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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1525)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS

The Board of Directors of Shanghai Gench Education Group Limited is pleased to announce the audited consolidated financial results of our Company, its subsidiaries and affiliated entities for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage change
	2021	2020	
	RMB'000	*RMB'000*	
Revenue	**683,580**	554,895	23.2%
Gross profit	**421,676**	335,410	25.7%
Profit before tax	**243,379**	198,006	22.9%
Profit for the year	**179,012**	193,056	-7.3%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	5	**683,580**	554,895
Cost of sales		**(261,904)**	(219,485)
GROSS PROFIT		**421,676**	335,410
Other income and gain	5	**15,183**	27,925
Selling and distribution expenses		**(3,508)**	(2,153)
Administrative expenses		**(142,695)**	(107,690)
Reversal of provision/(provision) for impairment losses on financial assets		**(18)**	623
Other expenses		**(1,319)**	(348)
Finance costs	6	**(45,940)**	(55,761)
PROFIT BEFORE TAX	7	**243,379**	198,006
Income tax expense	8	**(64,367)**	(4,950)
PROFIT FOR THE YEAR		**179,012**	193,056
Attributable to:			
Owners of the parent		**179,012**	193,056
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB0.43**	RMB0.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**179,012**	193,056
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,951)**	(476)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(4,951)**	(476)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(4,951)**	(476)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**174,061**	192,580
Attributable to:		
Owners of the parent	**174,061**	192,580

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,053,681**	1,875,400
Right-of-use assets		**628,250**	643,389
Other intangible assets		**1,027**	1,097
Long-term prepayments and other receivable		**57,616**	142,265
Deferred tax assets		**104**	—
Equity investments designated at fair value through profit or loss		**320**	—
Total non-current assets		**2,740,998**	2,662,151
CURRENT ASSETS			
Accounts receivable	11	**5,357**	3,511
Prepayments and other receivables		**7,704**	3,999
Cash and cash equivalents		**488,735**	714,621
Total current assets		**501,796**	722,131
CURRENT LIABILITIES			
Other payables and accruals	12	**150,300**	116,364
Dividend payable		**427**	439
Interest-bearing bank borrowings		**42,000**	411,822
Contract liabilities	13	**395,082**	347,241
Tax payable		**64,489**	4,659
Deferred income		**6,468**	2,412
Total current liabilities		**658,766**	882,937
NET CURRENT LIABILITIES		**(156,970)**	(160,806)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,584,028**	2,501,345
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**742,280**	712,780
Deferred income		**13,509**	26,178
Total non-current liabilities		**755,789**	738,958
NET ASSETS		**1,828,239**	1,762,387
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,677**	3,677
Share premium		**489,484**	551,155
Reserves		**1,335,078**	1,207,555
TOTAL EQUITY		**1,828,239**	1,762,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing undergraduate education and junior college education services in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

Information about subsidiaries

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

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

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

(1) These entities are owned through contractual arrangements.

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

(3) The Group has completed an internal restructuring to convert the PRC operating school of the Group into a for-profit private school ("Conversion") to comply with the Decision on Amending the Law for Promoting Private Education of the PRC approved by the Standing Committee of the National People's Congress in November 2016 and took effect on 1 September 2017 ("2016 Decision") and related implementing rules.

During the year ended 31 December 2020, the Group has started the Conversion process and established Jian Qiao University Company, as a for-profit private school. The Conversion process includes but not limited to transferring all the assets and liabilities of Jian Qiao University to Jian Qiao University Company, applying for school operating permit for Jian Qiao University Company and de-registering Jian Qiao University which is required to be completed by the end of 2021. Jian Qiao University Company has obtained the relevant private school operating permit on 21 April 2021. Jian Qiao University was de-registered on 10 August 2021.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB156,970,000 as at 31 December 2021. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised IFRSs are described below:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

   The amendments did not have any impact on the Group's financial statements.

b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

   The amendment did not have any impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue, other income and gain is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Tuition fees	**580,906**	493,381
Boarding fees	**92,007**	47,668
Education related services	**10,667**	13,846
Total revenue from contracts with customers	**683,580**	554,895

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Recognised over time		
Tuition fees	**580,906**	493,381
Boarding fees	**92,007**	47,668
Education related services	**9,470**	7,883
Total revenue from contracts with customers	**682,383**	548,932
Recognised at a point in time		
Education related services	**1,197**	5,963
Total revenue from contracts with customers	**1,197**	5,963

(ii) Performance obligations — Education services

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

Other income and gain

	2021	2020
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,524**	2,657
Interest income from loans to third parties	**383**	—
Operating lease income from operators of supermarkets, snap shops, etc. in the school campus	**7,321**	3,480
Government grants	**1,920**	21,474
Others	**1,034**	116
	15,182	27,727
Gain		
Gain on disposal of items of property, plant and equipment	**1**	198
	15,183	27,925

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**48,582**	58,051
Less: Interest capitalised	**(2,642)**	(2,290)
	45,940	55,761

7. PROFIT BEFORE TAX

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

	Note	**2021** **RMB'000**	2020 *RMB'000*
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		**214,447**	160,671
Pension scheme contributions and social welfare		**27,213**	19,982
		241,660	180,653
Depreciation of property, plant and equipment		**51,053**	55,231
Depreciation of right-of-use assets		**15,139**	15,137
Amortisation of other intangible assets		**569**	756
Fair value loss of equity investments designated at fair value through profit or loss		**(1,169)**	—
Listing expense		**—**	9,498
Auditors' remuneration		**2,400**	3,120
Impairment of financial assets, net			
Provision/(reversal of provision) for impairment of accounts receivable	11	**18**	(623)

8. INCOME TAX

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

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

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

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. As a result, no income tax expense was recognised for the income from the provision of formal educational services in 2020. The non-academic education services provided by the university of the Group is subject to corporate income tax at a rate of 25%.

As set out in note 1 of the financial statements, the Group conducted an internal restructuring to convert the PRC operating school of the Group into a for-profit private school to comply with the 2016 Decision and related implementing rules during the year ended 31 December 2020 and the Conversion process was completed in 2021. Therefore, Jian Qiao University Company, which is running the for-profit private school business, is subject to a PRC corporate income tax of 25% from 1 January 2021.

In accordance with the requirements of the tax regulations in the PRC, Gench WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The certificate is effective for three years from 1 January 2020. In December 2021, Gench WFOE obtained the software enterprise and software product certification from the Shanghai Software Industry Association and was subject to a preferential corporate income tax rate of "two exemptions and three half" since the profit-making year. Gench WFOE was in the position of tax loss during the year ended 31 December 2021, therefore, it was subject to a preferential corporate income tax rate of 15% for the year ended 31 December 2021 (2020: 15%).

All of the other subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax of 25% during the year.

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

	2021	2020
	RMB'000	*RMB'000*
Current — Mainland China:	**64,471**	4,604
Deferred	**(104)**	346
Total tax charge for the year	**64,367**	4,950

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

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**243,379**	198,006
At the statutory income tax rate	**61,748**	53,106
Expenses not deductible for tax	**537**	536
Lower tax rate enacted by local authority	**569**	—
Profits arising from a school not subject to tax	**—**	(49,537)
Tax losses not recognised	**1,513**	845
Tax charge at the Group's effective rate	**64,367**	4,950

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final — HK$0.10 (2020: HK$0.08) per ordinary share	**33,735**	27,195
Interim — HK$0.10 (2020: HK$0.10) per ordinary share	**34,476**	34,928
	68,211	62,123

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB179,012,000 (2020: RMB193,056,000), and the weighted average number of ordinary shares of 413,073,454 (2020: 409,221,311) in issue during the year, as adjusted for the assumption that 299,990,000 new shares issued by way of capitalisation had been completed throughout 2020. The number of shares for the year ended 31 December 2021 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 14) and shares repurchased.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	179,012	193,056

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	**413,073,454**	409,221,311

11. ACCOUNTS RECEIVABLE

	2021	2020
	RMB'000	*RMB'000*
Tuition and boarding fees receivable	**5,432**	3,568
Impairment	**(75)**	(57)
	5,357	3,511

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for student loans. There is no fixed term for delayed payments. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Accounts receivable:		
Within 1 year	**4,458**	2,821
1 to 2 years	**785**	574
2 to 3 years	**111**	107
Over 3 years	**3**	9
	5,357	3,511

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**57**	680
Provision/(reversal of provision) for impairment losses, net (note7)	**18**	(623)
At the end of year	**75**	57

The increase (2020: decrease) in the loss allowance was due to the significant changes in the gross carrying amount of the accounts receivables which were past due.

The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's accounts receivable related to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances.

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

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

Tuition fees receivable

31 December 2021

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

31 December 2020

Collective assessment	**less than 12 months**	**13–24 months**	**25–36 months**	**over 36 months**	**Total**
Expected credit loss rate	0.49%	4.44%	13.68%	47.06%	2.11%
Gross carrying amount (RMB'000)	2,021	496	117	17	2,651
Expected credit losses (RMB'000)	10	22	16	8	56

Boarding fees receivable

31 December 2021

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

31 December 2020

Collective assessment	**less than 12 months**	**13–24 months**	**25–36 months**	**over 36 months**	**Total**
Expected credit loss rate	0.06%	0.99%	2.42%	7.50%	0.11%
Gross carrying amount (RMB'000)	810	101	6	—	917
Expected credit losses (RMB'000)	—	1	—	—	1

12. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Payables for purchase of property, plant and equipment		**827**	3,506
Payables for construction projects		**40,268**	35,029
Other tax payable		**4,092**	1,683
Rental advance		**579**	—
Miscellaneous advances received from students	(i)	**34,063**	31,565
Accrued bonuses and other employee benefits		**39,445**	35,685
Accrued interest expenses		**875**	1,140
Security deposit		**3,912**	—
Other payables		**26,239**	7,756
		150,300	116,364

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

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

13. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as 31 December 2021, and are expected to be recognised as revenue within one year:

	2021 RMB'000	2020 RMB'000
Tuition fees	**333,400**	289,072
Boarding fees	**61,682**	58,169
Total contract liabilities	**395,082**	347,241

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

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

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**347,241**	307,208
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(347,241)**	(307,208)
Increase due to cash received, excluding amounts recognised as revenue during the year	**395,082**	347,241
At the end of the year	**395,082**	347,241

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

14. SHARE AWARD SCHEME

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

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

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the trust deed (the "Trust Deed") which was entered into between the Company as settlor and the trustee (as restated, supplemented and amended from time to time), namely CMB Wing Lung (Trustee) Limited (the "Trustee"), on dated 11 December 2020. The Trustee shall hold the trust fund (including the awarded shares and related income) in accordance with the terms of the Trust Deed. The Board may from time to time issue implementation and operation manual for the Share Award Scheme.

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

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

The following shares were purchased by the Trustee under the Share Award Scheme during the year ended 31 December 2021:

	Number of shares purchased for the Share Award Scheme	**Total**
		RMB'000
At 1 January 2021	—	—
Purchased and withheld	10,808,500	46,538
At 31 December 2021	10,808,500	46,538

Since 11 December 2020 and up to the date of approval of these financial statements, the Board neither granted, lapsed or cancelled any awards.

15. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2022, our Company has resolved to recommend the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2021 to the shareholders whose names appear on the register of members of our Company on 8 June 2022. Such proposal is subject to the approval by the shareholders of our Company at the forthcoming annual general meeting of our Company.

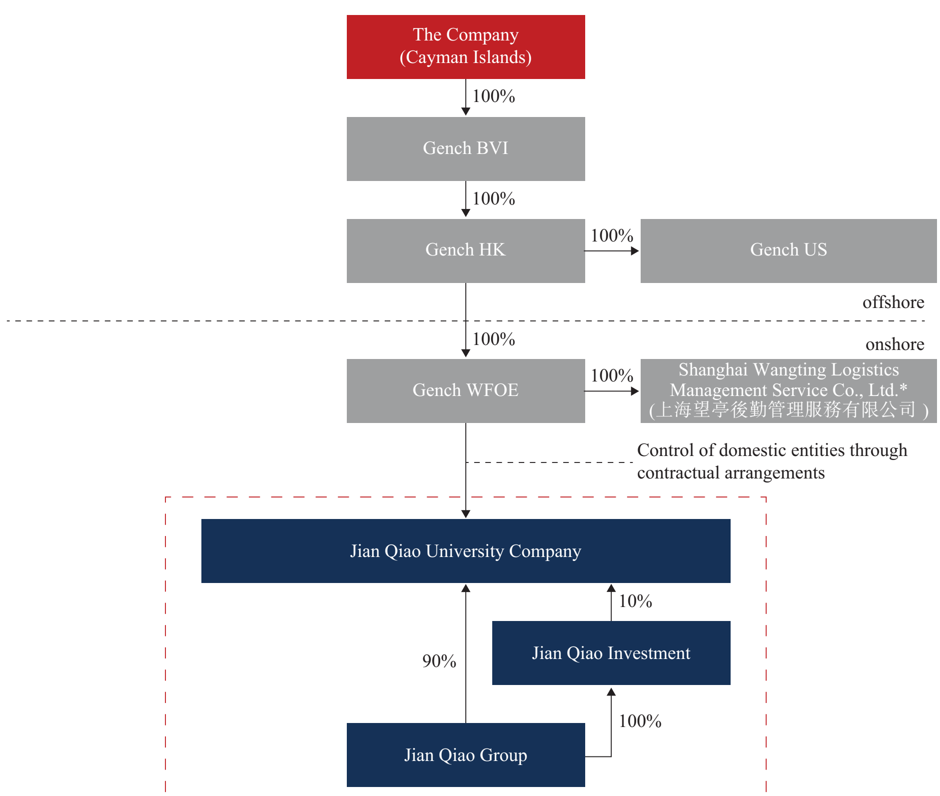
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a higher vocational education group which provides undergraduate education and junior college education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, at Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As measured by the number of full-time undergraduate students enrolled in the 21/22 school year, our University is the largest applied technology university in Shanghai and also a leading private university in the entire Yangtze River Delta. According to CUAA.net (中國校友會網), our University ranked third among all category I private universities in China in 2022 and first among private universities in all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for four consecutive years from 2018 to 2021.

CONVERSION INTO A FOR-PROFIT PRIVATE SCHOOL

The Group has completed internal restructuring. Jian Qiao University Company has obtained the relevant private school operating permit on 21 April 2021 with the short name of "Shanghai Jian Qiao University". It is now the PRC operating school of the Group and operates as a for-profit private school. Upon the completion of the conversion, our organisation structure chart is as follows:



Software Enterprise Certificate Recognition

In December 2021, Gench WFOE, a subsidiary of the Company, obtained the software enterprise and software product certification from the Shanghai Software Industry Association. According to the certification, Gench WFOE complies with relevant requirements of the "Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《進一步鼓勵軟件產業和集成電路產業發展的若干政策》)" and the Standard for Software Enterprise Evaluation (《軟件企業評估標準》) (T/SIA002 2019), and enjoys corresponding preferential policies.

BUSINESS REVIEW AND OPERATION UPDATE

Our University

Our University is a private university which focuses on undergraduate education and cultivates applied technical talents. As of 31 December 2021, our University offered 71 majors and concentrations in its formal undergraduate program and offered 12 majors and concentrations in its formal junior college program in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 MOE pilot reform undergraduate major, as well as 6 first-class undergraduate majors in Shanghai. Our University has a team of stable and professional teachers. As of 30 September 2021, full-time teachers with a senior title account for 36.6% whereas those with a doctoral degree account for 26.1%.

DUAL SUPPORT OF LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

(I) Strategic emerging industries gather in Lingang, and the promising future of the "first trial" test field

Since July 2021, the Opinion on Supporting the High-level Reform and Opening up in Pudong New Area and Building Leading Area with the Development of Socialist Modernization Promulgated by the State Council of Central Committee of the Communist Party of China (《中共中央國務院關於支持浦東新區高水平改革開放打造社會主義現代化建設引領區的意見》), "Several Opinions on Supporting the Independent Development, Reform and Innovation of the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (《關於支持中國 (上海) 自由貿易試驗區臨港新片區自主發展自主改革自主創新的若干意見》)", "Regulations on the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (Draft) (《中國 (上海) 自由貿易試驗區臨港新片區條例 (草案)》)" and many other policies supporting the high-level reform and opening up of Pudong and Lingang's "first trial" have been successively introduced. Lingang is gradually becoming a gathering point of China's strategic emerging industries. As the core area of the national pilot area for integration of production and education, Lingang has significant potential for exploration of integration of production and education.

(II) Policies promote high-quality development, and vocational education has a promising future and huge development potential

In October 2021, the PRC issued the policy of "Opinions on Promoting the High-quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》)", which clearly describes the high-quality development direction of the industry, encouraging listed companies and industry leading enterprises to establish vocational education, and encourages application-oriented universities to carry out undergraduate vocational education, encourage the training of more high-quality technical talents. Vocational education has a promising future and huge development potential in the new journey of building a modern socialist country.

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

(I) High-quality brands benefiting the whole country

Our University has been focusing on high-quality vocational education system for over 22 years, and has been certified by Shanghai Audit Centre of Quality System to have implemented the ISO9001 quality management system in 2018, and passed the re-certification in May 2021. From 2005 to 2020, our University was awarded "Shanghai Civilized Company (上海市文明單位)". From 2015 to 2020, it was awarded "Shanghai Garden Unit (上海市花園單位)" and from 2015 to 2021 won the title of "National Model Unit of Civilization (全國文明單位)". In 2021, our University was awarded "Shanghai Smart Security Advanced Group (上海市智慧安防先進集體)" by Shanghai Education System. On 25 January 2022, CUAA.net (中國校友會網) announced the "2022 CUAA University Rankings", which showed that Shanghai Jian Qiao University ranks third among the 2022 CUAA category I private universities in China, and its ranking has risen by one place from last year.

(II) Leading high-quality professional industry

In 2021, 4 majors of our University were selected as the 2020 Shanghai first-class undergraduate major construction points, and the provincial first-class undergraduate major construction points were increased to 6. 3 courses were recognized as Shanghai first-class undergraduate courses in 2020, and 4 courses were recognized as Shanghai first-class undergraduate courses in 2021. A new undergraduate major in intelligent manufacturing engineering is added for the 2022/23 school year to meet the development needs of the new industry of intelligent manufacturing. In addition, according to CUAA.net (中國校友會網), a number of majors of the college ranked at the forefront of the 2021 China first-class (applied) majors ranking, about 1/2 of the majors ranked among the top ten in the country, and about 3/4 of the majors ranked among the top 30 in the country. Among them, gemology and jewelry materials study, automotive service engineering, digital media art ranked first in the country, electronic science and technology, microelectronics science and engineering, network engineering ranked second in the country, international commerce, communication, journalism, secretary science ranked third in the country.

(III) The high teaching quality has strong capacity

The proportion of full-time teachers with doctoral degrees in our University remains the top in the industry, implementing strong practical teaching strength. As of 30 September 2021, among the full-time teachers of our University, the doctoral degree accounted for 26.1%, the senior title accounted for 36.6%, and the double-position accounted for 19.5%. Our University actively promotes the construction and reform of undergraduate practical teaching system, and continuously expands the depth and breadth of university-enterprise cooperation through the integration of industry and education, so as to cultivate students' practical ability. In 2020/21 school year, the average proportion of practical teaching credits of undergraduate majors in our University accounted for more than 40% of the total credits, and a total of 1,211 people received awards in discipline competitions at the provincial and ministerial level and above.

(IV) The well-operated facilities rank first in the industry

The total value of teaching and scientific research instruments and equipment of our University has maintained a leading level among private universities, and the construction of smart campus has won many awards. In January 2021, the college signed a contract with Shanghai Nanlin integrated circuit Co., Ltd. (上海南麟集成電路有限公司) to jointly establish the "integrated circuit package test" industry-teaching integration and demonstration base. The enterprise invested approximately RMB40 million to establish a complete integrated circuit pilot test line as the base in the school, forming a complete talent cultivation and training system in the industrial chain of integrated circuit layout from design, packaging to testing, etc. In December 2021, our University, as the only private university in Shanghai, received the Silver Award for Outstanding Cases of Information Construction and Application of Colleges and Universities in Shanghai in 2021 (2021年度上海市高校信息化建設與應用優秀案例銀獎).

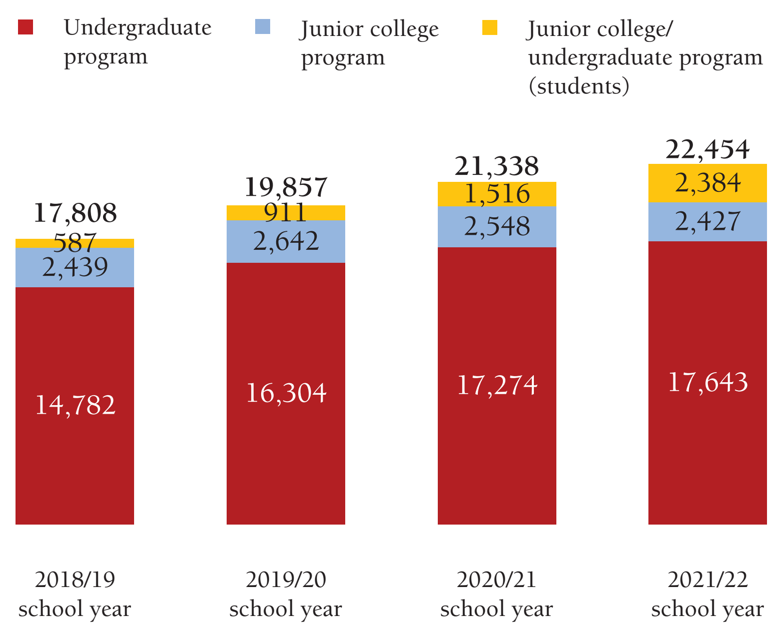
(V) The high rate of high-quality employment has remained stable

Our University attaches great importance to the high-quality employment of students. In recent years, the employment rate of graduates has always been stable at 98% and above while the satisfaction rate of employers remain stable at a high level. As of 27 August 2021, the employment rate of 2021 graduates reached 98.8%, of which 64.6% of graduates chose to stay in Shanghai for employment. The rate of our students studying abroad reached 3.9%, with 28 students entering the top 100 universities in QS World University Rankings and 45 students entering the top 200 universities in QS World University Rankings.

Student enrollment

In the 2021/22 school year, the overall number of full-time enrolled students of our University reached 22,454, representing an increase of 1,116 as compared to that of the 2020/21 school year, such increase in the number of enrolled students was mainly due to the increase in student enrollment of our University. In the 2021/22 school year, the admission quota for our University increased by 169, including 4,377 undergraduates, 707 junior college students, and 1,411 students under junior college/undergraduate programs, a total of 6,495.

Student enrollment



Tuition rates

The following table sets forth the average tuition fee of our University for the periods indicated:

	For the year ended 31 December			
	2021	2020	Change	Percentage change
	RMB	*RMB*	*RMB*	*(%)*
Average annualised tuition fees[(1)]	**25,871**	23,122	2,749	11.9%

Note:

(1) Average annualised tuition fees for the years ended 31 December 2020 and 2021 are calculated by dividing total revenue generated from tuition fees of full-time students (excluding part-time students in our continuing education program), using the total number of full-time students enrolled as of 30 September or 31 October of that year, respectively (due to the impact of COVID-19 outbreak, the enrollment date of the fresh students of 2020/2021 school year extended to October 2020).

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

	Tuition Fee[(1)]		
	2019/20 school year	2020/21 school year	**2021/22 school year**
	RMB	*RMB*	***RMB***
Undergraduate program	23,000–30,000[(2)]	23,000–38,000[(2)]	**30,000–39,800[(2)]**
Junior college program	15,000–18,000	15,000–18,000	**15,000–20,000**
Junior college/undergraduate program	23,000–27,000	23,000–30,000	**23,000–30,000**

Notes:

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

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

FUTURE OUTLOOK AND BUSINESS STRATEGY

The Group always adheres to a connotative development path with a focus on quality promotion, strives to establish a high-quality applied technical talents training system, and speeds up the integration of industry and education. The Group's development ideas are highly consistent with the high-quality development direction of the industry. We believe that the Group's high-quality vocational education schooling ability, the first-line regional advantages of Pudong and Lingang Special Area, and the scarce value of the school's profit-making transformation are expected to be gradually recognized by the industry in the future. Looking forward, we will utilize the following strategies to promote our business development:

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

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

In the 2021/22 school year, we have generally optimized our tuition fee for undergraduate and junior college programs, representing an average increase of 10% in the 2021/22 school year as compared to that of 2020/21 school year. In addition, we charge students who are living in the two dormitory buildings under phase two of our campus construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. We plan to charge students who will live in the two smart dormitory buildings which are expected to be used in September 2022 and are under phase three of our campus construction plan RMB7,800 per student per school year. For the dormitory buildings under phase one of our campus construction plan, we have increased the boarding fees from RMB3,600 to RMB4,800 for new students enrolled in 2021 and 2022.

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

We intend to continue to increase our investment in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come. In order to increase the school capacity in relation to student dormitories and teaching facilities to meet the needs of the Group's expansion in the years to come, our University has implemented the following measures:

- Our University commenced phase three of our campus construction plan in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters; (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of approximately 3,984 beds which will increase our school capacity; and (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms). The total capital expenditure on phase three of our new dormitory building construction plan are estimated to be approximately RMB340 million (equivalent to approximately HK$377.4 million), which are expected to be incurred by the end of 2022.

- Our University planned to commence phase four of our campus construction plan in April 2022, to enhance schooling conditions and increase teaching resources. Such campus facilities, with a total gross floor area of approximately 9,900 square meters, mainly comprise a teaching building mainly used in the teaching activities of the international education institute and the continuing education college, such total capital expenditures are estimated to be approximately RMB65 million (equivalent to approximately HK$79.8 million), which are expected to be incurred by the end of 2023.

BUILDING ON OUR EXISTING STRENGTHS AND EXPLORING NEW GROWTH AREAS

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

1) As to international education, in order to seize the opportunity of international talents of Lingang, our University established an international curriculum center in December 2021 to expand international curriculum programs, broaden the students' international horizons and facilitate studying aboard.

2) As to adult continuing education, the number of students of the Group has a gratifying growth. As of 30 June 2021, adult students of the continuing education programs of our University amounted to 4,473, representing an increase of 80.8% as compared to the corresponding period of last year.

3) As to non-academic vocational education, the Group actively respond to vocational education "1 + X" certificate system (職業教育「1+X」證書制度), to deepen the vocational qualification training, enhance students' occupational skills. As of 31 December 2021, our University provided a total of 80 types of vocational qualification certificate training.

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

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

Our University is located at the core region of Lingang New Area and has fully benefited from the development of industry education integration in Lingang New Area. It has operated 4 high-energy industry education integration bases, involving high-tech fields such as communication technology, Internet, intelligent manufacturing and integrated circuit. In September 2021, the "Digital Smart Manufacturing" (「數聯智造」) Industrial College of our University was approved as one of the first batch of Shanghai municipal key modern industrial colleges (首批上海市級重點現代產業學院), while our University was awarded the first batch of production and education integration bases in Lingang New Area (臨港新片區首批產教融合基地), which is the only private university among the first batch of 9 units in November 2021. Facing new opportunities, the Group will actively respond to the national and regional development strategies and deeply promote the integrated development of industry, education and city.

In view of the above, as well as our regional advantages and favourable government policies, the Group will continue to adhere to the business philosophy of "high-quality schooling standards", and be committed to cultivating first-class employment-competitive applied talents, deepening the construction of integration, internationalization and digital strategy, with a view to growing our University into a first-rate private university in China with more unique features and international standing that provides a new sample for the high-quality development of higher vocational education in China.

LATEST REGULATORY DEVELOPMENT

Pursuant to the 2016 Decision which took effect on 1 September 2017, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 26 December 2017, the People's Government of Shanghai promulgated the Implementation Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) and the Administration Measures of Shanghai Municipality on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》), pursuant to which further requirements are implemented in light of the 2016 Decision, which include but are not limited to, the requirement that school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to 7 November 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools by 31 December 2018 and complete the conversion to a non-profit school by 31 December 2019 and to a for-profit school by 31 December 2021 for higher education institutions. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in December 2018, the School Sponsors have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school. As at the date of this announcement, our University has been registered as a for-profit private school.

On 14 May 2021, the State Council published the 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 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 Implementation Regulations and contain provisions governing the operation and management of private schools.

The 2021 Implementation Regulations stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for schools that provide education for academic qualifications, the local governments may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle by installments; (3) private schools not providing compulsory education must conduct transactions with their Interested Parties, which include the sponsor, the actual controller, the principal, the council member, the director, the supervisor, the person in charge of the financial affairs of a private school, and any organization or individual that has mutual control or influence over the above mentioned organizations or individuals which may lead to any interest transfer of private schools ("Interested Parties"), in a manner that is open, justified and fair and conduct at reasonable pricing and establish standardised decision-making for such transactions, and must not harm the interests of the State, schools, teachers and students. Private schools must set up an information disclosure mechanism for dealing with their Interested Parties; (4) the registered capital of a private school must be paid in full when it formally established and shall be compatible with the type, level and scale of the school; (5) at the end of each financial year, a for-profit private school must set aside a portion of not less than 10% of its audited annual net profit, and a non-profit private school from its audited annual net increase in assets, as the development fund, which is to be used for the development of school.

In addition, on 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and has been taken effect on 1 January 2020. Besides, on 27 December 2021, the Ministry of Commerce and the National Development and Reform Commission jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資準入特別管理措施(負面清單)(2021年版)》), which became effective on 1 January 2022, to replace the previous negative list (2020 Edition).

The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資準入特別管理措施(負面清單)》(2021年版)), our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "*foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council*". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

As at the date of this announcement, our Group's operations have not been affected by the above law, decision, implementing regulations and rules and administration measures. Based on the current conditions and the Company's preliminary assessment, the Board is of the view that above law, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on our Group's business operations, business plans and financial conditions.

Our Company will continue to monitor developments of above law, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by RMB128.7 million, or 23.2%, from RMB554.9 million for the year ended 31 December 2020 to RMB683.6 million for the year ended 31 December 2021, which was mainly due to, (i) the increase in the revenue derived from tuition fees and other education related services by approximately RMB84.4 million, or 16.6%, as the increase of the average tuition rates and the growth in the number of newly admitted student during the year ended 31 December 2021, (ii) the increase in the revenue derived from boarding fees by approximately RMB44.3 million, or 93.0%, from approximately RMB47.7 million for the year ended 31 December 2020 to approximately RMB92.0 million for the year ended 31 December 2021, which was mainly due to the recovery of our University accommodation during the year of 2021, while our students did not live on campus under the outbreak of COVID-19 pandemic during the first half year of 2020.

Cost of Sales

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

The Group's cost of sales increased approximately by RMB42.4 million, or 19.3%, from RMB219.5 million for the year ended 31 December 2020 to RMB261.9 million for the year ended 31 December 2021, which was primarily due to, (i) the salary costs increased by approximately RMB27.8 million, or 25.9%, from approximately RMB107.2 million for the year ended 31 December 2020 to approximately RMB135.0 million for the year ended 31 December 2021, as a result of the increase of the number of teachers and the average salary rates; (ii) the increase of student-related expense and cooperative education expenses amounting to approximately RMB23.3 million compared with the amount of prior year, as our students did not live on campus under the outbreak of COVID-19 during March to June in 2020.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. The Group's gross profit increased by approximately RMB86.3 million, or 25.7%, from approximately RMB335.4 million for the year ended 31 December 2020 to approximately RMB421.7 million for the year ended 31 December 2021.

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the year ended 31 December 2021, the Group achieved a gross profit margin of 61.7%, which remains stable compared with the gross profit margin for the prior year.

Other Income and Gains

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

The Group's other income and gains decreased by RMB12.7 million, or 45.6%, from RMB27.9 million for the year ended 31 December 2020 to RMB15.2 million for the year ended 31 December 2021, which was mainly due to the decrease of government grants by approximately RMB19.6 million, or 91.1%, as there was the receipt of the tax refund of income tax and value-added tax we paid during the year ended 31 December 2020 in relation to our disposal of land and buildings on our previous campus.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by approximately RMB1.3 million, or 62.9%, from approximately RMB2.2 million for the year ended 31 December 2020 to approximately RMB3.5 million for the year ended 31 December 2021, which was mainly due to the increase of publicity expenses, as was in relation to the increasing admissions videos and admissions live activities.

Administrative Expenses

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

The Group's administrative expenses increased by RMB35.0 million, or 32.5%, from RMB107.7 million for the year ended 31 December 2020 to RMB142.7 million for the year ended 31 December 2021, which was primarily due to the increase in administrative salary expenses amounting to RMB31.9 million of our Group, as a result of the increase of the number of administrative officers and the average salary rates.

Finance Costs

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

Finance costs decreased by approximately RMB9.9 million, or 17.6%, from approximately RMB55.8 million for the year ended 31 December 2020 to approximately RMB45.9 million for the year ended 31 December 2021, which was due to the scale of interest-bearing borrowings of our Group decreased from RMB1,124.6 million as at 31 December 2020 to RMB784.3 million as at 31 December 2021, and the annual average effective interest decreased from 4.85% to 4.34%.

Profit Before Tax

For the year ended 31 December 2021, the Group recorded a profit before tax of approximately RMB243.4 million, representing an increase of approximately 22.9% year-on-year from approximately RMB198.0 million of last year.

Income Tax Expense

Income tax expense increased by RMB59.4 million from approximately RMB5.0 million for the year ended 31 December 2020 to approximately RMB64.4 million for the year ended 31 December 2021, which was mainly because there remain uncertainties in the interpretation and application of the 2016 Decision with respect to the preferential tax treatment which may be enjoyed by for-profit private schools, Jianqiao University Company may be subject to PRC enterprise income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As a result, the Group has made a PRC enterprise income tax provision at a rate of 25% in respect of service fees received by Jianqiao University Company from the provision of formal educational services.

Current Assets and Current Liabilities

The Group's net current liabilities decreased by approximately RMB3.8 million, or 2.4%, from approximately RMB160.8 million for the year ended 31 December 2020 to approximately RMB157.0 million for the year ended 31 December 2021, which remained stable.

Liquidity and Capital Resources

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

Property, Plant and Equipment

As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB2,053.7 million, representing an increase of approximately 9.5% year-on-year from approximately RMB1,875.4 million recorded as at 31 December 2020. Such an increase was due to the phase three of the construction of the school premises and maintaining and upgrading existing school premises for our University.

Cash and Cash Equivalents

As at 31 December 2021, the Group's cash and cash equivalents decreased by approximately RMB225.9 million, or 31.6%, from RMB714.6 million for the year ended 31 December 2020 to RMB488.7 million for the year ended 31 December 2021, which was primarily due to the repayment of part of the bank and other borrowings by the Group during the Reporting Period.

Bank and Other Borrowings

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

We primarily borrowed loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. Our bank and other borrowings amounted to RMB784.3 million as at 31 December 2021 were all denominated in Renminbi. As at 31 December 2021, the annual average effective interest of our bank and other borrowings decreased to 4.34% (2020: 4.85%).

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase three of the construction of the school premises, maintaining and upgrading existing school premises for our University. For the year ended 31 December 2021, the Group's capital expenditures were RMB139.7 million.

Commitments

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

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for property, plant and equipment	**751**	214,370
Authorised, but not contracted for property, plant and equipment	**110,341**	71,750

Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2020: nil).

Key Financial Ratios

	As at/for the year ended 31 December	
	2021	**2020**
Gross profit margin	**61.7%**	60.4%
Net profit margin	**26.2%**	34.8%
Return on assets	**5.5%**	5.7%
Return on equity	**9.8%**	11.0%
Current ratio	**0.8**	0.8
Interest coverage ratio	**6.3**	4.6
Net debt to equity ratio	**0.2**	0.2
Gearing ratio	**0.4**	0.6
Total debt to assets ratio	**0.2**	0.3

Notes:

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

(2) Net profit margin equals our profit and total comprehensive income after tax divided by revenue for the year.

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

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

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

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

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

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

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

Gearing Ratio

The gearing ratio as at 31 December 2021 decreased from 0.6 to 0.4, compared with the gearing ratio as at 31 December 2020, which was due to (i) the repayment of part of the bank and other borrowings by the Group, and (ii) the increase in amount of equity resulted from the Group's business performance during the Reporting Period.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi (RMB). The majority of the Group's revenue and expenditures are denominated in RMB. During the year ended 31 December 2021, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

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

There were no significant investments held as at 31 December 2021, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 31 December 2021, the Group did not have any immediate plans for material investments and capital assets.

Pledge of Assets

As at 31 December 2021, the Group's bank borrowings of RMB784.3 million were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 31 December 2021, the Group had 1,596 full-time employees (as at 31 December 2020: 1,326 employees). The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group for the year ended 31 December 2021 was RMB241.7 million (as at 31 December 2020: RMB180.7 million).

EVENTS AFTER THE REPORTING PERIOD

On 29 March 2022, the Board has resolved to recommend the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2021 (the "2021 Final Dividend") to the shareholders whose names appear on the register of members of our Company on 8 June 2022. Such proposal is subject to the approval by the shareholders of our Company at the forthcoming annual general meeting of our Company.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 1 June 2022 and a notice convening the AGM will be published and despatched to the Shareholders in due course.

DIVIDEND

An interim dividend of HK$0.10 per Share for the six months ended 30 June 2021 was declared during the year ended 31 December 2021.

On Tuesday, 29 March 2022, the Board has resolved to recommend the payment of a final dividend of HK$0.10 per Share for the year ended 31 December 2021 (the "**2021 Final Dividend**"). The 2021 Final Dividend is intended to be paid out of the share premium account of our Company and thus is subject to the approval of Shareholders. The circular convening the AGM to be held on Wednesday, 1 June 2022 will be dispatched in due course.

Upon the approval of the Shareholders, the 2021 Final Dividend will be payable on or around Friday, 17 June 2022 to the Shareholders whose names appear on the register of members of our Company on Wednesday, 8 June 2022. Including the interim dividend of HK$0.10 per Share, the total dividend for 2021 was HK$0.20 per Share, which represents a payout ratio of 38.5% of the profit attributable to Shareholders for the year ended 31 December 2021.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the eligibility of the Shareholders to attend and vote at the AGM to be held on Wednesday, 1 June 2022, the register of members of our Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Thursday, 26 May 2022.

For determining the entitlement of the Shareholders to receive the 2021 Final Dividend, the register of members of our Company will be closed on Wednesday, 8 June 2022, during which period no transfer of Shares will be registered. The record date for entitlement to the 2021 Final Dividend is Wednesday, 8 June 2022. In order to be qualified for the entitlement to receive the 2021 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Tuesday, 7 June 2022. The payment date of the 2021 Final Dividend is expected to be on or around Friday, 17 June 2022.

COMPLIANCE WITH THE CG CODE

Our Company has adopted the code provisions set out in the CG Code as its own code of corporate governance. Our Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2021. The Board will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

Our Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions for the year ended 31 December 2021. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the year ended 31 December 2021.

At the same time, our Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of our Company in respect of their dealings in our Company's securities.

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

Neither our Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of our Company during the year ended 31 December 2021.

Separately, during the year ended 31 December 2021, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 10,808,500 Shares at a total consideration of approximately HK$56,843,885.

AUDIT COMMITTEE AND REVIEW OF ANNUAL FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board, have reviewed our Group's audited consolidated financial statements for the year ended 31 December 2021.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute our Group's audited accounts for the year ended 31 December 2021, but represents an extract from the consolidated financial statements for the year ended 31 December 2021 which have been audited by the auditor of our Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (http://www.genchedugroup.com). The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITION

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

"2004 Implementation Regulations"	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》) approved by the State Council on 25 February 2004, which took effect on 1 April 2004
"2016 Decision"	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People's Congress on November 2016, which took effect on 1 September 2017
"AGM"	the annual general meeting of our Company
"Audit Committee"	the audit committee of our Company
"Board"	the board of Directors of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
"Company" or "our Company"	Shanghai Gench Education Group Limited
"COVID-19"	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
"Director(s)"	the director(s) of our Company

"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People's Congress on 15 March 2019, which came into effect on 1 January 2020
"Frost & Sullivan Report"	an independent market research report, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Gench BVI"	Shanghai Gench Education Holdings Limited (上海建橋教育控股有限公司), a limited liability company established under the laws of BVI on 15 May 2018 and a wholly-owned subsidiary of our Company
"Gench HK"	Gench Education Group (Hong Kong) Limited (建橋教育集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 1 June 2018 and a wholly-owned subsidiary of our Company
"Gench US"	Gench Education Group US, Inc, a company incorporated in the State of California the United States on 13 August 2018 and a wholly-owned subsidiary of our Company
"Gench WFOE"	Wangting Education Technology (Shanghai) Limited (望亭教育科技(上海)有限公司), a limited liability company established under the laws of the PRC on 31 October 2018, which is wholly owned by Gench HK
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jian Qiao Group"	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the Registered Shareholders. It is one of the school sponsors of the Shanghai Jian Qiao University and an affiliated entity of our Company

"Jian Qiao Investment"	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is one of the School Sponsors and an affiliated entity of our Company
"Jian Qiao University Company"	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of our Company
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC
"PRC Affiliated Entities"	namely, our University and the School Sponsors, each an affiliated entity of our Company
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
"Prospectus"	the prospectus of our Company dated 31 December 2019
"Registered Shareholders"	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuangui (prior to 16 December 2020), Ms. Huang Chunlan (since 16 December 2020), and Mr. Zheng Juxing

"Reporting Period"	the year ended 31 December 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"School Sponsors"	collectively, Jian Qiao Group and Jian Qiao Investment, being the school sponsors of our University
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"University" or "our University"	Shanghai Jian Qiao University or Jian Qiao University Company (as the case may be)
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Yangtze River Delta"	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
"%"	percent

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

Shanghai, 29 March 2022

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

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*