiary of the Company, entered into a share transfer agreement (the “**Share Transfer Agreement**”) with Neusoft Holdings and Neusoft Healthcare, which is a wholly-owned subsidiary of Neusoft Holdings. Pursuant to the Share Transfer Agreement, Neusoft Ruixin has conditionally agreed to purchase, and Neusoft Holdings has conditionally agreed to sell 100% equity interest in Neusoft Healthcare, at a total consideration of RMB81 million (the “**Acquisition**”).

On 26 March 2024, as a step of intra-group reorganization, Dalian Kangdao Medical Management Co., Ltd. (大連康道醫療管理有限公司) (“**Kangdao Medical**”) which is wholly owned by Ms. Zhang Hong (張紅) (“**Ms. Zhang**”), entered into (i) a capital contribution agreement with Cardiovascular Management Dalian Ruikang Cardiovascular Hospital Management Co., Ltd. (大連睿康心血管醫院管理有限公司) (“**Cardiovascular Management**”), an indirect wholly-owned subsidiary of Neusoft Healthcare, pursuant to which, Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Cardiovascular Management in the amount of RMB5,142,857; and (ii) a capital contribution agreement with Shanghai Ruikang Xietong Medical Service Co., Ltd. (上海睿康協同醫療服務有限公司) (“**Shanghai Xietong**”), a direct wholly-owned subsidiary of Neusoft Healthcare, pursuant to which, Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Shanghai Xietong in the amount of RMB21,428,571.

Upon completion of the Acquisition and the above-mentioned capital contributions, Neusoft Ruixin, Kangdao Medical and Ms. Zhang will enter into New Contractual Agreements in respect of the 30% equity interest in the OPCOs to be held by Kangdao Medical. As a result, the OPCOs will become indirect wholly-owned subsidiaries of the Company and 100% of the financial results of the OPCOs will be consolidated into the financial statements of the Group. For details, please refer to the announcement of Connected Transaction in Relation to the Acquisition of Neusoft Healthcare of the Company dated 26 March 2024.

Save as set out above, the Group did not have any other material events during the period from 31 December 2023 and up to the Latest Practicable Date.

By order of the Board

Neusoft Education Technology Co. Limited

Chairperson

Dr. LIU Jiren

Hong Kong, 26 March 2024

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Neusoft Education Technology Co. Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Neusoft Education Technology Co. Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 161 to 261, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 IFRS Accounting Standards 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**”). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of control over the Consolidated Affiliated Entities through Contractual Arrangements
- Impairment assessment of goodwill and brand with indefinite useful lives

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of control over the Consolidated Affiliated Entities through Contractual Arrangements</p> <p>Refer to Notes 2.1.3(a)(i) Subsidiaries — Consolidation — Subsidiaries controlled through Contractual Arrangements and 4(a) Critical estimates and judgements — Contractual Arrangements to the consolidated financial statements.</p> <p>A substantial portion of the Group's business is conducted through the Consolidated Affiliated Entities in the People's Republic of China ("PRC") due to the regulatory requirements that restrict foreign ownership in higher education service industry in the PRC. The Group does not have any direct legal ownership of equity interest in the Consolidated Affiliated Entities. Nonetheless, through the establishment and implementation of Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities, has exposure, or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to affect those returns through its power over the Consolidated Affiliated Entities, and the directors of the Company (the "Directors") considered that the Group has control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities under IFRS Accounting Standards and consolidates these entities as its indirect subsidiaries in the consolidated financial statements of the Group.</p>	<p>In response to this key audit matter, we have performed the following procedures:</p> <ul style="list-style-type: none">— We discussed with management to understand the latest regulatory development and whether there were any changes in facts and circumstances which might have an impact on the Contractual Arrangements;— We evaluated Company's assessment and judgements on the validity and enforceability of the Contractual Arrangements with the assistance of our internal legal expert and the assessment of the Group's control over Consolidated Affiliated Entities through the Contractual Arrangements;— We obtained the written opinion from the Company's PRC external legal counsel and discussed with them to understand their analysis and views as to the validity and enforceability of the Contractual Arrangements with respect to all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and evaluated whether these evidences support the relevant judgements made by the Directors;

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>During the year ended 31 December 2023, the Directors reassessed, with the involvement of an external legal counsel appointed by the Company, whether there were any changes in facts and circumstances that may impact the validity and enforceability of the Contractual Arrangements. Based on the results of the assessment, it was concluded that the Contractual Arrangements among one of the subsidiary of the Company, which is a foreign owned enterprise, the Consolidated Affiliated Entities and their equity shareholders continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable.</p> <p>Accordingly, the Directors are of the view that Company continues to control over the Consolidated Affiliated Entities and therefore consolidates the Consolidated Affiliated Entities in the consolidated financial statements of the Group as at and for the year ended 31 December 2023.</p> <p>We focus on this area due to the complexity and high level of judgements involved in determining the validity and enforceability of the Contractual Arrangements in order to evaluate whether it is appropriate for the Company to consolidate the Consolidated Affiliated Entities under IFRS Accounting Standards, which could have significant and pervasive implications to the consolidated financial statements.</p>	<ul style="list-style-type: none"> — We assessed the competency, capabilities and objectivity of the Company's PRC external legal counsel; and — We assessed the adequacy of related disclosures in the consolidated financial statements. <p>Based on the procedures performed, we found the judgements made by the Directors to continue to control over the Consolidated Affiliated Entities and therefore consolidate these entities in the consolidated financial statements were supported by the evidence obtained.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of goodwill and brand with indefinite useful lives</p> <p>Refer to Note 2.1.8 Impairment of non-financial assets, Note 4(b) Critical estimates and judgements — Estimation of goodwill impairment and brand impairment and Note 17(a) Intangible assets — Impairment tests for goodwill and brand to the consolidated financial statements.</p> <p>The Group recognised goodwill and brand which have indefinite useful lives of RMB135 million and RMB89 million respectively as at 31 December 2023 arising from the acquisition of Tianjin Ruidao on 1 March 2020.</p> <p>Management performed impairment reviews of goodwill and brand which have indefinite useful lives, annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The recoverable amounts of the cash generating unit (“CGU”) have been determined by management based on value-in-use calculations. The value-in-use calculations use the discounted cash flow forecast prepared by management which involve significant management’s assumptions and estimates such as revenue growth rates, EBITDA, long-term growth rate and discount rate. Based on management’s assessment, no impairment for goodwill and brand with indefinite useful lives was considered necessary as at 31 December 2023.</p> <p>We focused on the impairment assessment of goodwill and brand with indefinite useful lives because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill and brand with indefinite useful lives is considered significant due to subjectivity of significant assumptions and estimates used.</p>	<p>In response to this key audit matter, we have performed the following procedures:</p> <ul style="list-style-type: none">— We obtained an understanding of management’s internal control and impairment assessment process of goodwill and brand with indefinite useful lives and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and risk level of other inherent risk factors such as subjectivity of significant assumptions and estimates used.— We also evaluated and tested the key control over the impairment assessment of goodwill and brand with indefinite useful lives, including management review and approval of the valuation methodology, significant assumptions and estimates.— We assessed the appropriateness of the valuation methodology, significant assumptions and estimates used in the impairment assessment of goodwill and brand with indefinite useful lives with the involvement of our internal valuation experts.— Our procedures in relation to the discounted cash flow forecast included:<ul style="list-style-type: none">– Tested the data, on a sample basis, used in management’s discounted cash flow forecast by checking to supporting documents including business plan, agreements and contracts;– Assessed the reasonableness of discount rate by taking into account the cost of capital of the CGU and comparable companies in the industry;– Assessed the reasonableness of revenue growth rate, EBITDA and long-term growth rate by comparing with historical financial data and industry data; <p>Based upon the above procedures, we considered that significant assumptions and estimates used in goodwill and brand with indefinite useful lives impairment assessment were supported by the evidence obtained.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment 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.

INDEPENDENT AUDITOR'S REPORT

- 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 the directors.
- Conclude on the appropriateness of the 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 NG Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenue	6	1,806,073	1,548,382
Cost of revenue	10	(940,997)	(881,643)
Gross profit		865,076	666,739
Selling expenses	10	(52,957)	(38,797)
Administrative expenses	10	(207,300)	(148,344)
Research and development expenses	10	(39,986)	(41,507)
Net impairment losses on financial assets	3.1(b)	(11,296)	(5,365)
Other income	7	148,186	188,720
Other expenses	8	(36,452)	(29,569)
Other (losses)/gains – net	9	(599)	5,911
Operating profit		664,672	597,788
Finance income	12	16,669	11,896
Finance expenses	12	(103,560)	(92,149)
Finance expenses – net	12	(86,891)	(80,253)
Profit before income tax		577,781	517,535
Income tax expenses	13	(148,140)	(132,119)
Profit for the year		429,641	385,416
Profit attributable to:			
– Owners of the Company		429,540	385,393
– Non-controlling interests		101	23
		429,641	385,416
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	15	0.66	0.59
Diluted earnings per share	15	0.66	0.58

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	429,641	385,416
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties	–	850
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation	(2,723)	2,087
Other comprehensive income for the year	(2,723)	2,937
Total comprehensive income for the year	426,918	388,353
Total comprehensive income attributable to:		
– Owners of the Company	426,817	388,330
– Non-controlling interests	101	23
	426,918	388,353

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2023	2022
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	3,357,441	2,935,493
Intangible assets	17	273,883	283,232
Right-of-use assets	18	610,343	630,784
Investment properties	19	271,400	271,400
Deferred income tax assets	20	45,659	38,040
Other receivables	23	40,000	–
Prepayments and other assets	24	4,515	52,434
Financial assets at fair value through profit or loss	25	22,500	–
Total non-current assets		4,625,741	4,211,383
Current assets			
Inventories		9,375	4,297
Trade and notes receivables	22	74,149	75,334
Other receivables	23	19,113	27,021
Prepayments and other assets	24	115,399	98,866
Financial assets at fair value through profit or loss	25	76,224	390,449
Restricted cash	26	62,804	2,459
Cash and cash equivalents	26	1,708,427	1,183,811
Total current assets		2,065,491	1,782,237
Total assets		6,691,232	5,993,620
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	27	113	113
Share premium	28	2,659,698	2,756,159
Reserves	28	(1,928,825)	(1,938,446)
Retained earnings		1,326,622	909,426
Subtotal		2,057,608	1,727,252
Non-controlling interest		8,601	8,500
Total equity		2,066,209	1,735,752

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	30	675	675
Borrowings	31	2,073,861	2,141,325
Deferred tax liabilities	20	42,270	41,259
Lease liabilities	18	27,572	32,222
Deferred income	32	34,015	34,949
Total non-current liabilities		2,178,393	2,250,430
Current liabilities			
Trade and other payables	30	616,401	643,142
Current income tax liabilities		53,522	78,607
Contract liabilities	6(c)	1,067,911	989,341
Borrowings	31	651,043	244,930
Lease liabilities	18	8,255	9,092
Deferred tax liabilities	20	10,717	–
Deferred income	32	38,781	42,326
Total current liabilities		2,446,630	2,007,438
Total liabilities		4,625,023	4,257,868
Total equity and liabilities		6,691,232	5,993,620

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 161 to 261 were approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

Dr. LIU Jiren

Director

Dr. WEN Tao

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Note	Share	Share	Merger	Capital	Statutory	Other	Retained	Sub-total	Non-	Total
		capital	premium	reserve	reserve	reserve	reserve	earnings		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		113	2,756,159	(1,756,337)	(374,483)	183,317	9,057	909,426	1,727,252	8,500	1,735,752
Comprehensive income											
Profit for the year		-	-	-	-	-	-	429,540	429,540	101	429,641
Other comprehensive income											
Exchange differences on translation		-	-	-	-	-	(2,723)	-	(2,723)	-	(2,723)
Total comprehensive income		-	-	-	-	-	(2,723)	429,540	426,817	101	426,918
Transactions with owners in their capacity as owners											
Profit appropriation to statutory reserves	28(a)	-	-	-	-	12,344	-	(12,344)	-	-	-
Dividends distribution		-	(96,461)	-	-	-	-	-	(96,461)	-	(96,461)
		-	(96,461)	-	-	12,344	-	(12,344)	(96,461)	-	(96,461)
Balance at 31 December 2023		113	2,659,698	(1,756,337)	(374,483)	195,661	6,334	1,326,622	2,057,608	8,601	2,066,209

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests	Total
	Note	Share capital	Treasury shares	Share premium	Merger reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		117	-	2,915,130	(1,756,337)	(374,105)	162,876	6,120	544,474	1,498,275	8,624	1,506,899
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	385,393	385,393	23	385,416
Other comprehensive income												
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties		-	-	-	-	-	-	850	-	850	-	850
Exchange differences on translation		-	-	-	-	-	-	2,087	-	2,087	-	2,087
Total comprehensive income		-	-	-	-	-	-	2,937	385,393	388,330	23	388,353
Transactions with owners in their capacity as owners												
Share-based compensation:												
- value of employee services	29	-	-	-	-	3,785	-	-	-	3,785	-	3,785
- exercise of share options	29	0	-	7,262	-	(4,163)	-	-	-	3,099	-	3,099
Profit appropriation to statutory reserves	28(a)	-	-	-	-	-	20,441	-	(20,441)	-	-	-
Purchase of own shares		-	(85,161)	-	-	-	-	-	-	(85,161)	-	(85,161)
Cancellation of shares	(4)	85,161	-	(85,157)	-	-	-	-	-	-	-	-
Dividends distribution		-	-	(81,076)	-	-	-	-	-	(81,076)	(147)	(81,223)
		(4)	-	(158,971)	-	(378)	20,441	-	(20,441)	(159,353)	(147)	(159,500)
Balance at 31 December 2022		113	-	2,756,159	(1,756,337)	(374,483)	183,317	9,057	909,426	1,727,252	8,500	1,735,752

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		905,020	912,450
Income taxes paid		(169,116)	(115,214)
Net cash generated from operating activities	33(a)	735,904	797,236
Cash flows from investing activities			
Prepayment return for acquiring of Putian Xianliang Education Technology Co., Ltd. ("Putian Xianliang")	35(i)	50,000	–
Payment for acquisition of a 9.09% equity interest of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. ("Tianjin Ruidao")	30(a)	(36,274)	–
Purchases of property, plant and equipment		(543,587)	(551,463)
Proceeds from sale of property, plant and equipment	33(b)	321	454
Purchases of intangible assets	17	(1,700)	(1,071)
Purchases of financial products sponsored and managed by banks	3.3	(80,000)	(1,057,000)
Settlement of financial products sponsored and managed by banks	3.3	397,372	806,750
Investment in unlisted investment funds	3.3	(22,500)	–
Payment for loans granted to related parties	23,36(a)	(40,000)	–
Increase/decrease in restricted bank deposits		(60,345)	81
Interest received		16,405	11,896
Net cash used in investing activities		(320,308)	(790,353)
Cash flows from financing activities			
Net proceeds from exercise of share options		–	3,404
Proceeds from bank borrowings	33(c)	623,891	602,394
Repayments of bank borrowings	33(c)	(278,276)	(381,766)
Borrowings from a related party	33(c),36(a)	400,000	–
Repayments of borrowings to a related party	33(c),36(a)	(400,000)	–
Repayments of borrowings to a third party	33(c)	(7,186)	(6,816)
Dividends paid to shareholders of the Company	33(c)	(99,239)	(81,298)
Dividends paid to a non-controlling shareholder of a subsidiary	33(c)	–	(147)
Interest paid	33(c)	(121,851)	(100,055)
Principal elements of lease payments	33(c)	(9,247)	(10,698)
Purchase of own shares		–	(85,161)
Net cash generated from/(used in) financing activities		108,092	(60,143)
Net increase/(decrease) in cash and cash equivalents		523,688	(53,260)
Cash and cash equivalents at the beginning of the year	26	1,183,811	1,228,478
Effects of exchange rate changes on cash and cash equivalents	12	928	8,593
Cash and cash equivalents at end of year	26	1,708,427	1,183,811

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Neusoft Education Technology Co. Limited (“**the Company**”) was incorporated in Cayman Islands on 20 August 2018 as an exempted company with limited liability. The address of the Company’s registered office is at the offices of 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in providing full-time formal higher education services, continuing education services, and education resources and apprenticeship programme in the People’s Republic of China (the “**PRC**”).

The Company has no ultimate holding company or ultimate controlling shareholder.

The PRC regulations restrict foreign ownership of schools that provide private higher education businesses, publishes audio-visual products and electronic publications, and provides internet publishing service (collectively, the “**Relevant Business**”). In order to enable the Company to own and control the Relevant Business of the Group, the Company established a subsidiary, Dalian Neusoft Ruixin Technology Development Co., Ltd. (“**Neusoft Ruixin**”), which is a foreign owned enterprise incorporated in the PRC, on 17 May 2019.

On 21 June 2019, Neusoft Ruixin entered into a series of contractual arrangements (“**Contractual Arrangements**”) with Dalian Neusoft Software Park Industry Development Co., Ltd. (“**Dalian Development**”), Dalian Neusoft University of Information (“**Dalian University**”), Dalian Neusoft Electronic Press Co., Ltd. (“**Neusoft Electronic Press**”), Chengdu Neusoft Information Technology Development Co., Ltd. (“**Chengdu Development**”), Chengdu Neusoft University (“**Chengdu University**”), Foshan Nanhai Neusoft Information Technology Development Co., Ltd. (“**Foshan Development**”), Neusoft Institute, Guangdong (“**Guangdong University**”) (collectively the “**Consolidated Affiliated Entities**”) and their equity holders, which enable the Company effectively control and receive all the economic benefits of the business and operation of all Consolidated Affiliated Entities. See details in Note 2.1.3(a)(i).

On 1 March 2020, Dalian Neusoft Education Technology Group Co., Ltd. (“**Neuedu Technology**”) acquired 90.91% equity interest in Tianjin Ruidao from Dalian Neusoft Holdings Co., Ltd. (“**Neusoft Holdings**”), our controlling shareholder, at a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao became a subsidiary of the Group and its financial results were consolidated into the Company’s financial statements.

On 29 September 2020, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and made an offering of 166,667,200 ordinary shares at a price at HKD6.22 per share (the “**Listing**”). The net proceeds of the Company from the initial public offering (“**IPO**”), after deducting underwriting commissions and other issuance costs, were approximately RMB878,951,000.

The financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

2. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Summary of material accounting policies

2.1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS Accounting Standards**”) issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluations of financial assets at fair value through profit or loss and investment properties.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4.

(a) *New and amended standards adopted by the Group*

The following new and amended standards, and annual improvements are mandatory for the first time for the Group’s financial year beginning on 1 January 2023 and are applicable for the Group:

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

Except for the new standards as described in Note 2.1.2, the adoption of above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.1 Basis of preparation (continued)

(b) *New standards and interpretations not yet adopted*

The following new and amended standards, and interpretations that have been issued but not yet effective for the year ended 31 December 2023, and have not been early adopted by the Group:

		Effective from annual period beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.1.2 Changes in accounting policies and disclosure

The Group applied the Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction from its effective date on 1 January 2023. In accordance with the retrospectively application transitional provisions, the Group recognized deferred income tax for all temporary differences related to leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date at the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB8,721,000 (Note 20) was recognized to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the set-off provisions and presented on a net basis on the consolidated balance sheet. There were no significant impact on opening retained earnings upon the adoption of this amendments.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Subsidiaries controlled through Contractual Arrangements

Neusoft Ruixin, a subsidiary of the Company, has entered into a series of Contractual Agreement with Consolidated Affiliated Entities and their equity shareholders including Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) ("**Dalian Kang Ruidao**"), Dalian Neusoft Siwei Technology Development Co., Ltd. ("**Dalian Siwei**"), Liu Ming, Alpine Electronics (China) Co., Ltd. ("**Alpine China**"), Northeastern University Science & Technology Industry Group ("**Northeastern University**"), Yida Holdings Co., Ltd. ("**Yida Holdings**"), PICC Life Insurance Co., Ltd. ("**PICC Life**") and PICC Health Insurance Co., Ltd. ("**PICC Health**"). The Contractual Agreements enable Neusoft Ruixin and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Neusoft Ruixin. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrolment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.3 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Subsidiaries controlled through Contractual Arrangements (continued)

- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Neusoft Ruixin may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity shareholders without prior consent of Neusoft Ruixin; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity shareholders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as subsidiaries under IFRS Accounting Standards.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Agreements with the Consolidated Affiliate Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.3 Subsidiaries (continued)

(a) Consolidation (continued)

(ii) Business combination not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS Accounting Standards.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in consolidated statements of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.3 Subsidiaries (continued)

(a) Consolidation (continued)

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Company's functional currency is HKD. The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. Since the majority of the assets and operations of the Group are within mainland China, the Group determined to present its Historical Financial Information in RMB(unless otherwise stated).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within finance expenses. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within Other gains/(losses).

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets, such as equities classified and measured at fair value through other comprehensive income, are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.4 Foreign currency translation (continued)

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.1.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, renovation, motor vehicles, electronic equipment, furniture and fixtures that are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.5 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20-50 years
— Renovation	3-8 years
— Motor vehicles	5 years
— Electronic equipment	3-10 years
— Furniture and fixtures	5 years
— Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other gains/(losses) in the consolidated income statement.

Construction-in-progress ("**CIP**") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.6 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the fair value of the identified net assets acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment (Note 2.1.8).

(b) *Customer relationship and brand*

Customer relationship and brand are initially recognised and measured at fair value in business combinations not under common control. Customer relationship is amortised over its estimated useful lives over 10 years using the straight-line method which reflects the pattern in which the customer relationship's future economic benefits is expected to be consumed.

Brand arising from the acquisitions of Tianjin Ruidao has indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that its value will not be reduced through usage and there are no legal or similar limits on the period for its use.

(c) *Software*

Software is initially recognised and measured at cost incurred to acquire and bring them to use. They are amortised on a straight-line basis over their estimated useful lives from 4 to 10 years and recorded in amortisation within operation expense in the consolidated income statement.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.6 Intangible assets (continued)

(d) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software products;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

For the years ended 31 December 2023 and 2022, all the research and development expenditures do not meet the above criteria and expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.7 Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and are not occupied by the Group.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are measured at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss in the year in which they are incurred.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable, or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition. Changes in fair value of investment property are expensed in the consolidated income statement in the year in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if a fair value gain reserves a previous impairment loss, the gain is recognised in the consolidated income statement to the extent the impairment provision previous made.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.1.9 Investments and other financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.9 Investments and other financial assets (continued)

(b) Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses).
- **Fair value through profit or loss ("FVPL"):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within other gains/(losses) in the period in which it arises.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.9 Investments and other financial assets (continued)

(b) Recognition and measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.1.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.1.11 Impairment of financial assets

The Group has types of financial assets subject to the expected credit loss model:

- Trade receivables
- Deposits and other receivables, including loan receivables from related parties and third parties

While cash and cash equivalents and restricted cash are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

The Group's financial assets measured at amortised cost are subject to IFRS 9's expected credit loss model. The Group assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 (b) details how the Group determines whether there has been a significant increase in credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.11 Impairment of financial assets (continued)

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

We also provide specific provision for allowances when the facts and circumstances indicate that the receivable is unlikely to be collected.

2.1.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.12 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.13 Share-based payments

Equity-settled share-based payment transactions

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognised as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.14 Revenue from contracts with customers

Revenue are recognised when control of the goods has transferred or services are rendered to the customer. Depending on terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at point in time.

The Group does not expect to have any contract 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 transactions for the time value of money.

(a) *Full-time formal higher education services*

Tuition fees and boarding fees

Tuition and boarding fees are generally received prior to the commencement of each school year (which is typically around 9 months starting from September to June or July with winter and summer holiday exclusive) and are initially recorded as contract liabilities. Tuition fees are recognised as revenue proportionately over the school year based on the school calendar, while the boarding fees are recognised as revenue over a 12-months period.

The balance of contract liabilities represents the portion of tuition and boarding fees received from students to which the Group will deliver the services within one year.

(b) *Education resources*

The revenue from offering a customised, fully-integrated major design solution or college establishment solution to customers is recognised when control of the education resources has been transferred, being when the education resources are accepted by the customers. Customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The consideration of the education resources is either received from customers prior to the products delivered or after the control of the products transferred to the customers. The Group recorded the prepayment from customers as contract liabilities, while recorded the outstanding considerations as trade receivables with credit term of 180 days after the invoice date.

Tianjin Ruidao and its subsidiaries made commitment in part of its contracts with certain cooperative universities or colleges that, if the students were unable to secure employment after completing the programme, Tianjin Ruidao and its subsidiaries would return half or all of the final year tuition fee to these cooperative universities or colleges (such fees from these cooperative universities or colleges referred to as the "**Committed Fees**"), which is considered as variable consideration. The terms of refund arrangement in relation to securing employment of the students are separately negotiated and agreed between Tianjin Ruidao and its subsidiaries and certain cooperating universities or colleges on a case by case basis. Upon contract inception date and at the end of 31 December 2023, Tianjin Ruidao and its subsidiaries estimated and reassessed that it was highly probable that they can meet the commitment to provide employment to the students who completed the programme and a significant reversal in the amount of cumulative revenue recognised would not occur, therefore Tianjin Ruidao and its subsidiaries recognised the Committed Fees together with the rest of the tuition fee received from the cooperative universities or colleges as revenue proportionately over the service provided period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.14 Revenue from contracts with customers (continued)

(c) *Continuing education services*

Continuing education services are provided to adult students who are not registered as full time students under full-time formal higher education programme, government agencies, enterprises, targeting universities/colleges, and individual customers.

The tuition fees that are received from the adult students prior to the commencement of the academic programmes are recorded as contract liabilities and are recognised as revenue proportionately over the school calendar.

The continuing education services that are provided to government agencies, enterprises, targeting universities/colleges and individual customers are recognised as revenue over the contracted period. The service fees are either received from these types of customers prior to the commencement of the contract, or after the services have been delivered by the Group. The advanced payment of the service fees are recorded as contract liabilities and are recognised as revenue over the contract period. The Group recorded the outstanding services fees as trade receivables in line with the transferring the services to the customers. The Group normally provides the credit term of 180 days after the end of the contract period to its customers.

Tianjin Ruidao and its subsidiaries offer students opportunities to intern at various enterprises after training them systematically and intensively. Tianjin Ruidao and its subsidiaries usually charge service fees to those enterprises based on number of students supplied and their working hours. The outstanding service fees will be recorded as trade receivables once the revenue recognised over the contracted period, and the credit term is no more than 180 days after invoice date.

(d) *Apprenticeship programme*

Shanghai Ruixiang Information Technology Co., Ltd. ("**Shanghai Ruixiang**") provided apprenticeship programme in form of providing the opportunity to students to obtain actual work experience under the guidance of its engineers. Revenue of this type of services are earned from the customers in term of the manpower outsourcing services delivered by the engineers. The consideration of the service is based on the output method, which is to recognise the revenue on the basis of the direct measurements of the value of the services delivered to the customers. The outstanding service fees will be recorded as trade receivables once the revenue recognised over the contracted period, and the credit term is 180 days after the service delivered.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.14 Revenue from contracts with customers (continued)

(e) Development of software system technology

Development of software system technology is recognised as other income in the consolidated income statement. The service is provided to customers for scientific research, technical consultation, and system development. The revenue is recognised at a point in time when the customers accept the achievements and obtain the controls of the products. The sales will be recorded as trade receivables once the revenue recognised, and the credit term is 180 days after the control of the products transferred to the customers.

(f) Property management services

Income from property management services is recognised in the accounting period in which the services are rendered.

2.1.15 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

2.1.15 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are exempted from applying IFRS 16 and recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Group adopted the exemption for all short-term leases.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

The Group leases teaching buildings, various offices, warehouse and apartments. Rental contracts are typically made for fixed periods of 15 months to 10 years. Amortisation of land is calculated using the straight-line method to allocate their cost to their residual values over 36 to 47 years.

2.2 Summary of other accounting policies

2.2.1 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the Directors that make strategic decisions.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (continued)

2.2.2 Trade receivables and other receivables

Trade receivables are amounts due from customers performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.2.3 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.2.4 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.2.5 Trade and other payables

Accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (continued)

2.2.6 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.2.7 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.2.8 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing funds.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (continued)

2.2.8 Employee benefits (continued)

(b) *Post-employment obligations*

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

The Group also participates other defined contribution plans that pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.2.9 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective rate is applied to the net carrying amount of the financial asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (continued)

2.2.10 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.2.11 Dividends distribution

Dividend distribution to the owners is recognised as a liability in the Group's consolidated statements of financial position in the period in which the dividends are approved by the owners, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and loan receivables, detail of which has been disclosed in Note 26 and Note 23.

The Group's interest-rate risk arises from borrowings, details of which have been disclosed in Note 31. Borrowings borrowed at variable rates expose the Group to cash flow interest rate risk. Borrowings borrowed at fixed rates expose the Group to fair value interest rate risk.

The Group currently considers not necessary to use any interest rate swaps to hedge its exposure to interest rate risk.

For the year ended 31 December 2023, if the interest rates on bank borrowings, restricted cash, cash and cash equivalents and loan receivables had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB3,397,000 lower/higher (2022: RMB4,468,000 lower/higher).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) *Risk management*

Credit risk is managed on a Group basis. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents and restricted cash placed with banks, the Group only transacts with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

To manage the risk arising from trade receivables from third parties and related parties ("**counterparties**"), the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experiences.

For loan receivables from related parties, management has assessed that the related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Therefore, a 12-month expected credit loss is applied to these balances. Considering the strong financial capacity and forward-looking estimates, management assessed that the expected credit loss is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

For loan receivables from third parties, the Directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are incorporated: (1) actual or expected significant adverse change in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations; (2) actual or expected significant changes in the operating results of the third party borrower; (3) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower. Since the loans to third parties were all repayable on demand and based on historical experience and forward-looking estimates, the counterparties have a strong financial ability to pay cash, the Directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of loan receivables from third parties.

Notes receivables mainly represents bank acceptance notes. These notes receivables are generally with maturity period of 3 months. These notes are mainly issued by banks in the PRC and the expected credit loss is close to minimal.

(ii) Impairment of financial assets

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Besides, the amount of RMB11,193,000 (2022: RMB12,770,000) was individually assessed and the loss allowance of RMB2,140,000(2022: RMB4,374,000) was recognised as at 31 December 2023, which are all lease receivables. The remaining trade receivables have been collectively assessed and grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

As at 31 December 2023 and 2022, the loss allowance of trade receivables collectively assessed was determined as follows:

	Current	Up to 6 months past due	6 to 12 months past due	12 to 18 months past due	Over 18 months past due	Total
31 December 2023						
Expected loss rate	0.22%– 8.93%	0.28%– 14.4%	12.52%– 42.98%	2.39%– 64.25%	99.62%– 100.00%	
Gross carrying amount	23,381	40,251	7,730	6,416	598	78,376
Loss allowance	1,158	5,420	3,266	3,933	598	14,375
31 December 2022						
Expected loss rate	0.01%– 1.29%	0.02%– 19.12%	0.76%– 39.21%	1.20%– 100.00%	100.00%	
Gross carrying amount	43,613	21,640	21	75	503	65,852
Loss allowance	431	591	5	22	503	1,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

The loss allowances for trade receivables as at 31 December 2023 reconcile to the opening loss allowances as follows:

	Year ended 31 December 2023 RMB'000
Opening loss allowance	5,926
Increase in loss allowance recognised in profit or loss during the year	10,589
Receivables written off during the year as uncollectable	–
Closing loss allowance	16,515

Other receivables carried at amortised cost

The Group applies 3-stage model to assess the expected credit losses associated with its other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Other receivables at amortised cost include deposits, advances to staff and third parties. The loss allowance for other receivables at amortised cost was not material during the year ended 31 December 2023.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings. There are loan covenants terms for certain borrowings. As at 31 December 2023, there is no non-compliance with such loan covenants.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 31. Generally, there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2023, the Group has cash and cash equivalents and restricted cash of approximately RMB1,771,231,000 (2022: RMB1,186,270,000) (Note 26), trade and notes receivables of approximately RMB90,664,000 (2022: RMB81,260,000) (Note 22), other receivables of approximately RMB60,333,000 (2022: RMB27,534,000) (Note 23) and undrawn bank borrowing facilities RMB1,009,894,000 (31 December 2022: RMB1,673,065,000) (Note 31(c)) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount Liabilities RMB'000
At 31 December 2023						
Borrowings (principal plus interests)	701,425	344,647	743,162	1,552,774	3,342,008	2,724,904
Trade and other payables (excluding non-financial liabilities)	519,805	–	–	–	519,805	519,805
Lease liabilities	9,836	9,276	18,922	2,348	40,382	35,827
	1,231,066	353,923	762,084	1,555,122	3,902,195	3,280,536

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount Liabilities RMB'000
At 31 December 2022						
Borrowings (principal plus interests)	356,103	572,726	774,234	1,345,074	3,048,137	2,386,255
Trade and other payables (excluding non-financial liabilities)	541,474	–	–	–	541,474	541,474
Lease liabilities	10,718	10,161	19,518	6,605	47,002	41,314
	908,295	582,887	793,752	1,351,679	3,636,613	2,969,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of net debt, which includes borrowings, cash and cash equivalents, and equity attributable to owners of the Company, comprising capital, reserves and retained earnings.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2023 and 2022 was as follows:

	As at 31 December	
	2023	2022
The liability-to-asset ratio	69.12%	71.04%

3.3 Fair value estimation

Financial assets

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2023 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including trade and other payables, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowing and lease liabilities approximate their fair values as they are carried at floating interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Financial assets (continued)

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2023 and 2022:

	Level 3 RMB'000
At 31 December 2023	
Financial assets at fair value through profit or loss	98,724
At 31 December 2022	
Financial assets at fair value through profit or loss	390,449

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

There was no transfer between level 1 and 2 for recurring fair value measurements during the year. The following table presents the changes in level 3 financial assets for the years ended at 31 December 2023 and 2022:

	Financial products sponsored and managed by banks (Level 3) RMB'000	Unlisted fund investments at fair value (Level 3) RMB'000
Balance at 1 January 2022	134,565	–
Additions	1,057,000	–
Settlements	(806,750)	–
Gains and losses recognised in profit or loss (Note 9)	5,634	–
Balance at 31 December 2022	390,449	–
Balance at 1 January 2023	390,449	–
Additions	80,000	22,500
Settlements	(397,372)	–
Gains and losses recognised in profit or loss (Note 9)	3,147	–
Balance at 31 December 2023	76,224	22,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Financial assets (continued)

The level 3 instruments represent bank wealth management products and unlisted fund investments, measured at fair value through profit or loss (Note 25). These instruments are not traded in an active market and do not have observable market data. The main level 3 input used by the Group is derived and evaluated as contingent consideration, by which the finance department of the Group estimates the expected cash flows based on the terms of the contract and how the current economic environment is likely to impact it.

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department uses valuation techniques to determine the fair value of the Group's level 3 instruments and reports to senior management and the Directors of the Company.

The valuation of the level 3 instruments mainly includes financial assets at fair value through profit or loss (Note 25). The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable input to fair value
	2023 RMB'000	2022 RMB'000		2023	2022	
Bank wealth management products	76,224	390,449	Expected rate of return	2.1%-2.9%	1.3%-2.9%	The higher the expected rate of return, the higher the fair value
Unlisted fund investments at fair value	22,500	–	Net assets	–	N/A	The higher the net asset value, the higher the fair value

If the discounted rates on bank wealth management products had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB283,000 (2022: RMB1,454,000) lower/higher.

If the net assets on unlisted fund investments had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB84,000 (2022: Nil) higher/lower.

4. CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the year or since the respective dates of incorporation/ establishment, whichever is the shorter period.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities. There are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations which could impede the Group's power over the Consolidated Affiliated Entities and its beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities.

Whenever there is any event which may impact the validity and enforceability of the Contractual Arrangements, such as the publication of Implementing Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) (the "**2021 Implementation Regulations**"), which has become effective from 1 September 2021, the Directors would reassess whether or not the Contractual Arrangements continue to be valid and legally enforceable.

The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among the Neusoft Ruixin, the Consolidated Affiliated Entities and their equity shareholders continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable.

Considering all the facts and circumstances, the Company continue to control and consolidate the Consolidated Affiliated Entities for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimation of goodwill impairment and brand impairment

Goodwill and brand with an indefinite useful life arose from the acquisition of a subsidiary of Tianjin Ruidao. The Group tests annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with the accounting policy stated in Note 2.1.6. The recoverable amounts of cash-generating units (“CGUs”), Tianjin Ruidao was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

Details of key assumptions are disclosed in Note 17.

There was no impairment of goodwill and brand during the year ended 31 December 2023.

(c) Estimation of useful life of customer relationship identified in business combinations

Customer relationship is primarily related to the existing customers of acquiree on the acquisition date. Based on the past experience of customers’ retention and general situation and competition in software training industry, the Group determines the useful life with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the asset and determines the amortisation period of the customer relationship to be 10 years. Actual economic life may differ from estimated useful life. Periodic review could result in a change in depreciable life and therefore amortisation expense in future periods.

(d) Income taxes

Estimating the amount of deferred tax asset arising from prior years’ tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year’s taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

(e) Estimation of the useful lives of property, plant and equipment

As at 31 December 2023, the net book values of certain buildings that owned by Guangdong University are RMB216,479,000 (2022: RMB232,546,000). The Group estimates the useful lives of the buildings is 20 years. However, the actual useful lives may be longer than 20 years depending on future repair and maintenance investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive Directors of the Group. The Group is principally engaged in providing higher education services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

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

Information of major customers

No single customer accounted for more than 10% of the Group's total revenues for the years ended 31 December 2023 and 2022.

6. REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Full-time formal higher education services	1,453,347	1,175,294
– Tuition fees	1,332,064	1,072,611
– Boarding fees	120,159	99,858
– Rental income of telecommunication device	1,124	2,825
Education resources	192,016	182,278
Continuing education services (i)	158,603	146,508
Apprenticeship programme	2,107	44,302
	1,806,073	1,548,382

- (i) During the year, Tianjin Ruidao and its subsidiaries fulfilled the agreed employment rate with the customers and did not return any Committed Fees (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

(a) Revenue from contracts with customers

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<i>Revenue from the transfer of goods and services over time</i>		
Full-time formal higher education services	1,452,223	1,172,469
– Tuition fees	1,332,064	1,072,611
– Boarding fees	120,159	99,858
Education resources	100,318	98,292
Continuing education services	158,603	146,508
Apprenticeship programme	2,107	44,302
	1,713,251	1,461,571
<i>Revenue from the transfer of goods and services at a point in time</i>		
Education resources	91,698	83,986
	1,804,949	1,545,557

(b) Revenue from other sources

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Full-time formal higher education services		
– Rental income of telecommunication device	1,124	2,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2023 and 2022 and will be expected to be recognised within one year:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Full-time formal higher education services	969,258	886,118
– Tuition fees	884,453	810,277
– Boarding fees	84,805	75,841
Education resources	42,674	38,737
Continuing education services	51,934	60,182
Development of software system technology	4,045	4,304
	1,067,911	989,341

The Group receives tuition fees, boarding fees, education resources fee, continuing education services fees and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognised over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

(c) Contract liabilities (continued)

(1) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised for the years ended 31 December 2023 and 2022 related to brought-forward contract liabilities:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Full-time formal higher education services	886,118	674,626
– Tuition fees	810,277	610,657
– Boarding fees	75,841	63,969
Education resources	38,737	40,098
Continuing education services	60,182	50,043
Development of software system technology	4,304	4,416
	989,341	769,183

(2) Unsatisfied contracts

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Expected to be recognised within one year		
Full-time formal higher education services	969,258	886,118
– Tuition fees	884,453	810,277
– Boarding fees	84,805	75,841
Education resources	144,868	116,304
Continuing education services	51,934	60,182
Development of software system technology	4,045	4,304
	1,170,105	1,066,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Rental income from properties	64,323	56,470
Property service and management income	23,927	25,308
Government grants and subsidies	45,610	95,320
Development of software system technology	11,163	9,089
Others	3,163	2,533
	148,186	188,720

8. OTHER EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation of property, plant and equipment	8,742	7,972
Property maintenance and fire protection expenses	9,758	8,996
Development of software system technology expenses	12,435	8,126
Utilities expenses	3,766	2,701
Employee benefit expenses (Note 11)	945	892
Amortisation of land use rights and intangible assets	683	683
Others	123	199
	36,452	29,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Gains on financial assets at fair value through profit or loss	3,147	5,634
Donation received	1,071	1,228
Net losses on disposal of property, plant and equipment	(2,589)	(83)
Write-off of intangible assets	(1,270)	–
Written back of payables	3	85
Others	(961)	(953)
	(599)	5,911

10. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (Note 11)	703,804	630,241
Depreciation and amortisation expenses	179,020	162,471
Office, utilities and miscellaneous expenses	149,828	115,599
Property management, landscaping and maintenance expenses	75,559	66,492
Cost of goods sold	21,219	40,682
Rental expenses	43,199	38,200
Subcontract cost (a)	16,653	16,611
Taxes and fees	10,501	8,831
Auditors' remuneration	3,800	3,800
Consulting and professional fees	5,249	2,903
Others	32,408	24,461
	1,241,240	1,110,291

- (a) Subcontract cost mainly includes the service fee paid by Guangdong University and Tianjin Ruidao to subcontractors. Since 1 January 2021, Guangdong University terminated cooperation with Foshan Wentong Education Consulting Services Co., Ltd. ("Wentong Education") and took up the related administration and providing training services by itself. Tianjin Ruidao and its subsidiaries paid service fee to subcontractors for outsourced education resources and other services. For the year ended 31 December 2023, Guangdong University mainly paid service fee to Wentong Education for the administration and training service provided for adult students of the 2020/2021 school year(2022: 2019/2020 and 2020/2021 school year) under continuing education services in Guangdong University.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and bonuses	564,774	497,414
Share-based compensation (Note 29)	–	3,785
Contributions to pension plan (a)	61,240	54,017
Welfare and other expenses	78,735	75,917
	704,749	631,133

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits.

The Group also participates in another defined contribution scheme, either voluntary or mandatory, for all qualified employees. The assets of this defined contribution scheme are held separately from those of the Group in independently administrative funds.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year ended 31 December 2023 include 2 Directors (2022: 2 Directors), whose remuneration are included in the analysis presented in Note 38. Details of the remunerations of the remaining highest paid non-director individuals during the year are set out as below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Share-based compensation expenses (Note 29)	–	367
Salaries and bonuses	13,896	6,080
Welfare and other expenses (i)	96	90
Contributions to pension plan (i)	82	77
Total employee benefit expenses	14,074	6,614

- (i) According to the regulations of PRC Government, employees who have retired but are still working for the Group are not entitled to contributions to pension plan, welfare and other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (continued)

The number of highest paid non-director individuals whose remunerations for each of the years fell within the following band is as follows:

	No. of individuals	
	Year ended 31 December 2023	2022
Emolument band		
HKD 6,000,001 HKD 6,500,000	1	–
HKD 5,500,001 HKD 6,000,000	–	–
HKD 5,000,001 HKD 5,500,000	1	–
HKD 4,500,001 HKD 5,000,000	–	–
HKD 4,000,001 HKD 4,500,000	1	–
HKD 3,500,001 HKD 4,000,000	–	–
HKD 3,000,001 HKD 3,500,000	–	1
HKD 2,500,001 HKD 3,000,000	–	–
HKD 2,000,001 HKD 2,500,000	–	2

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

12. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income from deposits	16,353	11,896
Interest income from loan to a related party	316	–
	16,669	11,896
Finance expenses		
Interest expenses from borrowings	(120,543)	(120,673)
Interest expenses from leasing	(1,787)	(1,671)
Other charges	(419)	(519)
Net foreign exchange gains	928	8,593
Less: amount capitalised (a)	18,261	22,121
	(103,560)	(92,149)
Finance expenses – net	(86,891)	(80,253)

(a) Finance costs have been capitalised on qualifying assets at an average interest rate of 4.52% per annum for the year ended December 31, 2023 (2022: 4.70%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax on profits for the year	144,031	135,745
Deferred income tax (<i>Note 20</i>)	4,109	(3,626)
	148,140	132,119

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	577,781	517,535
Tax calculated at a taxation rate of 25%	144,445	129,384
The impact of preferential tax rate	(7,999)	(7,156)
Expenses and losses not deductible for tax purposes	2,230	1,605
Tax losses for which no deferred tax assets was recognised	5,353	3,035
Non-taxable income	(2,103)	(2,092)
Utilisation of previously unrecognised tax losses	(1,058)	(6,667)
Super deduction for research and development expenses	(4,155)	(4,477)
PRC withholding tax	10,833	18,542
Others	594	(55)
Tax charge	148,140	132,119

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSES (CONTINUED)

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the year.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the year.

(v) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the mainland China and Hong Kong, the relevant withholding tax rate will be 5%. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company and meet the relevant requirements pursuant to the tax arrangement between mainland China and Hong Kong, the relevant withholding tax rate of 5% is used (2022: 10%). As at 31 December 2023, accruals of RMB10,717,000 has been made by the Company based on the current plan of dividends distribution of its PRC subsidiaries.

Apart from the above, in the foreseeable future, the Group does not have any plan to require its subsidiaries in mainland China to distribute their retained earnings but intends to retain them to operate and expand its business in mainland China.

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 15% to 20%, which are:

- Dalian Yunguan Information Technology Co., Ltd. ("**Dalian Yunguan**") is qualified as high-tech enterprise in 2021. It is subject to an EIT rate of 15% for the years ended 31 December 2023 and 2022.
- Neuedu Technology is qualified as high-tech enterprise in 2021. It is subject to an EIT rate of 15% for the years ended 31 December 2023 and 2022.
- The subsidiaries of Tianjin Ruidao except Shenyang Neusoft Ruidao Education Services Co., Ltd. are small low-profit enterprises, followed by a reduced tax rate of 20% for the year ended 31 December 2023. The subsidiaries of Tianjin Ruidao except Dalian Neusoft Ruichuang Technology Development Co., Ltd. are small low-profit enterprises, followed by a reduced tax rate of 20% for the year ended 31 December 2022.

13. INCOME TAX EXPENSES (CONTINUED)

(vi) Preferential EIT rate (continued)

- Suzhou Neusoft Technology Development Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Chengdu Neusoft Education Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Dalian Neusoft Technology Development Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Nanjing Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Huzhou Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Putian Neusoft Digital Technology Lab Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Zhengzhou Neusoft Ruidao Digital Technology Co., Ltd. (“**Zhengzhou Ruidao**”) is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Chengdu Ruixiang Skill Training School Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Ningbo Wanli Neusoft Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.
- Suzhou Neusoft Ruixiang Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the years ended 31 December 2023 and 2022.

(vii) Deferred tax assets not recognised

As at 31 December 2023, the Group has unused tax losses of RMB131,944,000 (31 December 2022: RMB96,748,000), which will expire in one to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for recent years and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIVIDENDS

Each of the subsidiaries of the Company who had declared and paid dividends to its shareholders had sufficient retained earnings available for distribution when it declared and paid such dividends, which was in compliance with the PRC Company Law.

The dividends amounting to RMB99,239,000 were paid during the year ended 31 December 2023 (2022: RMB81,445,000), of which RMB99,239,000 were paid to shareholders of the Company (2022: RMB81,298,000) and nil was paid to a non-controlling shareholder of a subsidiary (2022: RMB147,000).

In respect of dividends paid to shareholders of the Company during the year ended 31 December 2023, RMB97,721,000 and RMB1,518,000 were related to dividends of the years ended 31 December 2022 and 2021 respectively (2022: RMB81,085,000 and RMB213,000 were related to dividends of the years ended 31 December 2021 and 2020 respectively).

A dividend in respect of the year ended 31 December 2023 of HKD0.366 per share (2022: HKD0.165 per share) has been proposed by the Directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting to be held on 28 May 2024. Based on the total issued share capital of the Company as at 31 December 2023, the total final dividend to be paid by the Company amounts to approximately HKD236,510,000 (approximately equivalent to RMB214,331,000) (2022: HKD106,624,000 (approximately equivalent to RMB95,244,000)). In the event of change in the total issued share capital of the Company before the record date for dividend payment, dividends will be distributed per share and the total distribution amount will be adjusted accordingly. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	429,540	385,393
Weighted average number of ordinary shares in issue (thousands)	646,204	658,567
Basic earnings per share (in RMB)	0.66	0.59

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	429,540	385,393
Weighted average number of ordinary shares in issue (thousands)	646,204	658,567
Adjustments for share options granted to employees (thousands)	–	9,022
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	646,204	667,589
Diluted earnings per share (in RMB)	0.66	0.58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022								
Cost	2,440,836	79,634	5,488	272,145	167,266	24,235	658,855	3,648,459
Accumulated depreciation	(582,615)	(39,561)	(4,366)	(197,151)	(124,283)	(15,984)	–	(963,960)
Net book amount	1,858,221	40,073	1,122	74,994	42,983	8,251	658,855	2,684,499
Year ended								
31 December 2022								
Opening net book amount	1,858,221	40,073	1,122	74,994	42,983	8,251	658,855	2,684,499
Additions	–	5,288	–	40,328	22,328	4,078	400,979	473,001
Transfer upon completion	526,528	–	–	–	–	–	(526,528)	–
Transfer to investment properties	–	–	–	–	–	–	(85,150)	(85,150)
Disposals	–	–	–	(511)	(16)	(10)	–	(537)
Depreciation charge	(82,378)	(11,028)	(245)	(29,461)	(11,062)	(2,146)	–	(136,320)
Closing net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493
At 31 December 2022								
Cost	2,967,364	84,922	5,488	298,667	188,812	28,227	448,156	4,021,636
Accumulated depreciation	(664,993)	(50,589)	(4,611)	(213,317)	(134,579)	(18,054)	–	(1,086,143)
Net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493
Year ended								
31 December 2023								
Opening net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493
Additions	–	7,262	966	42,535	20,447	3,852	503,986	579,048
Transfer upon completion	358,973	–	–	–	–	–	(358,973)	–
Disposals	–	(1,636)	(20)	(741)	(513)	–	–	(2,910)
Depreciation charge	(92,100)	(10,748)	(361)	(37,163)	(11,634)	(2,184)	–	(154,190)
Closing net book amount	2,569,244	29,211	1,462	89,981	62,533	11,841	593,169	3,357,441
At 31 December 2023								
Cost	3,326,337	90,548	6,434	340,461	208,746	32,079	593,169	4,597,774
Accumulated depreciation	(757,093)	(61,337)	(4,972)	(250,480)	(146,213)	(20,238)	–	(1,240,333)
Net book amount	2,569,244	29,211	1,462	89,981	62,533	11,841	593,169	3,357,441

(a) Non-current assets pledged as security by the Group refer to Note 31(g) for information. As at 31 December 2023, electronic equipments with a net book value of RMB970,000 has been pledged (2022: RMB1,003,000).

(b) Construction in progress as at 31 December 2023 comprises buildings being constructed.

(c) As at 31 December 2023, buildings with a net book value of RMB65,997,000 (2022: RMB71,137,000) had been leased out.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Goodwill RMB'000	Brand RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
At 1 January 2022					
Cost	134,937	89,499	66,907	33,110	324,453
Accumulated amortisation	–	–	(12,267)	(19,798)	(32,065)
Net book amount	134,937	89,499	54,640	13,312	292,388
Year ended 31 December 2022					
Opening net book amount	134,937	89,499	54,640	13,312	292,388
Additions	–	–	–	1,071	1,071
Amortisation charge	–	–	(6,691)	(3,536)	(10,227)
Closing net book amount	134,937	89,499	47,949	10,847	283,232
At 31 December 2022					
Cost	134,937	89,499	66,907	34,181	325,524
Accumulated amortisation	–	–	(18,958)	(23,334)	(42,292)
Net book amount	134,937	89,499	47,949	10,847	283,232
Year ended 31 December 2023					
Opening net book amount	134,937	89,499	47,949	10,847	283,232
Additions	–	–	–	1,700	1,700
Disposal	–	–	–	(1,270)	(1,270)
Amortisation charge	–	–	(6,691)	(3,088)	(9,779)
Closing net book amount	134,937	89,499	41,258	8,189	273,883
At 31 December 2023					
Cost	134,937	89,499	66,907	33,962	325,305
Accumulated amortisation	–	–	(25,649)	(25,773)	(51,422)
Net book amount	134,937	89,499	41,258	8,189	273,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill and brand

Goodwill of RMB134,937,000 and brand of RMB89,499,000 are resulted from the acquisition of Tianjin Ruidao on 1 March 2020. Tianjin Ruidao is principally engaged in the provision of IT value-added education services in the PRC.

Goodwill and brand that arose from the acquisition of Tianjin Ruidao are monitored by the management at the level of CGUs, Tianjin Ruidao. The following tables set out the key assumptions for the CGUs:

	As at 31 December	
	2023	2022
Revenue growth rate (%)	8%-15%	8%-18%
EBITDA (% of revenue) (%)	18%-22%	18%-21%
Long-term growth rate (%)	2.00%	2.00%
Pre-tax discount rate (%)	16.18%	16.18%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue growth rate	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectations of market development.
EBITDA (% of revenue)	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows rate beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate used reflects specific risks relating to the CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. LEASES

The Group as a lessee:

(i) Amounts recognised in the consolidated statements of balance sheet

The consolidated balance sheet includes the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	574,849	591,044
Leased properties	35,494	39,740
	610,343	630,784
Lease liabilities		
Current	8,255	9,092
Non-current	27,572	32,222
	35,827	41,314

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 10)	24,476	24,579
Interest expenses (Note 12)	1,787	1,671
Expenses relating to short-term leases (Note 10)	43,199	38,200
	69,462	64,450

The total cash outflow for leases during the year ended 31 December 2023 is RMB46,713,000 (2022: RMB50,614,000).

- (iii) The Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The variable lease payments that do not depend on an index or a rate recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. LEASES (CONTINUED)

The Group as a lessee: (continued)

- (iv) The Group's land use rights are purchased from the government and other enterprises. All the land use rights have proper title deeds.
- (v) As at 31 December 2023, two parcels of land (2022: two parcels of land) owned by Guangdong University with a net book value of RMB2,065,000 (2022: RMB2,128,000) are in condition of not ready for development in according to the competent local government authority. Our Directors are of the view that the risk that these parcels of land are regarded as idle land is remote.

The Group as a lessor:

The Group leases certain buildings to related parties and third parties under operating lease agreements. Variable lease payments terms for the contracts include those depending on Consumer Price Index increases and total income of lessees. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Rental income recognised during the year ended 31 December 2023 was RMB64,323,000 (2022: RMB56,470,000), details of which are included in Note 7.

As at 31 December 2023, the Group has future minimum lease payments receivable on leases of properties are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
No later than 1 year	40,871	48,896
Later than 1 year and no later than 5 years	112,341	44,640
Later than 5 years	46,402	2,281
	199,614	95,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENT PROPERTIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Opening net book amount	271,400	179,100
Transfer from property, plant and equipment	–	85,150
Transfer from right-of-use assets	–	6,017
Fair value gains on investment properties, net	–	1,133
Closing net book amount	271,400	271,400

On 24 September 2021 and 14 June 2022, the Group entered into lease agreements (Former “**Property Agreements**”) with certain subsidiaries of Neusoft Holdings after arm’s length negotiations under which certain investment properties were leased out and would be used for the management and operation of stomatological and cardiovascular hospitals. The hospitals are part of the science-technology park to the university, as well as the practical training hospitals of the College of Health and Medical Technology of Dalian University, which will create a convenient environment for teachers’ research and students’ practice and internship and promote the co-construction and sharing of education resources for majors in healthcare technology.

On 23 February 2023, the Group entered into supplemental agreements with these subsidiaries of Neusoft Holdings and pursuant to which, the parties agreed to terminate the Former Property Agreements with effect on 28 February 2023, and to make a payment schedule for the outstanding payments under the Former Property Agreements. On the same date, the parties entered into new lease agreements with revised payment terms of these investment properties for the period from 1 March 2023 to 28 February 2031.

On 9 November 2022, the Group entered into a lease agreement with a third-party after arm’s length negotiations under which the investment property was leased out for the collaborative research on intelligent imaging and create an environment for teachers’ research and students’ practice and internship in Dalian University.

(a) Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group’s investment properties at the end of every financial year. As at 31 December 2023 and 2022, the fair value of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Discussions of valuation processes and results are held between the management and the valuer after each valuation, which is normally done every six months, in line with the Group’s interim and annual reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation techniques

Fair value of the investment properties are derived using the income approach. The income approach is based on the capitalisation of gross rental income and reversionary income potential by adopting appropriate yields. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation methodology during the year and there were no transfers between fair value hierarchy during the year.

(c) Information about fair value measurements using significant unobservable inputs (level 3)

Property category	Fair value as at 31 December 2023 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Leased properties	271,400	Income approach	Term yield Reversionary yield Monthly rental	5.5% 6.0% RMB45 to RMB52 per month per square meter

Relationship of unobservable inputs to fair value:

- The higher term yield, the lower fair value;
- The higher reversionary yield, the lower fair value;
- The higher monthly rental, the higher fair value.

Property rental income earned for investment properties during the year ended 31 December 2023 was approximately RMB17,514,000 (2022: RMB20,429,000). Direct expenses from properties that generated rental income were approximately RMB2,092,000 (2022: RMB1,392,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same tax authority.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000 (Restated)
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	11,370	5,625
Deferred income tax assets to be recovered after more than 12 months	34,289	32,415
	45,659	38,040
Deferred income tax liabilities		
Deferred income tax liabilities to be settled within 12 months	(14,093)	(3,143)
Deferred income tax liabilities to be settled after more than 12 months	(38,894)	(38,116)
	(52,987)	(41,259)

The gross movement of the Group's deferred income tax assets is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000 (Restated)
Beginning of the year	45,206	43,412
Credited to the consolidated income statement	7,381	1,794
End of the year	52,587	45,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The gross movement of the Group's deferred income tax liabilities is as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000 (Restated)
Beginning of the year	(48,425)	(49,974)
Credited/(debited) to the consolidated income statement	(11,490)	1,832
Debited to the other comprehensive income	–	(283)
End of the year	(59,915)	(48,425)

The movements in deferred income tax assets and liabilities of the Group during the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred income tax assets

	Unrealised gain on intra-group transactions RMB'000	Asset impairment provision RMB'000	Property, plant and equipment RMB'000	Tax losses RMB'000	Lease liability RMB'000	Total RMB'000
Balance at 1 January 2023 (Restated)	34,523	1,756	1,761	–	7,166	45,206
(Debited)/credited to the consolidated income statement	(906)	2,950	1,532	3,527	278	7,381
Balance at 31 December 2023	33,617	4,706	3,293	3,527	7,444	52,587

	Unrealised gain on intra-group transactions RMB'000	Asset impairment provision RMB'000	Property, plant and equipment RMB'000	Lease liability RMB'000	Total RMB'000
Balance at 1 January 2022 (Restated)	34,088	166	437	8,721	43,412
Credited/(debited) to the consolidated income statement	435	1,590	1,324	(1,555)	1,794
Balance at 31 December 2022	34,523	1,756	1,761	7,166	45,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred income tax liabilities

	Customer relationship RMB'000	Brand RMB'000	Investment property RMB'000	Property, plant and equipment RMB'000	Financial assets measured at fair value RMB'000	Withholding tax on undistributed earnings RMB'000	Right of use assets RMB'000	Total RMB'000
Balance at 1 January 2023 (Restated)	(11,595)	(22,374)	(3,657)	(2,966)	(667)	-	(7,166)	(48,425)
(Debited)/credited to the consolidated income statement	1,705	-	(1,808)	(681)	21	(10,717)	(10)	(11,490)
Balance at 31 December 2023	(9,890)	(22,374)	(5,465)	(3,647)	(646)	(10,717)	(7,176)	(59,915)

	Customer relationship RMB'000	Brand RMB'000	Investment property RMB'000	Property, plant and equipment RMB'000	Financial assets measured at fair value RMB'000	Right of use assets RMB'000	Total RMB'000
Balance at 1 January 2022 (Restated)	(13,464)	(22,374)	(2,241)	(3,174)	-	(8,721)	(49,974)
Credited/(debited) to the consolidated income statement	1,869	-	(1,133)	208	(667)	1,555	1,832
Debited to the other comprehensive income	-	-	(283)	-	-	-	(283)
Balance at 31 December 2022	(11,595)	(22,374)	(3,657)	(2,966)	(667)	(7,166)	(48,425)

For presentation purposes, RMB6,928,000 (2022: RMB7,166,000 (restated)) of deferred income tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred income tax balances of the Group for financial reporting purposes:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Net deferred tax assets	45,659	38,040
Net deferred tax liabilities	52,987	41,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS

	Financial assets measured at amortised cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2023			
Assets as per balance sheet			
Trade and note receivables (Note 22)	90,664	–	90,664
Other receivables (Note 23)	60,333	–	60,333
Financial products sponsored and managed by banks (Note 25)	–	76,224	76,224
Unlisted fund investments (Note 25)	–	22,500	22,500
Cash and cash equivalents (Note 26)	1,708,427	–	1,708,427
Restricted cash (Note 26)	62,804	–	62,804
	1,922,228	98,724	2,020,952

	Financial assets measured at amortised cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2022			
Assets as per balance sheet			
Trade and note receivables (Note 22)	81,260	–	81,260
Other receivables (Note 23)	27,534	–	27,534
Financial products sponsored and managed by banks (Note 25)	–	390,449	390,449
Cash and cash equivalents (Note 26)	1,183,811	–	1,183,811
Restricted cash (Note 26)	2,459	–	2,459
	1,295,064	390,449	1,685,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

	Amortised cost RMB'000
At 31 December 2023	
Liabilities as per balance sheet	
Borrowings (Note 31)	2,724,904
Trade and other payables excluding non-financial liabilities (Note 30)	519,805
	3,244,709

	Amortised cost RMB'000
At 31 December 2022	
Liabilities as per balance sheet	
Borrowings (Note 31)	2,386,255
Trade and other payables excluding non-financial liabilities (Note 30)	541,474
	2,927,729

22. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Due from related parties (Note 36 (b))	11,193	12,884
Receivables from education resources services	75,402	60,063
Receivables from continuing education services	2,464	4,403
Receivables from development of software system technology	228	383
Others	282	889
	89,569	78,622
Less: Provision for impairment of trade receivables	(16,515)	(5,926)
Trade receivables – net	73,054	72,696
Notes receivables	1,095	2,638
	74,149	75,334

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

- (a) As at 31 December 2023 and 2022, the aging analysis of the trade receivables on the basis of recognition date was as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 6 months	45,610	60,245
6 months to 1 year	28,925	7,451
1 to 2 years	4,996	10,126
More than 2 years	10,038	800
	89,569	78,622

- (b) The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group exposure to credit risk can be found in Note 3.1.

23. OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Other receivables		
Loan receivable from a related party (<i>Note 36 (a)</i>)	40,286	–
Loan receivable from third parties	1,170	1,150
Advance to staff	1,573	1,120
Advance to third parties	1,265	1,785
Deposits	14,108	15,755
Others	1,931	7,724
	60,333	27,534
Less: Provision for impairment of other receivables	(1,220)	(513)
Other receivables – net	59,113	27,021
Less: non-current portion		
– Loan receivable from a related party (<i>Note 36 (a)</i>)	(40,000)	–
Other receivables – current portion	19,113	27,021

The Group's other receivables were denominated in RMB and the carrying amounts approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PREPAYMENTS AND OTHER ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayment for utilities	4,837	5,597
Prepayment for leases	13,736	21,256
Prepayment to related parties (Note 36 (b))	–	17
Prepayments for acquisition of Putian Xianliang (Note 35 (a)(i))	–	50,000
Prepayment to others	25,991	12,605
Deductible VAT input	70,483	58,484
Others	5,790	4,097
	120,837	152,056
Less: Provision for impairment of other assets	(923)	(756)
Prepayments and other assets – net	119,914	151,300
Less: non-current portion		
– Prepayments for acquisition of Putian Xianliang (Note 35 (a)(i))	–	(50,000)
– Others	(4,515)	(2,434)
Prepayments and other assets – current portion	115,399	98,866

The Group's prepayments and other assets were denominated in RMB and the carrying amounts approximated their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets		
Financial products sponsored and managed by banks (Note 3.3)	76,224	390,449
Non-current assets		
Unlisted fund investments (Note 3.3)	22,500	–

(a) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash on hand	122	128
Cash at banks	1,708,305	1,183,683
	1,708,427	1,183,811

(b) Restricted cash

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deposits in escrow accounts	2,577	2,459
Frozen deposits (i)	60,227	–
	62,804	2,459

(i) The balances mainly included frozen deposits based on a court order arising from disputes with a supplier.

27. SHARE CAPITAL

Authorised:

As at 31 December 2023 and 2022, the number of ordinary shares and nominal value of ordinary shares remained at 1,900,000,000 and HKD380,000 respectively.

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Issued:					
As at 1 January 2022	668,705,600	133,741	117	2,915,130	2,915,247
Dividends distribution	–	–	–	(81,076)	(81,076)
Exercise of share options	1,333,935	267	0	7,262	7,262
Cancellation of shares	(23,836,000)	(4,767)	(4)	(85,157)	(85,161)
As at 31 December 2022	646,203,535	129,241	113	2,756,159	2,756,272
As at 1 January 2023	646,203,535	129,241	113	2,756,159	2,756,272
Dividends distribution	–	–	–	(96,461)	(96,461)
As at 31 December 2023	646,203,535	129,241	113	2,659,698	2,659,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. SHARE PREMIUM AND RESERVES

	Share premium RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserves(a) RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2023	2,756,159	(1,756,337)	(374,483)	183,317	9,057	817,713
Profit appropriation to statutory surplus reserves (a)	-	-	-	12,344	-	12,344
Dividends distribution	(96,461)	-	-	-	-	(96,461)
Other comprehensive income	-	-	-	-	(2,723)	(2,723)
At 31 December 2023	2,659,698	(1,756,337)	(374,483)	195,661	6,334	730,873
At 1 January 2022	2,915,130	(1,756,337)	(374,105)	162,876	6,120	953,684
Share-based compensation						
– value of employee services	-	-	3,785	-	-	3,785
– exercise of share options	7,262	-	(4,163)	-	-	3,099
Profit appropriation to statutory surplus reserves (a)	-	-	-	20,441	-	20,441
Dividends distribution	(81,076)	-	-	-	-	(81,076)
Cancellation of shares	(85,157)	-	-	-	-	(85,157)
Other comprehensive income	-	-	-	-	2,937	2,937
At 31 December 2022	2,756,159	(1,756,337)	(374,483)	183,317	9,057	817,713

(a) Statutory reserves

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of owners. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to owners in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.
- (ii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net profits of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. SHARE OPTION

The Company adopted a Pre-IPO share incentive scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020 (the **"Pre-IPO Share Incentive Scheme"**). Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO options to 246 grantees on 31 August 2020, including Directors, senior managers, connected persons who are not Directors or senior managers, employees and supervisors of the Group, to subscribe for an aggregate of 50,000,000 shares, including 21,762,500 Class A and 28,237,500 Class B share options.

On 11 September 2020, the Board of Directors of the Company conditionally adopted the principal terms of the Post-IPO share incentive scheme (the **"Post-IPO Share Incentive Scheme"**). The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in our Company and to encourage and retain participants to make contributions to the long-term growth and profits of the Group. The total number of share options available for grant under Post-IPO Share Incentive Scheme was 66,666,720. As of 31 December 2023, no options have been granted or agreed to be granted pursuant to Post-IPO Share Incentive Scheme.

Pre-IPO Share Incentive Scheme

Share options granted to participants

The share options granted under Pre-IPO Share Incentive Scheme have different vesting terms.

All granted Class A share options are vested on the Listing date without any performance requirements.

The Class B share options are performance-based share options with graded vesting terms, and vest in tranches from grant date over no more than 2 years, on condition that participants remain in service and performance conditions are satisfied. The performance goals are determined by the Board of Directors. For those share options, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. SHARE OPTION (CONTINUED)

Pre-IPO Share Incentive Scheme (continued)

Share options granted to participants (continued)

Movements in the number of share options granted to participants and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HKD)
Outstanding as of 1 January 2023	40,381,569	3.11
Cancelled during the year	(8,362,672)	3.11
Outstanding as of 31 December 2023	32,018,897	3.11
Exercisable as of 31 December 2023	31,756,397	3.11
Outstanding as of 1 January 2022	43,799,695	3.11
Forfeited during the year	(2,084,191)	3.11
Exercised during the year	(1,333,935)	3.11
Outstanding as of 31 December 2022	40,381,569	3.11
Exercisable as of 31 December 2022	40,119,069	3.11

The weighted-average remaining contract life for outstanding share options was 6.67 years as of 31 December 2023 (2022: 7.67 years).

Fair value of share options

The Group has used the Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

Spot price (HKD)	5.53
Expected Offer Price (HKD) (a)	5.7
Exercise price (HKD) (a)	2.85
Risk-free interest rate	0.78%
Dividend yield	–
Expected volatility	54.02%
Expected terms	10 years

- (a) Exercise price of each share options granted under Pre-IPO Share Incentive Scheme was 50% of the Offer Price. Prior to the completion of initial public offering, the expected Offer Price was HKD5.70, and the exercise price of each option was estimated to be HKD2.85 accordingly. Pursuant to the completion of initial public offering, the offer price has been determined at HKD6.22, and thus the exercise price of each share options granted under Pre-IPO Share Incentive Scheme was determined at HKD3.11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. SHARE OPTION (CONTINUED)

Pre-IPO Share Incentive Scheme (continued)

Fair value of share options (continued)

The weighted average fair value of outstanding granted share options was HKD3.45 per share for the year ended 31 December 2023.

The total expenses recognised in the consolidated income statements for share options granted under Pre-IPO Share Incentive Scheme was nil for the year ended 31 December 2023 (2022: RMB3,785,000).

On 10 October 2023, cancellation of the Pre-IPO share options has been approved by the Board of Directors of the Company, 8,362,672 share options have been cancelled during the year ended 31 December 2023.

30. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
Amount due to third parties	11,320	4,563
Other payables		
Amount due to related parties (Note 36(b))	2,763	2,906
Miscellaneous expenses received from students	56,589	63,134
Salary and welfare payables	85,573	91,273
Deposits	31,852	40,344
Government subsidies payable to students	19,639	11,966
Payables for purchases of property, plant and equipment	366,629	349,429
Payables for administrative cost	13,670	16,586
Tax payables	11,698	9,502
Interest payables to bank	3,898	3,419
Redemption liability (a)	–	36,274
Dividend payable	–	1,568
Others	13,445	12,853
Less: non-current portion		
– Amount due to a third party	(675)	(675)
Other payables – current portion	605,081	638,579
Total trade and other payables – current portion	616,401	643,142

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) On 19 May 2020, Neuedu Technology and Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (“**Tianjin Ruiyi**”) entered into a put and call option agreement (“**Agreement**”), pursuant to which, within three years from the Listing, Neuedu Technology has the option to acquire from Tianjin Ruiyi, and Tianjin Ruiyi has the option to sell to Neuedu Technology, a 9.09% equity interest in Tianjin Ruidao (“**Target Equity**”) for a consideration of approximately RMB36,274,000. Pursuant to the Agreement, Neuedu Technology has an obligation to purchase the 9.09% equity interest in Tianjin Ruidao at any time within three years since Listing which resulted in recognising a financial liability of approximately RMB36,274,000, by debiting non-controlling interest of RMB23,588,000 and capital reserve of RMB12,686,000 on the date of the Listing.

On 29 August 2023, Neuedu Technology entered into an equity transfer agreement with Tianjin Ruiyi, pursuant to which Neuedu Technology would acquire the Target Equity from Tianjin Ruiyi for the Consideration. The Consideration has been paid in full by Neuedu Technology after the completion of the transfer of the Target Equity on 8 October 2023.

- (b) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2023 and 2022, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 6 months	11,320	4,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings		
– secured	2,139,032	1,922,105
– unsecured	423,505	324,565
Current portion of long term borrowings		
– secured	(220,171)	(66,027)
– unsecured	(268,505)	(40,060)
	2,073,861	2,140,583
Borrowings from a financial institution		
– secured	742	7,928
Current portion of long-term borrowings		
– secured	(742)	(7,186)
	–	742
Short-term borrowings		
Bank borrowings		
– secured	13,925	–
– unsecured	147,700	131,657
Current portion of long term borrowings		
– secured	220,171	66,027
– unsecured	268,505	40,060
	650,301	237,744
Borrowings from a financial institution		
– secured	–	–
Current portion of long-term borrowings		
– secured	742	7,186
	742	7,186
Total borrowings	2,724,904	2,386,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (CONTINUED)

(a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Neusoft Holdings (Note 36 (d))	1,845,692	1,645,285

(b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 31 December	
	2023	2022
Bank borrowings	4.55%	4.75%

(c) The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bank borrowing facilities	1,009,894	1,673,065

(d) The maturity date of the following was analysed as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	651,043	244,930
Between 1 and 2 years	251,974	476,641
Between 2 and 5 years	526,512	575,390
More than 5 years	1,295,375	1,089,294
	2,724,904	2,386,255

(e) As at 31 December 2023, the Group's borrowings were denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (CONTINUED)

- (f) As at 31 December 2023, the loan balance with RMB293,340,000 (31 December 2022: RMB276,820,000) of Guangdong University was pledged by the collection rights of the tuition fees from 1 January 2022 to 31 December 2037 to the bank. Pursuant to the loan agreements, Guangdong University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 31 December 2023, the balance in this bank account is RMB356,215,000 (31 December 2022: RMB2,190,000).

As at 31 December 2023, the loan balance with RMB389,312,000 (31 December 2022: RMB399,455,000) of Dalian University was pledged by the collection rights of the boarding fees from 26 April 2019 to 26 April 2034 to the bank. Pursuant to the loan agreement, Dalian University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 31 December 2023, the balance in this bank account is RMB17,038,000 (31 December 2022: RMB37,000).

As at 31 December 2023, the loan balance with RMB750,000,000 (31 December 2022: RMB675,000,000) of Dalian University was pledged by the collection rights of the tuition fees from 19 November 2020 to 18 November 2035 to the bank.

As at 31 December 2023, the loan balance with RMB380,880,000 (31 December 2022: RMB229,330,000) of Chengdu University was pledged by the collection rights of the tuition fees from 21 April 2021 to 20 April 2036 to the bank.

As at 31 December 2023, the loan balance with RMB13,925,000 (31 December 2022: Nil) of Neuedu Technology was pledged by the collection rights of the deposit from margin account from 30 October 2023 to 29 October 2024 to the bank. Pursuant to the loan agreement, Neuedu Technology opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 31 December 2023, the balance in this bank account is nil.

As at 31 December 2023, the loan balance with RMB98,500,000, RMB146,500,000 and RMB80,500,000 (31 December 2022: RMB104,500,000, RMB151,500,000, RMB85,500,000) of Dalian Ruidi Technology Co., Ltd., Dalian Sidi Technology Co., Ltd. and Dalian Xindi Technology Co., Ltd. was pledged by 5.93%, 8.4% and 4.85% of equity of Neusoft Ruixin to the bank respectively.

As at 31 December 2023, above secured loans bear floating interest rates with reference to PBOC interest rate, or one-year or five-year Loan Prime Rate ("LPR"). The interest rates of secured loans are from 3.45% to 4.70%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (CONTINUED)

- (g) As at 31 December 2023, the loan balance with RMB742,000 (31 December 2022: RMB7,928,000) of Dalian University was pledged by self-owned equipments to the financial institution (Note 16(a)).
- (h) As at 31 December 2023, the Company has nil balance of unsecured loans in HKD (2022: HKD17,000,000, equivalent to RMB15,186,000). The unsecured loan balances in RMB were 571,205,000 (31 December 2022: RMB441,036,000).

32. DEFERRED INCOME

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current:		
Deferred government grants (a)	34,015	34,949
Current:		
Deferred government grants (a)	23,453	29,858
Rental	15,328	12,468
	38,781	42,326
	72,796	77,275

- (a) Deferred income includes grants related to income and grants related to assets. The grants related to income are the subsidies received from the government for the purpose of compensation for expenses arising from research activities and software developments. The grants related to assets are received for subsidies in connection with the purchasing of teaching equipment. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	577,781	517,535
Adjustments for:		
– Depreciation of property, plant and equipment (<i>Note 16</i>)	154,190	136,320
– Amortisation of intangible assets (<i>Note 17</i>)	9,779	10,227
– Depreciation of right-of-use assets (<i>Note 18</i>)	24,476	24,579
– Net losses on disposal of property, plant and equipment (<i>Note 9</i>)	2,589	83
– Write-off of intangible assets (<i>Note 9</i>)	1,270	–
– Gains on surrender of right-of-use assets	(275)	–
– Gains in profit or loss on financial instrument (<i>Note 9</i>)	(3,147)	(5,634)
– Interest income (<i>Note 12</i>)	(16,669)	(11,896)
– Finance expenses (<i>Note 12</i>)	103,141	91,630
– Share-based compensation (<i>Note 11</i>)	–	3,785
– Provision for impairment on financial assets (<i>Note 22, Note 23</i>)	11,296	5,365
– Provision for impairment on other assets (<i>Note 24</i>)	167	756
Operating cash flows before movements in working capital	864,598	772,750
Changes in working capital:		
– Trade and notes receivables (<i>Note 22</i>)	(9,404)	(50,091)
– Other receivables (<i>Note 23</i>)	8,005	(785)
– Prepayments and other assets (<i>Note 24</i>)	(19,321)	(26,312)
– (Decrease)/increase in inventories	(5,078)	621
– Deferred income (<i>Note 32</i>)	(4,479)	(17,452)
– Contract liabilities (<i>Note 6</i>)	78,570	220,158
– Trade and other payables	(7,871)	13,561
Cash generated from operations	905,020	912,450
Income taxes paid	(169,116)	(115,214)
Net cash generated from operations	735,904	797,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Net book amount (<i>Note 16</i>)	2,910	537
Loss on disposal of property, plant and equipment (<i>Note 9</i>)	(2,589)	(83)
Proceeds from disposal of property, plant and equipment	321	454

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Borrowing from financial institution RMB'000	Borrowing from a related party RMB'000	Borrowing from a third party RMB'000	Dividends RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2023	2,381,746	-	7,928	1,568	41,314	2,432,556
Cash flows						
– Proceeds from borrowings	623,891	-	-	-	-	623,891
– Repayments of borrowings	(278,276)	-	-	-	-	(278,276)
– Borrowings from a related party	-	400,000	-	-	-	400,000
– Repayments of borrowings to a related party	-	(400,000)	-	-	-	(400,000)
– Repayments of borrowings to a third party	-	-	(7,186)	-	-	(7,186)
– Lease principal elements paid	-	-	-	-	(9,247)	(9,247)
– Interest paid	(101,229)	-	(574)	-	(1,787)	(103,590)
– Dividends paid	-	-	-	(99,239)	-	(99,239)
Non-cash movements						
– Addition of lease liabilities	-	-	-	-	8,479	8,479
– Interest accrued	101,708	-	574	-	1,787	104,069
– Dividends declared	-	-	-	96,461	-	96,461
– Foreign exchange adjustments	220	-	-	1,210	-	1,430
– Others	-	-	-	-	(4,719)	(4,719)
As at 31 December 2023	2,728,060	-	742	-	35,827	2,764,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) The reconciliation of assets and liabilities arising from financing activities is as follows: (continued)

	Borrowing from financial institution RMB'000	Borrowing from a third party RMB'000	Dividends RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	2,155,676	14,744	1,638	48,930	2,220,988
Cash flows					
– Proceeds from borrowings	602,394	–	–	–	602,394
– Repayments of borrowings	(381,766)	–	–	–	(381,766)
– Borrowings from a third party	–	–	–	–	–
– Repayments of borrowings to a third party	–	(6,816)	–	–	(6,816)
– Lease principal elements paid	–	–	–	(10,698)	(10,698)
– Interest paid	(97,290)	(1,094)	–	(1,671)	(100,055)
– Dividends paid	–	–	(81,445)	–	(81,445)
Non-cash movements					
– Addition of lease liabilities	–	–	–	17,169	17,169
– Interest accrued	97,458	1,094	–	1,671	100,223
– Dividends declared	–	–	81,076	–	81,076
– Foreign exchange adjustments	5,274	–	299	–	5,573
– Others	–	–	–	(14,087)	(14,087)
As at 31 December 2022	2,381,746	7,928	1,568	41,314	2,432,556

34. CONTINGENCIES

The Group did not have any significant contingencies items as of 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 31 December 2023 RMB'000	2022 RMB'000
Commitment for acquisition of property, plant and equipment and land use right	96,218	557,759
Commitment for acquisition of Putian Xianliang		Note (i)

(i) Commitment for acquisition of equity interests of Putian Xianliang

On 12 April 2021, Neuedu Technology entered into a cooperation agreement (“**Cooperation Agreement**”) with Fujian Jiantou Group Co., Ltd. (“**Fujian Jiantou**”) in relation to the establishment of a new vocational college (tentatively known as “**Fujian Neusoft College**”) in Putian Meizhouwan Beian Economic Zone (“**School Project**”) and acquisition of the entire equity interest in the Putian Xianliang upon the completion of the campus construction.

Pursuant to the Cooperation Agreement, Fujian Jiantou set up a project company, Putian Xianliang, which is responsible for the land acquisition and construction of the School Project. Neuedu Technology agrees to acquire the entire equity interests of the Putian Xianliang from Fujian Jiantou upon completion of the campus construction with the consideration (“**Consideration**”) being determined with the valuation report prepared by a qualified independent valuer at that time (“**Valuation Report Date**”).

Earnest Money and payment terms

Pursuant to the Cooperation Agreement, Neuedu Technology shall pay to Fujian Jiantou an earnest money of RMB200 million (the “**Earnest Money**”). The amount of the Earnest Money was determined after arm’s length negotiation between Neuedu Technology and Fujian Jiantou taking into account the expected investment cost of Fujian Jiantou in respect of land acquisition and project construction, which is expected to be approximately RMB1,200 million and RMB1,500 million. Neuedu Technology paid Earnest Money of RMB50 million on 30 April 2021 and accounted as prepayment in the consolidated financial statements. The remaining Earnest Money of RMB150 million shall be payable by Neuedu Technology to Fujian Jiantou as follows:

- 25% of the Earnest Money, amounting to RMB50 million, shall be payable within one month after obtaining the construction permit for the School Project;
- 25% of the Earnest Money, amounting to RMB50 million, shall be payable within one month after the main structure of the School Project is capped; and
- 25% of the Earnest Money, amounting to RMB50 million, shall be payable within one month after the completion certificate is issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. COMMITMENTS (CONTINUED)

(a) Capital commitments (continued)

(i) Commitment for acquisition of equity interests of Putian Xianliang (continued)

Consideration and payment terms

Pursuant to the Cooperation Agreement, it is expected that the campus construction may be completed within two years upon obtaining the relevant construction permit for the School Project. The Consideration is payable by Neuedu Technology to Fujian Jiantou as follows:

- from the first year to the fourth year after the Valuation Report Date, the consideration shall be set off with the Earnest Money in four equal instalments, that is, RMB50 million each year and RMB200 million in total; and
- the remaining consideration shall be thereafter payable in five equal instalments from the fifth year to the ninth year after the Valuation Report Date.

In August 2023, due to the fact that no substantial progress has been made on the School Project, the Board of the Company resolved to agree Neuedu Technology to enter into the Termination Agreement with Fujian Jiantou. On 28 August 2023, Neuedu Technology and Fujian Jiantou entered into the Termination Agreement, pursuant to which both parties agreed (i) to terminate the Cooperation Agreement with effect from 28 August 2023 and the respective rights and obligations under the Cooperation Agreement was ceased and became invalid accordingly; and (ii) that Fujian Jiantou shall return the earnest money of RMB50.0 million paid by Neuedu Technology. Fujian Jiantou returned the earnest money of RMB50.0 million on 9 September 2023.

(b) Investment commitments

The following is the details of investment commitments contracted but not provided for in the consolidated financial statements.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Commitment for an investment fund	67,500	–

On 15 June 2023, Shanghai Ruixiang, a wholly-owned subsidiary of the Company, as a limited partner entered into a partnership agreement with other two general partners and several limited partners (the "**Limited Partnership Agreement**") in relation to establishment and management of an investment fund, a limited partnership registered in the PRC, Liaoning Ruikang Private Investment Fund Partnership (Limited Partnership) (the "**Investment Fund**") and will engage in investing in areas of medical health businesses including but not limited to innovative medical equipment, medical services and smart medical care.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. COMMITMENTS (CONTINUED)

(b) Investment commitments (continued)

Pursuant to the Limited Partnership Agreement, the total capital contribution of the Investment Fund shall be RMB1,000.0 million, of which RMB90.0 million shall be contributed by Shanghai Ruixiang as a limited partner. The contribution shall be made by Shanghai Ruixiang in three installments in cash and with the payment notice issued by the executive partner.

- the first installment shall be approximately 25% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB22.5 million;
- the second installment shall be approximately 40% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB36.0 million;
- the third installment shall be approximately 35% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB31.5 million.

On 2 August 2023, Shanghai Ruixiang fully paid the first installment of the contracted capital contribution of RMB22.5 million.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

Name of the related parties	Nature of relationship
Neusoft Holdings	Owner who has significant influence over the Company
Dalian Siwei	A company controlled by Liu Jiren
Shenyang Neusoft System Technology Co., Ltd.	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd.	A company controlled by Neusoft Holdings
Neusoft Health Medical Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Cardiovascular Hospital	A company controlled by Neusoft Holdings
Dalian Ruikang Stomatological Hospital Co., Ltd.	A company controlled by Neusoft Holdings
Liaoning Ruikang Medical Management Service Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Zhuomei Stomatology Hospital	A company controlled by Neusoft Holdings
Dalian Dongkong Ruikang Medical Management Co., Ltd.	A company controlled by Neusoft Holdings
Liaoning Ruikang Private Investment Fund Partnership (Limited Partnership)	A limited partnership controlled by Neusoft Holdings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Borrowings from a related party		
Owner who has significant influence over the Company		
<i>(Note i)</i>		
Balance at 1 January	–	–
Borrowings from a related party	400,000	–
Repayments of borrowings to a related party	(400,000)	–
Balance at 31 December	–	–

- (i) On 27 October 2023, Neuedu Technology entered into a loan agreement with Neusoft Holding for an unsecured non-interest bearing three-month loan. The loan was fully repaid on 21 December 2023.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loans to a related party		
A company controlled by Neusoft Holdings		
<i>(Note i)</i>		
Balance at 1 January	–	–
Loans to a related party	40,000	–
Interest charged to a related party	335	–
Interest received from a related party	(71)	–
Balance at 31 December	40,264	–

- (i) On 29 August 2023, Shanghai Ruixiang entered into a loan agreement (the “**Loan Agreement**”) with Neusoft Health Medical Management Co., Ltd. (“**Neusoft Healthcare**”), a wholly-owned subsidiary of Neusoft Holdings. Pursuant to the Loan Agreement, Shanghai Ruixiang agreed to provide a loan in the aggregate principal amount of RMB80.0 million to Neusoft Healthcare for a term of three years from 29 August 2023 to 28 August 2026 with a floating interest rate equal to one-year LPR plus 0.8% (the “**Loan**”). Neusoft Healthcare shall repay the interest of Loan on a quarterly basis and shall repay the principal amount of the Loan within 7 days after the term of the Loan expires. All liabilities of Neusoft Healthcare under the Loan Agreement are guaranteed by Neusoft Holdings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

On 1 September 2023 and 12 December 2023, Neusoft Healthcare has drawn an aggregated amount of RMB40.0 million under the terms specified in Loan Agreement.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Receiving outsourcing services		
A company controlled by Liu Jiren	92	101
A company controlled by Neusoft Holdings	–	210
Receiving entrustment services		
Owner who has significant influence over the Company	10,138	14,571
	10,230	14,882

Receiving services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Providing apprenticeship programme services		
A company controlled by Neusoft Holdings	–	37,572
Providing rental and property management services		
A company controlled by Liu Jiren	1,380	1,294
Companies controlled by Neusoft Holdings	19,788	22,469
	21,168	61,335

Providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables due from related parties		
Companies controlled by Neusoft Holdings	11,193	12,884
Other payables due to related parties		
Owner who has significant influence over the Company	21	21
A company controlled by Liu Jiren	271	271
Companies controlled by Neusoft Holdings	2,471	2,609
	2,763	2,901
	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Amounts prepaid by related parties		
A company controlled by Liu Jiren	252	252
Companies controlled by Neusoft Holdings	71	71
	323	323
Amounts prepaid to related parties		
A company controlled by Liu Jiren	–	17

As at 31 December 2023 and 2022, all balances with the owners and related companies are non-interest bearing. All balances due from and due to the owners and related parties are unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and bonuses	54,466	16,071
Share-based compensation	–	1,771
Contributions to pension plans	259	255
Welfare and other expenses	225	222
	54,950	18,319

(d) Borrowings guaranteed by a related party

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Owner who has significant influence over the Company	1,845,692	1,645,285

(e) Commitments to a related party

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
A limited partnership controlled by Neusoft Holdings (Note 35(b))	67,500	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES

As at 31 December 2023 and 2022, the Company had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December 2023	2022		
Directly held:							
Neusoft Education Technology (BVI) Co. Limited	BVI	6 September 2018	USD100	100%	100%	100%	Investment holding in BVI
Indirectly held:							
Dalian Development	PRC	10 July 2002	RMB359,000,000	100%	100%	100%	Investment Holding & Estate Management in PRC
Dalian University	PRC	16 September 2004	RMB350,190,000	100%	100%	100%	Higher education in PRC
Neusoft Electronic Press	PRC	21 April 2005	RMB5,000,000	100%	100%	100%	Publishing in PRC
Dalian Neusoft Technology Development Co., Ltd.	PRC	10 October 2013	RMB10,000,000	100%	100%	100%	Investment holding in PRC
Chengdu Development	PRC	8 July 2002	RMB195,800,000	100%	100%	100%	Investment holding in PRC
Chengdu University	PRC	18 June 2003	RMB230,663,174	100%	100%	100%	Higher education in PRC
Foshan Development	PRC	8 January 2002	RMB150,700,000	100%	100%	100%	Investment holding in PRC
Guangdong University	PRC	25 April 2003	RMB158,400,000	100%	100%	100%	Higher education in PRC
Shanghai Ruixiang	PRC	14 April 2017	RMB5,000,000	100%	100%	100%	Software development in PRC
Dalian Yunguan	PRC	19 February 2013	RMB20,000,000	100%	100%	100%	Software development in PRC
Neusoft Education HK	Hong Kong	26 September 2018	HKD100	100%	100%	100%	Investment holding in Hong Kong
Dalian High-Tech Zone Neusoft Training School Co., Ltd.	PRC	29 August 2018	RMB1,000,000	100%	100%	100%	Training service in PRC
Dalian Neusoft Industry Management Services Co., Ltd.	PRC	14 August 2018	RMB3,000,000	100%	100%	100%	Property management in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December 2023	2022		
Indirectly held: (continued)							
Neuedu Technology	PRC	3 August 2018	RMB10,000,000	100%	100%	100%	Investment holding in PRC
Neusoft Ruixin	PRC	17 May 2019	RMB10,000	100%	100%	100%	Investment holding in PRC
Chengdu Neusoft Education Technology Co., Ltd.	PRC	26 April 2019	RMB1,000,000	100%	100%	100%	Investment holding in PRC
Suzhou Neusoft Technology Development Co., Ltd.	PRC	23 January 2020	–	100%	100%	100%	Investment holding in PRC
Tianjin Ruidao	PRC	22 March 2012	RMB110,000,000	100%	100%	100%	Training service in PRC
Shenyang Neusoft Software Talent Training Centre	PRC	9 September 2008	RMB300,000	100%	100%	100%	Training service in PRC
Dalian Neusoft Software Talent Training Centre	PRC	8 May 2009	RMB1,000,000	100%	100%	100%	Training service in PRC
Nanjing Neusoft Ruidao Information Technology Co., Ltd. (note(a))	PRC	5 March 2014	–	–	100%	–	Training service in PRC
Nanjing Neusoft Talent Training Centre (note(a))	PRC	18 November 2009	RMB300,000	–	100%	–	Training service in PRC
Shenyang Neusoft Ruidao Education Services Co., Ltd.	PRC	9 July 2012	RMB5,000,000	100%	100%	100%	Training service in PRC
Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	6 December 2012	RMB2,000,000	100%	100%	100%	Training service in PRC
Qingdao West Coast New Area Neusoft Ruidao Software Talent Training School	PRC	12 November 2013	RMB1,200,000	100%	100%	100%	Training service in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		Principal activities and place of operation
				At 31 December	As of	
				2023	2022	
Indirectly held: (continued)						
Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	31 December 2013	RMB1,000,000	100%	100%	100% Training service in PRC
Guangzhou Neusoft Software Talent Vocational Training School	PRC	13 July 2015	RMB1,000,000	100%	100%	100% Training service in PRC
Chongqing Neusoft Ruidao Information Technology Co., Ltd.	PRC	11 July 2017	RMB2,000,000	100%	100%	100% Training service in PRC
Dalian Neusoft Ruichuang Technology Development Co., Ltd.	PRC	22 August 2014	RMB10,000,000	100%	100%	100% Software development in PRC
Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd.	PRC	29 October 2019	RMB1,200,000	100%	100%	100% Training service in PRC
Qinhuangdao Neusoft Venture School	PRC	15 March 2016	RMB5,000,000	90%	90%	90% Training service in PRC
Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	PRC	18 April 2016	RMB1,000,000	60%	60%	60% Software development in PRC
Guangdong Ruidao Gongchuang Technology Co., Ltd.	PRC	29 April 2016	RMB10,000,000	51%	51%	51% Software development in PRC
Dalian Zhisheng Technology Co., Ltd.	PRC	23 September 2020	RMB139,754,000	100%	100%	100% Investment holding in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		Principal activities and place of operation	
				At 31 December 2023	2022		
Indirectly held: (continued)							
Dalian Ruidi Technology Co., Ltd.	PRC	23 September 2020	RMB139,750,000	100%	100%	100%	Investment holding in PRC
Dalian Xindi Technology Co., Ltd.	PRC	23 September 2020	RMB139,750,000	100%	100%	100%	Investment holding in PRC
Dalian Sidi Technology Co., Ltd.	PRC	23 September 2020	RMB139,754,000	100%	100%	100%	Investment holding in PRC
Dalian Zhizhuo Technology Co., Ltd.	PRC	23 September 2020	RMB139,754,000	100%	100%	100%	Investment holding in PRC
Dalian Zhiyue Technology Co., Ltd.	PRC	23 September 2020	RMB139,754,000	100%	100%	100%	Investment holding in PRC
Suzhou Neusoft Ruixiang Technology Co., Ltd.	PRC	22 June 2020	RMB5,000,000	100%	100%	100%	Software development in PRC
Tianjin Port Free Trade Neusoft Ruidao Vocational Training School Co., Ltd.	PRC	4 September 2020	RMB4,784,000	100%	100%	100%	Training service in PRC
Dalian DOIT Human Resource Service Co., Ltd.	PRC	19 November 2020	RMB2,000,000	100%	100%	100%	Investment holding in PRC
Ningbo Wanli Neusoft Digital Technology Co., Ltd.	PRC	28 December 2020	RMB3,000,000	51%	51%	51%	Investment holding in PRC
Nanjing Neusoft Ruidao Digital Technology Co., Ltd.	PRC	30 August 2021	RMB300,000	100%	100%	100%	Software development in PRC
Huzhou Ruidao Digital Technology Co., Ltd.	PRC	26 August 2021	RMB1,000,000	100%	100%	100%	Software development in PRC
Putian Neusoft Digital Technology Lab Co., Ltd.	PRC	9 July 2021	RMB5,000,000	100%	100%	100%	Software development in PRC
Zhengzhou Ruidao	PRC	23 November 2021	–	100%	100%	100%	Training service in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December 2023	2022		
Indirectly held: (continued)							
Chengdu Ruixiang Skill Training School Co., Ltd.	PRC	19 October 2021	RMB1,000,000	100%	100%	100%	Training service in PRC
Dujiangyan Qingcheng Kangdao Traditional Chinese Medicine Hospital Co., Ltd. (note(b))	PRC	9 January 2023	–	100%	–	100%	Medical service in PRC
Chengdu Qingcheng Kangdao Hotel Management Co., Ltd. (note(b))	PRC	22 March 2023	RMB500,000	100%	–	100%	Hotel service in PRC
Guangzhou Neusoft Aidi Digital Technology Co., Ltd. (note(b))	PRC	15 December 2023	–	100%	–	100%	Software development in PRC
Foshan Neusoft Zhiyuan Technology Co., Ltd. (note(b))	PRC	26 December 2023	–	100%	–	100%	Software development in PRC

Notes:

(a) Nanjing Neusoft Talent Training Centre has been deregistered on 29 August 2023.

Nanjing Neusoft Ruidao Information Technology Co., Ltd. has been deregistered on 6 September 2023.

(b) Chengdu Qingcheng Kangdao Hotel Management Co., Ltd., Dujiangyan Qingcheng Kangdao Traditional Chinese Medicine Hospital Co., Ltd., Guangzhou Neusoft Aidi Digital Technology Co., Ltd., Foshan Neusoft Zhiyuan Technology Co., Ltd. were newly incorporated companies during the year ended 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The Company appointed nine directors on the board, who are LIU Jiren (Chairperson of the Board), WEN Tao (Executive Director), RONG Xinjie (Non-executive Director), ZHANG Xia (Non-executive Director), ZHANG Yinghui (Non-executive Director), SUN Yinhuan (Non-executive Director), LIU Shulian (Independent non-executive director), QU Daokui (Independent non-executive director), and WANG Weiping (Independent non-executive director). Among the directors, LIU Jiren, RONG Xinjie, ZHANG Xia and SUN Yinhuan received no pay from the Company. The emoluments of other directors of the Company are determined with reference to the economy, the prevailing market conditions, and the responsibilities undertaken and their performance. The remuneration of other directors for the years ended 31 December 2023 and 2022 are set out below:

During the year ended 31 December 2023, none of the Directors waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2023	Fees RMB'000	Salaries and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Share-based compensation (note(i)) RMB'000	Total RMB'000
Executive director:						
WEN Tao	-	27,707	77	33	-	27,817
Non-executive directors:						
ZHANG Yinghui	-	8,970	29	31	-	9,030
Independent non-executive director:						
LIU Shulian	162	-	-	-	-	162
QU Daokui	162	-	-	-	-	162
WANG Weiping	162	-	-	-	-	162
	486	36,677	106	64	-	37,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

For the year ended 31 December 2022	Fees RMB'000	Salaries and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Share-based compensation (note(i)) RMB'000	Total RMB'000
Executive director:						
WEN Tao	–	4,497	77	31	1,168	5,773
Non-executive directors:						
YANG Li	–	300	10	12	502	824
ZHANG Yinghui	–	2,480	29	28	292	2,829
Independent non-executive director:						
LIU Shulian	155	–	–	–	–	155
QU Daokui	155	–	–	–	–	155
WANG Weiping	155	–	–	–	–	155
	465	7,277	116	71	1,962	9,891

Note:

(i) Hong Kong Companies Ordinance 622G4(5) specifies that, if any emoluments consist of a non-cash benefit otherwise, then the reference to the amount of emoluments is a reference to the estimated money value of that benefit. According to Revised AB3 issued by HKICPA in 2017, which provides some guidance in respect of the determination of the "estimated money value". The acceptable approaches include the following:

- the amount recognised as an expense in the period in accordance with IFRS 2 Share-based payment; or
- the amount of the gain if the options are exercised, or as if they were exercised, at the time of vesting, for those options vested during the year. The amount of gain is the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.

The Group chooses the second approach to estimate the money value of Share-based compensation to Directors.

During the year ended 31 December 2022, WEN Tao and ZHANG Yinghui have 2,400,000 and 600,000 Class B share options vested on 31 March 2022 with the market price of HKD3.71 and exercise price of HKD3.11 (Note 29). YANG Li has 600,000 Class B share options vested on 23 June 2022 with the market price of HKD4.09 and exercise price of HKD3.11 (Note 29). Accordingly, the estimated money value of share options is RMB1,168,000, RMB292,000 and RMB502,000 respectively.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

No director's retirement benefit subsisted as at 31 December 2023 and 2022 or at any time during all the years presented.

(c) Directors' termination benefits

No director's termination benefit subsisted as at 31 December 2023 and 2022 or at any time during all the years presented.

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted as at 31 December 2023 and 2022 or at any time during all the years presented.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted as at 31 December 2023 and 2022 or at any time during all the years presented.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 and 2022 or at any time during all the years presented.

39. SUBSEQUENT EVENT

On 26 March 2024, Neusoft Ruixin, a wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement with Neusoft Holdings and Neusoft Healthcare, pursuant to which Neusoft Ruixin has conditionally agreed to purchase, and Neusoft Holdings has conditionally agreed to sell 100% equity interest of Neusoft Healthcare, at a total consideration of RMB81,000,000, which will be settled in cash.

After the completion of the above acquisition, Neusoft Healthcare will become a wholly-owned subsidiary of the Company. The consolidated financial results of Neusoft Healthcare and its subsidiaries and consolidated affiliated entities will be consolidated into the consolidated financial statement of the Group.

Details can be referred to the announcement of the Company dated on 26 March 2024. As at the date of this report, the acquisition is still pending completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	–	12
Investments in subsidiaries	2,238,110	2,206,127
Total non-current assets	2,238,110	2,206,139
Current assets		
Cash and cash equivalents	2,956	12,295
Other receivables	647,421	699,893
Total current assets	650,377	712,188
Total assets	2,888,487	2,918,327
EQUITY		
Equity attributable to owners of the Company		
Share capital	113	113
Reserves (Note 40(b))	2,869,795	2,883,453
Total equity	2,869,908	2,883,566
LIABILITIES		
Current liabilities		
Borrowings	–	15,186
Trade and other payables	18,579	19,575
Total current liabilities	18,579	34,761
Total liabilities	18,579	34,761
Total equity and liabilities	2,888,487	2,918,327

The balance sheet of the Company was approved by the Board of Directors on 26 March 2024 and was signed on its behalf:

Dr. LIU Jiren

Director

Dr. WEN Tao

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2023	2,756,159	122,996	39,253	(34,955)	2,883,453
Profit for the year	–	–	–	40,888	40,888
Dividends distribution	(96,461)	–	–	–	(96,461)
Currency translation differences (note (a))	–	–	41,915	–	41,915
At 31 December 2023	2,659,698	122,996	81,168	5,933	2,869,795
At 1 January 2022	2,915,130	123,374	(213,213)	(31,076)	2,794,215
Loss for the year	–	–	–	(3,879)	(3,879)
Dividends distribution	(81,076)	–	–	–	(81,076)
Share-based compensation					
– value of employee services	–	3,785	–	–	3,785
– exercise of share options	7,262	(4,163)	–	–	3,099
Cancellation of shares	(85,157)	–	–	–	(85,157)
Currency translation differences (note (a))	–	–	252,466	–	252,466
At 31 December 2022	2,756,159	122,996	39,253	(34,955)	2,883,453

Note:

- (a) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of the Company as its functional currency in HKD, different from its presentation currency as RMB.

FINANCIAL SUMMARY

RESULTS OF OPERATIONS

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	958,228	1,100,011	1,363,126	1,548,382	1,806,073
Cost of revenue	(635,226)	(678,923)	(771,696)	(881,643)	(940,997)
Gross profit	323,002	421,088	591,430	666,739	865,076
Operating profit	235,675	206,621	446,175	597,788	664,672
Profit before income tax	198,968	136,966	378,825	517,535	577,781
Profit for the year	175,015	102,936	301,220	385,416	429,641
Profit for the year attributable to owners of the Company	139,213	74,246	284,222	385,393	429,540
Adjusted net profit (note i)	195,743	275,817	328,132	380,608	428,713
Adjusted net profit attributable to owners of the Company	159,941	225,930	309,320	380,585	428,612

Note i: Adjusted net profit is derived from the profit for the year after deducting the effects of listing expenses, share-based compensation expenses, and net exchange gains/losses.

FINANCIAL RATIOS

	For the year ended 31 December				
	2019	2020	2021	2022	2023
Gross profit margin	33.7%	38.3%	43.4%	43.1%	47.9%
Net profit margin	18.3%	9.4%	22.1%	24.9%	23.8%
Adjusted net profit margin	20.4%	25.1%	24.1%	24.6%	23.7%

ASSETS AND LIABILITIES

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets	1,927,909	2,552,441	3,907,026	4,211,383	4,625,741
Current assets	628,267	1,554,639	1,495,039	1,782,237	2,065,491
Current liabilities	1,244,324	1,694,005	1,849,728	2,007,438	2,446,630
Net current assets (liabilities)	(616,057)	(139,366)	(354,689)	(225,201)	(381,139)
Total assets less current liabilities	1,311,852	2,413,075	3,552,337	3,986,182	4,244,602
Non-current liabilities	598,925	621,783	2,045,438	2,250,430	2,178,393
Total equity	712,927	1,791,292	1,506,899	1,735,752	2,066,209
Total equity and non-current liabilities	1,311,852	2,413,075	3,552,337	3,986,182	4,244,602

EXTRACTED MAJOR ITEMS

	As at 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,202,367	1,543,474	2,684,499	2,935,493	3,357,441
Cash and cash equivalents	562,882	1,426,063	1,228,478	1,183,811	1,708,427
Contract liabilities	489,436	619,510	769,183	989,341	1,067,911
Borrowings	998,798	1,153,264	2,167,169	2,386,255	2,724,904

FINANCIAL RATIOS

	As at 31 December				
	2019	2020	2021	2022	2023
Asset to liability ratio	72.1%	56.4%	72.1%	71.0%	69.1%
Gearing ratio (Note ii)	146.4%	67.5%	147.1%	139.9%	133.6%

Note ii: At the end of the relevant financial year, gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowing and lease liabilities) divided by total equity as at the end of the year.

CASH FLOWS

	For the year ended 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	380,972	574,822	721,682	797,236	735,904

DEFINITIONS

“%”	per cent
“4S”	the service model of PaaS (platform as a service), SaaS (software as a service), CaaS (content as a service) and DaaS (data as a service) built by the Company
“14th Five-Year”	the 14th Five-Year of national economic and social development of the People’s Republic of China, i.e., the five-year period of 2021–2025
“Adjusted Net Profit”	a non-IFRS Accounting Standards measure that eliminates the effect of certain non-recurring items from our profit for the year. See “Summary – Non-IFRS Measure” of the Prospectus of the Company
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alpine Electronics”	Alpine Electronics, Inc., a company incorporated under the laws of Japan and a wholly-owned subsidiary of Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-6770))
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 11 September 2020 with effect from the Listing Date, as amended from time to time, a summary of which is set out in “Summary of the constitution of our Company and Cayman Companies Law” in Appendix IV to the Prospectus dated 17 September 2020
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Century Bliss”	Century Bliss International Limited, a company incorporated under the laws of the BVI with limited liability and a Shareholder as of 31 December 2023
“CG Code”	the Corporate Governance Code as set in Appendix C1 of the Listing Rules
“Chengdu Development”	Chengdu Neusoft Information Technology Development Co., Ltd. (成都東軟信息技術發展有限公司), the majority school sponsor for Chengdu University, and a company incorporated under PRC Laws on 8 July 2002 and a wholly-owned subsidiary of our Dalian Development
“Chengdu University”	Chengdu Neusoft University (成都東軟學院), established in 2003, and one of the higher education schools operated by our Group

DEFINITIONS

“China” or the “PRC”	the People’s Republic of China, and for the purposes of this Report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or the “Company”	Neusoft Education Technology Co. Limited (東軟教育科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 20 August 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity” or “Consolidated Affiliated Entities”	entities controlled by the Company through the Contractual Arrangements and considered as our subsidiaries
“Contractual Arrangements”	the contractual arrangements entered into by our Group as described in the section headed “Contractual Arrangements” of the Prospectus of the Company
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, to the persons listed in the section headed “Relationship with our Controlling Shareholders” of the Prospectus of the Company, namely Dr. J. Liu and Neusoft Holdings (together with Neusoft Holdings’ wholly-owned subsidiaries Neusoft International, Dongkong First and Dongkong Second)
“CPC”	the Communist Party of China (中國共產黨)
“Dalian Development”	Dalian Neusoft Software Park Industry Development Co., Ltd. (大連東軟軟件園產業發展有限公司), a company incorporated under PRC Laws on 10 July 2002
“Dalian DOIT”	Dalian DOIT Human Resource Service Co., Ltd. (大連都愛迪人力資源服務有限公司), a company incorporated under PRC Laws on 19 November 2020
“Dalian Kang Ruidao”	Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心(有限合夥))
“Dalian Siwei”	Dalian Neusoft Siwei Technology Development Co., Ltd. (大連東軟思維科技發展有限公司)

DEFINITIONS

“Dalian Technology”	Dalian Neusoft Technology Development Co., Ltd. (大連東軟科技發展有限公司), a company incorporated under PRC Laws on 10 October 2013 and a wholly-owned subsidiary of the Company
“Dalian University”	Dalian Neusoft University of Information (大連東軟信息學院), established in 2004, and one of the higher education schools operated by our Group
“Dalian Yunguan”	Dalian Yunguan Information Technology Co., Ltd. (大連雲觀信息技術有限公司), a company incorporated under PRC Laws on 19 February 2013 and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Dongkong First”	Dongkong Education First Investment Inc. (東控教育第一投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“Dongkong Second”	Dongkong Education Second Investment Inc. (東控教育第二投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“Double High-level Construction”	the construction plan of high-level vocational schools and majors with Chinese characteristics
“Double World-Class”	short for world-class universities and world-class disciplines
“Dr. J. Liu” or “Chairperson”	LIU Jiren (劉積仁), the chairperson, Director and a core founding member of the Group
“Dr. Qu”	QU Daokui (曲道奎), our Director
“Dr. S. Liu”	LIU Shulian (劉淑蓮), our Director
“Dr. Wen”	WEN Tao (溫濤), our Director
“FIL”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) enacted by the 2nd session of the 13th National People’s Congress on 15 March 2019
“five new”	five new concepts of “new theory, new technology, new application, new tools, and new products”
“Foshan Development”	Foshan Nanhai Neusoft Information Technology Development Co., Ltd. (佛山市南海東軟信息技術發展有限公司), the majority school sponsor for Guangdong University, and a company incorporated under PRC Laws on 8 January 2002 and a wholly-owned subsidiary of our Dalian Development

DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we”, “us”, or “our”	The Company and its subsidiaries (including our consolidated affiliated entities) from time to time or, where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Guangdong University”	Neusoft Institute Guangdong (廣東東軟學院), established in 2003, and one of the higher education schools operated by our Group
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	the current lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“IFRS Accounting Standards”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party” or “Independent Third Parties”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
“Kang Ruidao”	Kang Ruidao International Investment Inc. (康睿道國際投資有限公司), a company incorporated under the laws of the BVI and a substantial shareholder
“Latest Practicable Date”	18 April 2024, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
“Laws”	means all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, interpretations or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	29 September 2020, on which the Shares of the Company are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 11 September 2020, with effect from the Listing Date, as amended from time to time
“MHRSS (人社部)”	Ministry of Human Resources and Social Security of the People’s Republic of China
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as “Ministry of Information Industry”)
“Ministry of Education” or “MOE”	Ministry of Education of the People’s Republic of China (中華人民共和國教育部)
“Mr. Rong”	RONG Xinjie (榮新節), our Director
“Mr. Sun”	SUN Yinhuan (孫蔭環), our Director
“Neusoft Corporation”	Neusoft Corporation (東軟集團股份有限公司), a company incorporated under PRC Laws on 17 June 1991, which is listed on the Shanghai Stock Exchange (stock code: 600718) on 18 June 1996
“Neusoft Education BVI”	Neusoft Education Technology (BVI) Co. Limited (東軟教育科技(英屬維京群島)有限公司), a company incorporated under the laws of the BVI on 6 September 2018 and a wholly-owned subsidiary of our Company
“Neusoft Education HK”	Neusoft Education Technology (HK) Co. Limited (東軟教育科技(香港)有限公司), a company incorporated under Hong Kong laws on 26 September 2018
“Neusoft Education Technology”	Neusoft Education Technology Group Co. Limited (Previously Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司)), a company incorporated under PRC Laws on 3 August 2018 and a wholly-owned subsidiary of the Company
“Neusoft Electronic Press”	Dalian Neusoft Electronic Press Co., Ltd. (大連東軟電子出版社有限公司), a company incorporated under PRC Laws on 21 April 2005 and a wholly-owned subsidiary of Dalian University
“Neusoft Healthcare”	Neusoft Healthcare Management Co., Ltd. (東軟健康醫療管理有限公司), a company incorporated under PRC Laws on 21 April 2020 and a wholly-owned subsidiary of Neusoft Holdings

DEFINITIONS

“Neusoft Holdings Group”	Neusoft Holdings and its subsidiaries (excluding our Group)
“Neusoft Industry Management”	Dalian Neusoft Industry Management Services Co., Ltd. (大連東軟產業管理服務有限公司), a company incorporated under PRC Laws on 14 August 2018 and a wholly-owned subsidiary of the Company
“Neusoft International”	Neusoft Holdings International Inc. (東軟控股國際有限公司), a company incorporated under the laws of the BVI on 8 March 2012 and a wholly-owned subsidiary of Neusoft Holdings
“Neusoft Ruixin”	Dalian Neusoft Ruixin Technology Development Co. Limited (大連東軟睿新科技發展有限公司), a company incorporated under PRC Laws on 17 May 2019, and a wholly-owned subsidiary of the Company as at the date of this Report
“Neusoft Training School”	Dalian High-Tech Zone Neusoft Training School Co., Limited, a company incorporated under PRC Laws on 29 August 2018 and a wholly-owned subsidiary of the Company
“New Contractual Arrangements”	a series of contractual arrangements to be entered into by and among each of Neusoft Ruixin, Kangdao Medical and Ms. Zhang upon the completion of the Acquisition and related capital contributions
“Nomination Committee”	the nomination committee of the Board
“Northeastern University Group”	Northeastern University Science & Technology Industry Group Co., Ltd. (東北大學科技產業集團有限公司)
“OMO”	online merge offline
“OPCOs”	Cardiovascular Management, Shanghai Xietong, Dalian Ruikang Cardiovascular Hospital (大連睿康心血管病醫院) and Dalian Ruikang Zhuomei Stomatological Hospital Co., Ltd. (大連睿康卓美口腔醫院有限公司). Each of Dalian Ruikang Cardiovascular Hospital and Dalian Ruikang Zhuomei Stomatological Hospital Co., Ltd. is an indirect wholly-owned subsidiary of Neusoft Healthcare
“PICC Health”	PICC Health Insurance Company Limited (中國人民健康保險股份有限公司)
“PICC Life”	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)
“PRC Legal Adviser”	Tian Yuan Law Firm, our legal adviser on PRC Laws

DEFINITIONS

“Pre-IPO Share Incentive Scheme”	the share option scheme of the Company as approved by the Board on 19 June 2019, as amended from time to time, and detailed in “Statutory and General Information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme” in Appendix V of the Prospectus of the Company dated 17 September 2020
“Post-IPO Share Incentive Scheme”	the share option scheme of the Company as approved by the Board on 11 September 2020 and detailed in “Statutory and General Information – Share Incentive Schemes – Post-IPO Share Incentive Scheme” in Appendix V to the Prospectus of the Company dated 17 September 2020
“Principal Share Registrar”	Ogier Global (Cayman) Limited
“Property A”	the property in the Training Base Phase I (No.50, North Section of Digital Road, Dalian Hightech Industrial Park)
“Property B”	the property in the Training Base Phase I (No.52-1 and No.52-2, North Section of Digital Road, Dalian Hightech Industrial Park)
“Property C”	the property in the Training Base Phase I (No.52-1, North Section of Digital Road, Dalian Hightech Industrial Park)
“Prospectus”	the prospectus of the Company dated 17 September 2020
“R&D”	research and development
“Registered Shareholder” or “Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under PRC Laws on 15 November 2011, a Controlling Shareholder and the registered shareholder of our Dalian Development
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the Group’s reorganisation in preparation for the Listing, as described in “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus dated 17 September 2020
“Reporting Period”	the year ended 31 December 2023
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“School Sponsor(s)”	our Dalian Development, Chengdu Development, Foshan Development, Neusoft Holdings and Yida Group, or any one of them
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“SFC”	Securities and Futures Commission of Hong Kong
“Shanghai Ruixiang”	Shanghai Ruixiang Information Technology Co., Ltd. (上海芮想信息科技有限公司), a company incorporated under PRC Laws on 14 April 2017 and a wholly-owned subsidiary of the Company
“Shanghai Sirui”	Shanghai Sirui Information Technology Co., Ltd. (上海思芮信息科技有限公司), a company incorporated under PRC Laws on 7 November 2013, 43% of its equity interests held by Neusoft Holdings as at the date of this Report
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each
“Shareholder(s)”	holders of our Shares or any one or more of the holders
“Shenyang Kang Ruidao”	Shenyang Kang Ruidao Consulting Co., Ltd. (瀋陽康睿道諮詢有限公司)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
the “Stock Exchange” or the “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Ruidao”	Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (天津東軟睿道教育信息技術有限公司), a company incorporated under PRC Laws on 22 March 2012 and a non-wholly owned subsidiary of Neusoft Education Technology
“TOPCARES”	our unique approach that are bestowed with eight types of capabilities/skills, which are technical knowledge and reasoning, open thinking and innovation, personal and professional skills, communication and teamwork, attitude and manner, responsibility, ethical values, social values created by application practice. TOPCARES is an acronym of these eight phrases
“Training Base”	Dalian Neusoft Education Health Technology Training Base located at North Section of Digital Road, Dalian Hightech Industrial Park
“Two Strategic Businesses”	education resource and continuing education services, the two strategic businesses of the Group

DEFINITIONS

“Yida Group”	Yida Group Co., Ltd. (億達集團有限公司), a company incorporated under PRC Laws
“Yida Holdings”	Yida Holdings Co., Ltd. (億達控股有限公司), a company incorporated under PRC Laws

Unless otherwise expressly stated or the context otherwise requires, all data in this Report is as of the Latest Practicable Date. The English names of the PRC entities, PRC Laws and the PRC governmental authorities referred to in this Report are translations from their Chinese names and are for identification purposes only. If there are any inconsistencies, the Chinese names shall prevail. Certain amounts and percentage figures included in this Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.



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東軟教育科技有限公司
Neusoft Education Technology Co. Limited

