

2021 Annual Report



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



教育創造學生價值

Empower Students with Innovative Education

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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. YANG Li

Dr. ZHANG Yinghui

Mr. SUN Yinhan

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

Joint Company Secretaries

Ms. HE Jing

Ms. MAK Po Man Cherie

Authorised Representatives

Dr. WEN Tao

Ms. MAK Po Man Cherie

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 Center

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

Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Hong Kong Legal Adviser

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

10/F, China Pacific Insurance Plaza B
28 Fengsheng Lane, Xicheng District
Beijing
China

Auditor

PricewaterhouseCoopers

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

Compliance Adviser

Somerley Capital Limited

20/F, China Building
29 Queen's Road 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

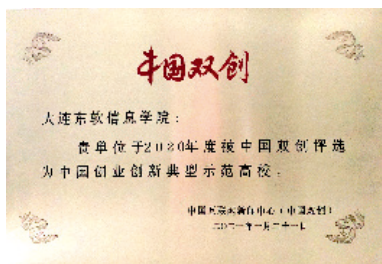
29 September 2020



Highlights

January 2021

Dalian University was awarded the 2020 "China's Typical Demonstration University in Innovation and Entrepreneurship" and 2020 "China's Typical Demonstration Base in Innovation and Entrepreneurship" by China Internet News Center;



March 2021

Meizhouwan Vocational Technology College and Neuedu held a signing ceremony in Putian, Fujian Province on joint establishment of the "Meizhouwan Vocational Technology College-Neuedu Modern Industrial College (Xianyou Campus)", with five electronic information majors offered for the first session and 948 students enrolled in the 2021/2022 school year;



February 2021

Bochuan Campus of Dalian University was capped and smoothly welcomed the moving in of the first batch of new students in September;



Ningbo Wanli Neuedu Execution Centre for Apprenticeship Programme was awarded an outstanding case of "Training Base for Industry-Education Integration" by the MOE;

June 2021

Neuedu completed the acquisition of Minority Interest in Neusoft Ruixin, which became an indirect wholly-owned subsidiary of the Company;



Neuedu obtained the qualification of Liaoning Province Vocational Skills Training Demonstration Base (遼寧省職業技能培訓示範基地);



Neuedu was awarded "Best Service Supporting Unit in Liaoning Software Industry in Two Decades" by the Liaoning Software Industry Association;



April 2021

Dalian University was awarded one of the "Top 10 Science and Technology Advances and Nominated Projects of Higher Education Institutions in Liaoning Province" and one of the "Top 10 Projects for Transformation of Science and Technology Achievements of Higher Education Institutions in Liaoning Province" and was the only private university to be selected in Liaoning Province;



July 2021

Neuedu formally became a cooperation entity of MIIT in the Vocational Skills Enhancement Project;

Highlights

August 2021

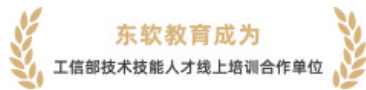
2021 Neuedu Smart Laboratory Solution of “Industry-Education Integration and Intelligent Experiment” was launched online to help the institutions to solve the sore points and problems existing in practical teaching, so as to realise the leading and empowering of the new round of practical teaching reform;



Dalian University ranked first in China once again in the “Private and Independent College” Teacher Teaching Development Index (「民办及独立学院」教师教学发展指数) (2021 Edition), and has been in the first place of the rankings for three consecutive years following its first top ranking in 2019;

“民办及独立学院”教师教学发展指数（2021正式版）TOP10

序号	学校名称	项目数	总分	省份
1	大连东软信息学院	610	37.57	辽宁省
2	山东协和学院	424	32.33	山东省
3	南昌学院	370	32.25	江西省
4	吉林外国语大学	319	32.14	吉林省
5	浙江树人学院	404	31.98	浙江省
6	山东英才学院	286	29.92	山东省
7	北京城市学院	430	28.91	北京市
8	宁波财经学院	337	28.8	浙江省
9	湖南涉外经济学院	181	27.92	湖南省
10	三亚学院	266	27.82	海南省



October 2021

Neuedu became an online training cooperation entity of MIIT for technically skilled talents;



December 2021

Neuedu was awarded the 2021 ESG Pioneer 60 “Annual Social Responsibility Excellence Award”;



Neuedu was elected as the vice president entity of the “The Belt and Road” Vocational Education Alliance in three provinces and one autonomous region in northeastern China;



Awarded the “Best Investment Value Award” (「最具投資價值獎」) in China Finance Awards in 2021 by the financial magazine *China Financial Market*;

January 2022



Neuedu (9616.HK) was awarded the “Most Valuable Education Company” award by Zhitong Finance · Tonghuashun Finance at the “2022 Global Investment Trends Forum and the 6th Golden Hong Kong Stock Awards Ceremony” held in Shenzhen;



In 2021 World’s Universities with Real Impact Ranking (2021 年真實影響力世界大學排名) published by the Hanseatic League of Universities, Dalian University featured itself in Global Top 100 Innovative Universities for the first time, together with Tsinghua University, Peking University, Cheung Kong Graduate School of Business, Beijing Normal University, Beijing Technology and Business University and The Hong Kong University of Science and Technology;



The number of users of “Neuedu Online” exceeded 500,000 and the platform was successfully selected as one of the 100 high-quality online vocational skills training platforms and digital resources recommended by the MHRSS.

Financial Highlights

Major financial results for the years ended 31 December 2021 and 31 December 2020 are as follows:

	For the year ended 31 December		Percentage of change
	2021 (RMB'000) (audited)	2020 (RMB'000) (audited)	
Revenue	1,363,126	1,100,011	23.9%
Cost of revenue	(771,696)	(678,923)	13.7%
Gross profit	591,430	421,088	40.5%
Selling expenses	(38,394)	(32,473)	18.2%
Administrative expenses	(144,687)	(231,232)	-37.4%
Research and development expenses	(46,105)	(33,215)	38.8%
Impairment loss on financial assets	(75)	(999)	-92.5%
Other income	112,744	103,606	8.8%
Other expense	(32,892)	(23,918)	37.5%
Other gains	4,154	3,764	10.4%
Operating profit	446,175	206,621	115.9%
Financial expenses–net	(67,350)	(69,655)	-3.3%
Profit before income tax	378,825	136,966	176.6%
Income tax expenses	(77,605)	(34,030)	128.0%
Profit for the year	301,220	102,936	192.6%
Attributable to owners of the Company	284,222	74,246	282.8%
Adjusted Net Profit (Note 1)	328,132	275,817	19.0%
Adjusted net profit attributable to owners of the Company	309,320	225,930	36.9%

Note 1:

For the year ended 31 December 2021, the adjusted net profit is the profit for the year after deducting the effect of (i) share-based compensation expenses of RMB18,444,000; and (ii) net exchange loss of RMB8,468,000.

For the year ended 31 December 2020, the adjusted net profit is the profit for the year after deducting the effect of (i) listing expenses of RMB29,468,000; (ii) share-based compensation expenses of RMB111,144,000; and (iii) net exchange loss of RMB32,269,000.

Chairperson's Statement

Dear Shareholders:

On behalf of the Board of Neusoft Education Technology Co. Limited, I am pleased to present to all Shareholders the consolidated results and annual report (the “**Report**”) of the Company and its subsidiaries for the year ended 31 December 2021.

2021 is destined to be an extraordinary year, with Communist Party of China ushering in the centennial anniversary, the Sixth Plenary Session of the 19th CPC Central Committee convened, and the country's 14th Five-Year Plan achieving a high-quality opening. In the larger backdrop of the times, Neuedu has been firmly grasping the direction of socialist school running, adhering to the fundamental task of strengthening moral education and cultivating talents, living up to its mission and moving forward with collective efforts. Over the past year, on the one hand, we have continued to invest heavily in our teacher team, experimental environment and campus construction; but on the other hand, we have been severely tested by the recurring pandemic. We have steadfastly pursued our development strategies and fully interacted with the education market. This choice stems not only from our confidence in the digital talent education services business, but also from our adherence to high quality education service standards. In the past year, with the joint efforts of all staff of Neuedu, we have served over 100,000 students and steadily improved our performance. The continuous improvement in education quality and the good performance in enrolment and employment have reinforced our belief that academic education shall take the path of connotative development; our Two Strategic Businesses, which have continued to expand their market share, have also proved that the “O2O, Asset-light” model can stand the test of the market. But for us, there is no greater reward than the choice and recognition of our learners and partners, as well as the support and trust of our Shareholders and investors, which will become a lasting motivation and drive us steadily towards a new stage of quality development.

Facing the new year, the uncertainty of the pandemic makes us unable to accurately predict the difficulties and challenges we may face in the future for the time being. But looking back at more than 20 years of development of Neuedu, we have also long since turned overcoming difficulties and dealing with challenges into a habit, and in walking with the times and living with the industry, we have integrated running education into economic and social development. Today, it is clear that the economy of China under digital revolution requires more and more digital talents to provide strong support, and the demand for talents will continuously undergo structural adjustments. China is now at the historical crossroads of the Two Centennial Goals, with the demand for higher education more urgent than ever, and the thirst for innovative talents stronger than ever.

One of the responsibilities and missions of education is to respond to the urgent demand of the economy and society through the cultivation of high-quality talents. It is absolutely impossible to create a good education if a university is incapable of facing the future, responding to the demand and solving the problems. Therefore, the important topic we keep in mind and practice is how to make continuous reform and innovation in education models and methods, so as to empower the students we cultivate to run into their future in confidence and empower the educational products and service we provide to continuously empower our partners. As we focus on “investing in the future of learners”, we believe that in the next five, ten years and beyond, the performance of Neuedu in the whole market will be even more evident.

What's past is prologue. A new 2022 has arrived, and a new world is rapidly approaching us. Guided by the promotion of the overall development of learners, we will further deepen the implementation of our TOPCARES education approach and innovative talent cultivation model, to create greater value for students, and to empower our universities with more intelligence and excellence; we will continue to upgrade the building of a high-level research

Chairperson's Statement

and development team, as well as to increase the research and application of big data analysis technology and artificial intelligence algorithms in the fields such as “learning, teaching, examination, assessment and management”, and to continuously optimize our digital and intelligent education ecological product system; we will also keep in closer connection with the market, industry demands and social development, to output first-class education resources and products and services, to empower cooperative universities and colleges and learners, and to repay Shareholders and all sectors of society for their support and concern with faster development, larger scale, and more excellent operation.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all the students and partners of Neuedu for their choice and recognition, to all staff of Neuedu for their efforts and dedication, and to the Shareholders and investors of the Company for their support and trust! Looking forward, we are more confident, trusting our choices and believing in the “Power of Belief”.

Neusoft Education Technology Co. Limited

Chairperson of the Board

LIU Jiren

Management Discussion and Analysis

1 Business Review

1.1 Overview

We, as a leading private IT higher education service provider in China, with our vision of “Becoming a Leading Education Service Provider of Digital Talents in China”, focus on nurturing talents in IT industry. Leveraging on our school-operating experience and high-quality resources accumulated in the IT higher education industry in the past 21 years, we have developed an ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses. The following table shows a breakdown of our revenue from the three business segments of the Group during the Reporting Period:

	For the year ended 31 December			
	2021 RMB hundred million	2020 RMB hundred million	Percentage of change	Percentage of total revenue
Full-time formal higher education services	10.25	8.02	27.8%	75.2%
Continuing education services	1.33	1.24	7.3%	9.8%
Education resources and apprenticeship programme	2.05	1.74	17.8%	15.0%
Of which: Education resources	1.40	0.93	50.5%	10.2%
Apprenticeship programme	0.65	0.81	-19.8%	4.8%
Total	13.63	11.00	23.9%	100.0%

1.2 Full-time Formal Higher Education Services

1.2.1 Our universities

The Group currently operates three universities, namely Dalian University in Liaoning province, Chengdu University in Sichuan province and Guangdong University in Guangdong province, to provide bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes. The Group always insists on high quality of school operation and TOPCARES education approach for guideline and continues to deepen the reform of education and teaching, implement industry-education integration, and innovate the mode of talent training. Through establishing and implementing the academic major group operating mechanism of “intra-group symbiosis and intergroup synergy” based on existing preponderant majors, we promote collaborative development of five academic major groups, namely “computer and software, intelligence and electronics engineering, the art of digital and design, information and business management, health and medical technology”, to create highly Neuedu featured generalized IT preponderant majors. During the Reporting Period, the three universities made great achievements in constructions of academic majors and courses, teaching and research achievements, academic competitions and other aspects, which further proved our excellent quality in school operation.

Management Discussion and Analysis

School	Achievements
Dalian University	<p>offering 33 bachelor degree programmes, 7 junior college diploma programmes, 3 junior college to bachelor degree transfer programmes and 3 vocational bachelor degree programmes, where IT related programmes accounted for 84.7%, including 1 newly established bachelor degree programme in VR technologies and 3 newly established vocational bachelor degree programmes in computer application engineering, software engineering technology and digital media technology for the 2021/2022 school year, and 1 newly established bachelor degree programme in supply chain management for the 2022/2023 school year.</p>

Honors and achievements in 2021

- 4 programmes have been recognised as National-level First-class Bachelor Degree Programmes Construction Sites (國家級一流本科專業建設點) and 11 programmes have been recognised as Provincial-level First-class Bachelor Degree Programmes Construction Sites (省級一流本科專業建設點) in total;
- 1 course has been recognised as National-level First-class Bachelor Degree Course (國家級一流本科課程) and 44 courses have been recognised as Provincial-level First-class Bachelor Degree Courses (省級一流本科課程) in total;
- 2 programmes were recognised “Provincial-level Vocational Education Major Upgrading and Digital Transformation Demonstration Programme” (省級職業教育專業升級與數位化改造示範專業) and 2 programmes were recognised as “Provincial-level Modern Apprenticeship Demonstration Programme” (省級現代學徒制示範專業);
- 14 provincial-level teaching achievement awards, including 2 provincial-level first prizes, were received since 2019 (the latest session for national teaching achievement awards), and 69 provincial-level research programmes of teaching reform were approved in 2021;
- Students won over 300 national-level prizes and more than 700 provincial-level prizes in academic competitions;
- Ranked third across the country and the first among engineering universities and colleges in “2021 Best China’s Private Universities Ranking of Shanghai Ranking” (軟科中國民辦高校排行榜(2021)); ranked first in Liaoning Province in “Comprehensive Strength Ranking of China’s Private Universities by WU Shulian” (武書連中國民辦大學綜合實力排行榜);
- Ranked first for 3 consecutive years 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)” issued by the China Association of Higher Education (中國高等教育學會);
- Featured itself in the Global Top 100 Innovative Universities for the first time in the 2021 World’s Universities with Real Impact Ranking by Hanseatic League of Universities, together with Tsinghua University, Peking University, Cheung Kong Graduate School of Business, Beijing Normal University, Beijing Technology and Business University and the Hong Kong University of Science and Technology;

Management Discussion and Analysis

School	Achievements
Dalian University (continued)	<ul style="list-style-type: none"> • Ranked fifth in the “Innovation and Entrepreneurship Competitiveness Rankings of China’s Private Universities” (中國民辦大學創新創業競爭力排行榜), according to Entrepreneurship Times (創業時代網); • Awarded “2021 Comprehensive Strength Private University” (2021 年度綜合實力民辦高校) at the 12th Xinhuanet Education Forum; and • Awarded as one of “The First Batch Cooperative University of Sino-Foreign Cultural Exchange Omnimedia Industry-Education Integration Project” (中外人文交流全媒體產教融合專案首批合作院校), “Typical Demonstration University of Entrepreneurship and Innovation in China” (中國創業創新典型示範高校), and “Pilot Unit of Digital Campus Pilot Construction Project of Universities in Liaoning Province” (遼寧省高等學校數字校園試點建設專案試點單位).
Chengdu University	<p>offering 29 bachelor degree programmes, 12 junior college diploma programmes and 9 junior college to bachelor degree transfer programmes, where IT related programmes accounted for 74%, including 4 newly established bachelor degree programmes in medical imaging technologies, artificial intelligence, intelligent medical engineering and big data management and application for the 2021/2022 school year, and 1 newly established bachelor degree programme in visual communication design for the 2022/2023 school year.</p>
Honors and achievements in 2021	
<ul style="list-style-type: none"> • A total of 6 programmes have been recognised as “Provincial-level First-class Bachelor Degree Programmes Construction Sites” (省級一流本科專業建設點); • A total of 6 courses have been recognised as “Provincial-level First-class Bachelor Degree Courses” (省級一流本科課程); • 3 courses were recognised as “Provincial-level Demonstration Courses for Ideological and Political Theory Courses”; • 2 provincial-level teaching achievement awards were received since 2019 (the latest session for national teaching achievement awards), and 59 provincial-level research programmes of teaching reform were approved in 2021; • Students won 15 international prizes, over 180 national-level prizes and nearly 450 provincial-level prizes in academic competitions; • Ranked the TOP three in Sichuan province in both “2021 Best China’s Private Universities Ranking of Shanghai Ranking” (軟科中國民辦高校排行榜 (2021) and “Private Universities Ranking by Network of Science & Education Evaluation in China (Golden Apple Ranking)” (中國科教評價網 (金平果) 民辦院校排行榜); and • Won the title of “2021 University Brand Influence Award” (2021年度院校品牌影響力獎) by China Education Online and “2021 Private University with Comprehensive Strength” (“2021年度綜合實力民辦高校) by Netease Education. 	

Management Discussion and Analysis

School	Achievements
Guangdong University	<p>offering 23 bachelor degree programmes, 6 junior college diploma programmes and 10 junior college to bachelor degree transfer programmes, where IT related programmes accounted for 71%, including 3 newly established bachelor degree programmes in computer science and technology, artificial intelligence and health services and management for the 2021/2022 school year, and 1 newly established bachelor degree programme in robot engineering design for the 2022/2023 school year.</p> <p>Honors and achievements in 2021</p> <ul style="list-style-type: none"> • A total of 1 programme has been recognised as Provincial-level First-class Bachelor Degree Programmes Construction Sites (省級一流本科專業建設點); • A total of 5 courses have been recognised as Provincial-level First-class Bachelor Degree Courses (省級一流本科課程); • 2 courses were recognised as “Provincial-level Demonstration Courses for Ideological and Political Theory”; • 1 provincial-level first prize of teaching achievement was received since 2019 (the latest session for national teaching achievement awards), and 9 provincial-level research programmes of teaching reform were approved in 2021; • Students won over 550 national-level prizes and more than 570 provincial-level prizes in academic competitions; • Ranked fifth in Guangdong province in “Private Universities Ranking by Network of Science & Education Evaluation in China (Golden Apple Ranking)” (中國科教評價網 (金平果) 民辦院校排行榜); and • Recognised as “2021 Model University in Employment and Entrepreneurship”.

Management Discussion and Analysis

1.2.2 Student enrolment

For the 2021/2022 school year, the number of new students enrolled of our three universities is over 15,000, representing an increase of approximately 18% as compared to the 2020/2021 school year, with an average registration rate of approximately 90% for bachelor degree programme students and junior college diploma programme students. Accordingly, the total number of student enrolment in our three universities reached 45,618 (as of 31 December 2021), hitting a record high in size.

Student enrolment				
	As at 31 December 2021	As at 31 December 2020	Change	Percentage of change
Dalian University				
Bachelor degree programmes	14,559	13,740	819	5.96%
Junior college diploma programmes	932	1,050	-118	-11.24%
Junior college to bachelor degree transfer programmes	1,410	724	686	94.75%
Subtotal	16,901	15,514	1,387	8.94%
Chengdu University				
Bachelor degree programmes	12,426	11,367	1,059	9.32%
Junior college diploma programmes	2,077	1,156	921	79.67%
Junior college to bachelor degree transfer programmes	1,703	591	1,112	188.16%
Subtotal	16,206	13,114	3,092	23.58%
Guangdong University				
Bachelor degree programmes	9,992	9,409	583	6.20%
Junior college diploma programmes	1,060	1,205	-145	-12.03%
Junior college to bachelor degree transfer programmes	1,459	—	1,459	—%
Subtotal	12,511	10,614	1,897	17.87%
Total	45,618	39,242	6,376	16.25%

Management Discussion and Analysis

1.2.3 Tuition fees and boarding fees

We conducted periodic review on and may raise our tuition fee level for each of our three universities as appropriate after taking into consideration the market conditions, the demand for our services and regulatory environment, and adjust the tuition fees of some majors in our three universities for the 2021/2022 school year as appropriate. The following table sets forth the standards for tuition fees and boarding fees applicable to new student enrolment for the school years before and after adjustment.

	Tuition fees for each school year (RMB)		Boarding fees for each school year (RMB)	
	2021/2022	2020/2021	2021/2022	2020/2021
Dalian University				
Bachelor degree programmes	28,000–34,000	24,000–28,000	2,400	2,400
Junior college diploma programmes	28,000	28,000	2,400	2,400
Junior college to bachelor degree transfer programmes	28,000	24,000	2,400	2,400
Chengdu University				
Bachelor degree programmes	18,000–20,000	18,000–19,000	2,000	2,000
Junior college diploma programmes	18,000–19,000	16,000	2,000	2,000
Junior college to bachelor degree transfer programmes	18,000–19,000	18,000–19,000	2,000	2,000
Guangdong University				
Bachelor degree programmes	28,000–32,000⁽¹⁾	28,000–32,000/ 34,000 ⁽²⁾	3,000	2,000–3,000
Junior college diploma programmes	23,000	22,000/30,000 ⁽²⁾	3,000	2,000–3,000
Junior college to bachelor degree transfer programmes	28,000–32,000	— ⁽³⁾	3,000	— ⁽³⁾

Notes:

- (1) The tuition fee for the cooperative education project between Guangdong University and the University of the West of England is RMB68,000 per year for bachelor degree programmes for the 2021/2022 school year.
- (2) Guangdong University carried out programmes of mutual recognition of credit with several foreign cooperative institutions in the 2020/2021 school year, the tuition fees of which were RMB34,000 per year for bachelor degree programmes and RMB30,000 per year for junior college diploma programmes.
- (3) There was no junior college to bachelor degree transfer programme for Guangdong University in the 2020/2021 school year.

Management Discussion and Analysis

1.2.4 School capacity and utilization rate

We expanded our campus and upgraded our existing school facilities systematically to increase our school capacity and provide a better campus environment. During the Reporting Period, the main campus expansions are set as follows: (1) New campus of Dalian University, Bochuan Campus, was built and put into use: Bochuan Campus has a site area of 345 mu and a total gross floor area of approximately 207,000 square metres, including dormitories with a capacity of accommodating nearly 8,000 students (5,600 beds added in the Reporting Period); (2) New campus of Chengdu University has been in process of construction: New campus of Chengdu University has a site area of 198 mu and a total gross floor area of approximately 125,000 square metres, including dormitories with a capacity of accommodating approximately 5,000 students. The first stage of new campus project has been completed and has added 4,000 beds, and the second stage is expected to be completed in the first half in 2022. (3) The expansion project of Guangdong University has been in process of construction: the expansion project has a total gross building floor of approximately 75,000 square metres, including dormitories with a capacity of accommodating approximately 4,000 students. The project is expected to be completed in 2022.

The following table sets forth the school capacity and utilisation rate as at 31 December 2021 and 31 December 2020, respectively.

	Campus capacity ⁽¹⁾		Utilisation rate ⁽²⁾	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Dalian University	22,443	16,843	75.31% ⁽³⁾	92.1%
Chengdu University	16,870	12,878	96.06%	101.83% ⁽⁴⁾
Guangdong University	11,663	11,663	107.27% ⁽⁵⁾	91.01%
Total/Average	50,976	41,384	89.49%	94.82%

Notes:

- (1) The capacity of each school represents the total number of beds in student dormitories in each school year.
- (2) The utilisation rate of each school is calculated as the total number of students enrolled in our full-time formal higher education programmes as of 31 December in each corresponding school year divided by the school capacity for that year.
- (3) Some beds of Dalian University are used by formal continuing education students due to the development of formal continuing education business.
- (4) 236 graduates-to-be in Chengdu University live outside the campus for the purposes of off-campus internships or practical trainings as at 31 December 2020.
- (5) 848 graduates-to-be in Guangdong University live outside the campus for the purposes of off-campus internships or practical trainings as at 31 December 2021.

Management Discussion and Analysis

1.2.5 Impressive accomplishments in the industry-education integration

We are committed to promoting the in-depth industry-education integration through all-around cooperation with enterprises in industries in a number of areas such as the construction of courses, cultivation of students, technology research and development and practical training, thus equipping our students with expertise and practical skills which could be directly applied in their employment in the future, and enabling them to master what enterprises need without leaving the school, and apply what they have learned in school when they just start work.

The “Neuedu Baidu Artificial Intelligence College” and “Digital Media Creative Industrial College” established by Dalian University, were rated as the provincial-level modern industrial colleges in Liaoning Province. Also, “Neuedu Baidu Intelligent Industrial College” and “Neuedu generalized IT Industrial College”, were approved as Vocational Education Revitalizing Liaoning Industrial Colleges in Liaoning Province (遼寧省職業教育興遼產業學院). The “Network Security Industrial College”, established by Chengdu University, was among the list of the first batch of Provincial Modern Industrial Colleges in Sichuan Province (四川省首批省級現代產業學院), and the “Computer and Software College” was among the first batch of Characteristic Demonstration Software Colleges (四川省首批特色化示範性軟件學院).

During the Reporting Period, we have carried out extensive and effective school-enterprise cooperation with well-known companies such as Accenture Technology Solutions (埃森哲信息技術(大連)有限公司), Alpine Electronics (China) Co., Limited (阿爾派電子(中國)有限公司), Beijing Yonyou Government Affairs Software Limited (北京用友政務軟件股份有限公司), Pricewaterhousecoopers Business Services (Chengdu) Co., Ltd. (普華永道商務服務(成都)有限公司) and Zhongke Huineng Technology Co., Ltd. (中科匯能科技有限公司), and we have set over 500 training bases. Our three universities were approved for 82 industry-university cooperative education projects of the MOE in 2021. In the supply-demand matching employment education programme of the Ministry of Education in 2021, Dalian University ranks the third in China with 49 university-enterprise cooperation projects, and is also the private university with the most university-enterprise cooperation projects in China.

1.2.6 Employment and entrepreneurship well advanced

We, taking post-graduates’ success in employment as one of the core indicators for quality higher education, provide graduates with comprehensive employment guidance services, and provide students with online recruitment channels and employment guidance through Neuedu featured human resource service platforms to ensure good employment. According to the research report of MYCOS, a third-party institution, as of 31 December 2021, the employment rates of 2021 graduates of our three universities were all more than 90%, with average salaries higher than the corresponding period of last year. Our outstanding graduates were employed by well-known enterprises such as Accenture, Tencent, Lenovo, Baidu, Netease, KPMG and Neusoft Corporation.

Management Discussion and Analysis

Adhering to the mission of “Empower Students with Innovative Education”, we proactively cultivate students’ innovation and entrepreneurship and provide students with entrepreneurship coaching and services through our Students Office & Venture Offices (the “SOVO”). Currently, the SOVOs set up by our three universities have been all approved as National-level Mass Entrepreneurship Spaces. During the Reporting Period, a total of approximately 6,000 students from the three universities participated in the SOVO entrepreneurship projects, successfully incubating 74 virtual companies and 62 physical companies. In the undergraduate innovation and entrepreneurship training programmes of 2021, a total of 140 national-level programmes and 327 provincial-level programmes in the three universities have been approved. In September 2021, Dalian University ranked fifth across the country in the “2020 Top 300 in the Ranking of Innovation and Entrepreneurship Competitiveness of Private Universities in China (中國民辦大學創新創業競爭力排行榜300強 • 2020榜單)” issued by Timesventure (創業時代網), hitting a record high.

1.3 Continuing Education Services

1.3.1 Formal continuing education

We proactively carried out formal continuing education services to serve a wider group of students and meet their needs for higher degrees and desire to learn more knowledge and skills, and play into full reuse of the resources of our three universities. During the Reporting Period, the new student enrolment for formal continuing education was 5,565, representing an increase of 81% as compared with that of 2020, hitting a record high. As of 31 December 2021, student enrolment of formal continuing education business in our three universities was 9,130, increasing by 33.3% as compared with the corresponding period of last year. The revenue generated from formal continuing education was approximately RMB67 million during the Reporting Period.

1.3.2 Skill training for individual customers (2C training)

IT practitioners requires a high quality of professional training services for their introduction and continuous learning. We operated eight training schools across the country to provide quality IT skills training services, providing individual trainees with a wide range of online or offline train services of high quality on hot IT technologies such as JAVA, artificial intelligence, Python and BPO, and offer multiple employment supporting services, such as employment counseling, referral and internship arrangement to our trainees.

Our trainees were systematically trained, referred to and successfully employed by over 500 enterprises, including Accenture (China) Co., Ltd. (埃森哲(中國)有限公司), Sinosoft Company Ltd. (中科軟科技股份有限公司), Thunder Software Technology Co., Ltd. (中科創達軟件股份有限公司) and Client-Service International Inc. (北京科藍軟件系統股份有限公司). During the Reporting Period, the referral employment rate of 2C business reached 97%, and the annual salary of excellent trainees after probationary period was over RMB350,000, which fully reflected the high quality of Neuedu’s 2C training business and its trainees’ market competitiveness.

During the Reporting Period, the offline training services of the training schools of the Group in Shenyang, Dalian, Guangzhou, Nanjing and Qingdao were temporarily closed due to the regional outbreak of the COVID-19 pandemic, posing some impact on the business. In response to the pandemic, we actively adjusted our strategies, carrying out online learning and practical training through various platforms such as the Neuedu Practice and Training Platform and Neuedu Online APP. During the Reporting Period, 2C training business admitted a total of 14,388 trainees, realizing revenue of approximately RMB44 million.

Management Discussion and Analysis

1.3.3 Short-term training for institutional clients (2B training)

To facilitate the provision of short-term training for institutional clients, we have proactively applied for training site qualifications and obtained more than 50 training site qualifications, based on which we provide customized short-term trainings to institutional clients including government authorities, educational institutes and enterprises. In 2021, the Group has obtained 3 national-level training qualifications, 7 provincial-level training qualifications and 7 municipal-level training qualifications.

Level	Name of Qualifications
National-level (3 items)	Competitors' Training Base for World Skills Competition Organized by the MHRSS (人社部世界技能大賽選手集訓基地) (network security and cloud computing)
	Quality Online Vocational Skills Training Platform and Digital Resources by the MHRSS (人社部優質線上職業技能培訓平台及數字資源)
	Member of Working Committee for Industrial and Information Vocational Skills Upgrading Programmes (工業和信息化職業技能提升行動工作委員會會員單位)
Provincial-level (7 items)	Liaoning Province Vocational Skills Training Demonstration Base (遼寧省職業技能培訓示範基地)
	CPC's Member Education Training Demonstration Base under Liaoning Province Education System (遼寧省教育系統黨員教育培訓示範基地)
	Liaoning Province Vocational Institution Teachers Quality Improvement Training Base (遼寧省職業院校教師素質提升培訓基地)
	Social Training Evaluation Organization for Vocational Skill Level Recognition in Liaoning Province (遼寧省職業技能等級認定社會培訓評價組織) (21 occupational categories and 31 types of work)
	Veterans Employment and Entrepreneurship Park in Liaoning Province (遼寧省退役軍人就業創業園地)
	"Neuedu Online (東軟教育在線)" was selected as the Video-on-demand Platform for the Vocational Skills Upgrading Programmes by Beijing Municipal Bureau of Human Resources and Social Security (北京市人社局職業技能提升行動點播平台)
	the Pilot Unit for Vocational Skill Level Recognition of Universities and Colleges in Sichuan Province (四川省院校職業技能等級認定試點單位)

Management Discussion and Analysis

Level	Name of Qualifications
Municipal-level (7 items)	Competitors' Training Base for World Skills Competition in Dalian (大連市世界技能大賽選手培訓基地)
	Social Training Evaluation Organization for Vocational Skill Level Recognition in Dalian (大連市職業技能等級認定社會培訓評價組織)
	Professional and Technical Personnel Continuing Education Base in Dalian (大連市專業技術人員繼續教育基地)
	2021 Training Base for Major Conversion and Skill Enhancement for Colleges and Universities Graduates in Dalian (大連市 2021 年高校畢業生專業轉換及技能提升培訓基地)
	Entrepreneurship Incubation Base for Veterans in Chengdu (成都市退役軍人創業孵化基地)
	Vocational Skills Training Institutions for Veterans in Chengdu (成都市退役軍人職業技能承訓機構)
	Vocational Skills Training Course Projects Undertaking Agency Designated by Bureau of Human Resources and Social Security in Foshan City (佛山市人社局承接職業技能培訓課程項目機構)

During the Reporting Period, the Group recorded a significant increase in the business of 2B training business, with its business presence expanding from 12 provinces, municipalities or autonomous regions including Liaoning, Sichuan and Jiangsu, to 19 provinces, municipalities or autonomous regions including Anhui, Zhejiang and Yunnan. The Group carried out 99 charging programmes of 2B training, representing an increase of 28 programmes as compared with corresponding period of last year, with 8,861 trainees involved, realizing a revenue of approximately RMB21 million.

1.4 Education Resources and Apprenticeship Programme

1.4.1 Joint establishment of industrial colleges and of academic majors

As for the resource and development ("R&D") of resource, we optimized and upgraded the comprehensive teaching resources of eight key majors in 2021, including Internet of Things Engineering, Software Engineering and Digital Media Technologies, and newly developed education and teaching resources for nine emerging majors, including Artificial Intelligence, Big Data Management and Application, Intelligence Science and Technology, thus developing into a comprehensive system of teaching resources comprised of 176 standard major courses and 1,082 systematic experiment projects of 1-5 level, which further expanded the specialised areas of joint establishment of academic majors.

As for marketing, under the national policies on promoting vocational education and industry-education integration, we seized the opportunity and vigorously expanded the business of joint establishment of industrial colleges and academic majors in cooperation with colleges and universities by capitalizing on our high-quality education resources developed by our professional team and our safe and reliable big data platform. Especially, for joint establishment of industrial colleges, we adopted the policy of grasping the large and letting go of

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the small and improving quality, thus delivering breakthrough results in terms of the scale and quality of the construction of industrial colleges. The number of newly registered students in the first session of “Neuedu Modern Industrial College” (東軟現代產業學院) jointly established with Meizhouwan Vocational Technology College (湄洲灣職業技術學院) reached 948, with a registration rate of 96%; the “Neuedu Information Industrial College (東軟信息產業學院)”, jointly established with Yunnan Technician College (雲南技師學院) (or Yunnan Vocational College Industry (雲南工貿職業技術學院)), has realised synchronous launch of cooperation among the three classes for the first year, with the number of students under cooperation reaching 822. The software college, jointly established by us with Dalian University of Technology, Northeastern University and China University of Petroleum, was approved among the first batch of the Characteristic Demonstration Software Colleges (特色化示範軟件學院). The “Artificial Intelligence Industrial Colleges”, jointly established with Nanjing University of Information Science and Technology, and the “Intelligent Software College”, jointly established with Guangzhou University, were rated as the national-level modern industrial colleges. In addition, a number of industrial colleges jointly established with colleges and universities were rated as the provincial-level Modern Industrial Colleges and the Vocational Education Revitalizing Liaoning Industrial Colleges in Liaoning Province (遼寧省職業教育興遼產業學院), etc.

During the Reporting Period, we have expanded the business of joint establishment of industrial colleges and academic majors to 18 provinces, municipalities and autonomous regions, the number of cooperating colleges and universities reaching 73, 31 of which we have jointly established industrial colleges with, and nearly three fourths of the colleges and universities we cooperated with were public colleges and universities.

During the Reporting Period, the Group had a total of nearly 300 projects in joint establishment of academic majors, covering 21,156 students, realising a revenue of approximately RMB52 million. In addition, the Group entered into cooperative agreements on joint establishment of academic majors or industrial colleges with another 8 new colleges and universities during the Reporting Period, which are expected to be carried out in the coming school year

1.4.2 Smart education platform, teaching content and practical training laboratory solutions

As for R&D of product, other than the newly developed teaching content, we also launched nine platform system products in 2021, including the Neuedu Smart Teaching Platform, Neuedu Practice Teaching Management System, Intelligent Student Management System and Professional Appraisal System, providing colleges and universities with more various products for digital-intelligent teaching and education management. We upgraded our first generation cloud laboratory product, and at the meantime developed solutions for eight new laboratories, including Big Data Laboratory, Intelligent Robotics Laboratory and Internet of Things Laboratory, thus improving the comprehensive practical abilities of students through experiment monitoring, intelligent analysis and practice assessment.

As for marketing, we proactively improved the brand influence and product awareness of Neuedu by taking “Competition” and “Certification” as important means. During the Reporting Period, we have successfully organized and supported more than 30 IT competitions in the scale of provincial or municipal or the whole industry, in which over 400 colleges and universities participated. Neuedu Java Web Application Development Vocational Skills Level Certificate was selected as one of the fourth batch of 1+X certificates by the MOE, for which more than 140 colleges and universities have applied on a trial basis. In addition, the “Software Project Development Practical Training System V1.0”, our star product, was awarded the “Excellent Software Products in Liaoning Province” by Liaoning Software Industry Association. A number of events and honour enabled us to open the market and lay foundation for the sustainable development of business. During the Reporting Period, the Group sold 65 sets of education and teaching platform systems and 15 sets of laboratory products to 59 institutions.

In 2021, the total revenue from smart education platform, teaching content and practical training laboratory was approximately RMB69 million

1.4.3 Apprenticeship programme

The apprenticeship programme serves as a platform for students to obtain practical training in a real corporate environment and is an important part for our cooperation with other colleges and universities on joint establishment of industrial colleges and academic majors. The Group has been gradually promoting the transformation of apprenticeship programme model, replacing the self-established apprenticeship programme training bases with those jointly established with government, and replacing the project development and training programmes directly participated in by engineers with self-developed online training project resources. During the Reporting Period, we set 2 new apprenticeship programme training bases in Chengdu, Sichuan and Huzhou, Zhejiang, both jointly established with government. As of 31 December 2021, the number of jointly-established apprenticeship programme training bases of Neuedu reached 9, accounting for over sixty percent. In 2021, Ningbo Wanli Neuedu Execution Centre for Apprenticeship Programme, located in Ningbo, Zhejiang, was awarded an outstanding case of “Training Base for Industry-Education Integration” by the MOE.

1.5 Expansion into New Business – Online Education

Facing the change of education mode under the new situation, we made active exploration to the field of online education in responding to national policies, meeting the needs of the market and industry and efficiently reusing our education resources. Based on online learning and training platforms of PC terminal, such as the established MOOC Platform, Practical Curriculum Platform and Practical Project Training Platform, we have newly launched the Neuedu Online APP, our self-developed online learning platform of mobile terminal, enabling our students to fully use fragmented time to study anywhere, and laying foundation for the online and offline integration of the One Fundamental Business with Two Strategic Businesses of Neuedu.

Since its launch, “Neuedu Online” has been honoured as one of the online platform cooperating enterprises of the Education and Examination Center of the MIIT, ranking among 100 Quality Online Vocational Skill Platforms recommended by the MHRSS, awarded as the Video-on-demand Platform for Vocational Skills Upgrading Programmes by Beijing Bureau of Human Resources and Social Security (北京市人社局職業技能提升行動點播平台), and has been in cooperation with the Semiconductor Branch of China Integrated Circuit Association (中國集成電路協會) in area of blockchain online training.

As of 31 December 2021, the number of registered users of “Neuedu Online” exceeded 570,000, of which over 80,000 users paid during the Reporting Period. During the Reporting Period, the cumulative course duration was over 3,200 hours, of which the proportion of paid courses was nearly 70%, focusing on IT courses; and the total number of participants in lecturing reached over 15,000, with a cumulative lecturing duration of over 3,000 hours. In addition, nearly 10,000 persons participated in human resource assessment services and received professional employment suggestions through “Neuedu Online” during the Reporting Period.

1.6 Material Events During the Reporting Period

1.6.1 Putian cooperative education project progressed smoothly

In March 2021, the Group entered into a cooperative education agreement with Putian Municipal Government in Fujian Province, pursuant to which the fourth university/college under the Group will be established jointly. For details of the arrangement, please refer to the announcement dated 12 April 2021 and the Circular dated 20 May 2021 of the Company.

Meanwhile, the Group and Meizhouwan Vocational Technology College have jointly established Neuedu Modern Industrial College (東軟現代產業學院) (Xianyou Campus). Neuedu Modern Industrial College is located in Xianyou County, Putian City, Fujian Province, with a site area of 316.6 Mu and a total gross floor area of 84,000 square metres, offering a capacity of accommodating approximately 3,000 students. The campus is used by Neuedu Modern Industrial College free of charge. Neuedu Modern Industrial College, which is under the direct management of the Group, has commenced enrolment for five majors in the 2021/2022 school year, and 948 new students registered for the first session, with a registration rate of 96%.

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1.6.2 Completion of the purchase of the Minority Interest in Neusoft Ruixin

On 1 June 2021, the Company completed the acquisition of a total of 19.18% Minority Interest in Neusoft Ruixin, a subsidiary of the Company, and Neusoft Ruixin, since then, became a wholly-owned subsidiary of the Company. For details, please refer to the announcements of the Company dated 19 November 2020, 25 February 2021, 10 May 2021 and 1 June 2021, respectively.

1.7 Impact of the COVID-19 Pandemic and the Response Measures of the Group

In view of the COVID-19 pandemic, the Group has taken necessary health precaution to safeguard the safety of our teachers and students. During the Reporting Period, students of the three universities of the Group returned to school normally in the spring semester of 2020/2021 school year and autumn semester of 2021/2021 school year, and offline teaching was also resumed. We adopted closed-off management of local campus when the pandemic outbreak occurred in its region for a period of time, during which period we carried out online teaching to realise the normal operation of teaching during the pandemic, and also carried out part of the enrolment and employment work on line.

Some of our training schools and execution centres for apprenticeship programme were temporarily closed according to the local pandemic stage and the latest pandemic prevention policies of the local government due to the regional outbreak of the COVID-19 pandemic in some regions in China. In 2021, our 6 training schools located in Shenyang, Dalian, Nanjing, Qingdao and Guangzhou were closed for 426 days in total, during which period we actively adjusted our teaching method, and provide online education and practical training services through Neuedu MOOC Platform, Neuedu Practical Training Platform, Neuedu Online APP, etc.

The management has assessed and concluded that, the COVID-19 pandemic has no material effect on the operation and financial position (including the liquidity positions and the working capital sufficiency) of the Group for the year ended 31 December 2021, nor will it have material effect on the Group's future performance. The Group will pay continuous attention to the development of the COVID-19 pandemic so as to minimize the impact from the COVID-19 pandemic on the Group. If there is any material adverse effect on the operation or financial position in the future, the Group will make further announcement(s) as and when necessary and make representation in respect thereto in the financial statements of the Group.

2 Financial Review

Revenue

Our revenue was RMB1,363.1 million for the year ended 31 December 2021, representing an increase of 23.9% 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 RMB1,025.2 million, representing an increase of 27.9% as compared with the corresponding period of last year, mainly due to (i) the increase of student enrolment and average tuition fee of our three universities, (ii) boarding fees amounting to RMB30.8 million returned to the students in 2020 as a result of the outbreak of the COVID-19 pandemic, whereas the three universities have resumed offline teaching and the students in the Three Universities have returned to campus in 2021.
- Revenue derived from our continuing education services was RMB132.6 million, representing an increase of 6.7% as compared with the corresponding period of last year, mainly due to the growth of formal continuing education and training services.
- Revenue generated from the education resources was RMB140.1 million, representing an increase of 51.5% as compared with the corresponding period of last year, mainly due to the rapid growth of revenue from joint establishment of academic majors, smart education platform and teaching resources, practical training laboratory solutions.
- Revenue generated from the apprenticeship program was RMB65.1 million, representing an decrease of 20.1% as compared with the corresponding period of last year, mainly attributable to the decrease on the staff of our engineer team. 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 drop in revenue from the apprenticeship programme.

Cost of Revenue

Our cost of revenue was RMB771.7 million for the year ended 31 December 2021, representing an increase of 13.7% as compared with the corresponding period of last year. Such increase was mainly due to that (i) the increase of staff remuneration resulted from the business growth; and (ii) the increase in depreciation and operating cost as the new campus of Dalian University and Chengdu University was built, and put into use.

Gross Profit

Gross profit was approximately RMB591.4 million for the year ended 31 December 2021, representing an increase of 40.5% 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 RMB38.4 million for the year ended 31 December 2021, representing an increase of 18.2% as compared with the corresponding period of last year. Such increase was mainly due to (i) our greater efforts to develop the market of continuing education services, education resources and apprenticeship programme; and (ii) the stricter restrictions on staff travel in previous year as a result of the COVID-19 epidemic.

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Administrative Expenses

Administrative expenses were approximately RMB144.7 million for the year ended 31 December 2021, representing a decrease of 37.4% as compared with the corresponding period of last year. Such decrease was mainly due to (i) the Group was listed on the main board of The Stock Exchange of Hong Kong Limited in September 2020, resulting the substantial amount of listing expenses in 2020, while no listing expenses were incurred in 2021; and (ii) the larger amount of share option cost incurred in 2020 as compared to that for 2021 due to the grant of share options by the Group.

Research and Development Expenses

Research and development expenses was approximately RMB46.1 million for the year ended 31 December 2021, representing an increase of 38.8% as compared with the corresponding period of last year. Such increase was mainly due to the Group's increased investment in research and development of education platform products and education resources and others, laying foundation to the sustainable development of business in the future.

Other Income

Other income was approximately RMB112.7 million for the year ended 31 December 2021, representing an increase of 8.8% as compared with the corresponding period of last year, mainly due to the increase in rental and property management income.

Other Expenses

Other expenses mainly include development of software system technology expenses, depreciation and maintenance expense related to properties rent out. Other expense was approximately RMB32.9 million for the year ended 31 December 2021, representing an increase of 37.5% as compared with the corresponding period of last year, mainly due to the increase in development of software system technology expenses.

Net Other Gains

Net other gains was approximately RMB4.2 million for the year ended 31 December 2021, representing an increase of 10.4% as compared with the corresponding period of last year, mainly due to the increase of gains on bank wealth management products.

Net Finance Expenses

Net finance expenses was approximately RMB67.4 million for the year ended 31 December 2021, representing a decrease of 3.3% as compared with the corresponding period of last year, mainly due to the decrease in exchange loss.

Income Tax Expense

Income tax expense was approximately RMB77.6 million for the year ended 31 December 2021, representing an increase of 128.0% as compared with the corresponding period of last year, mainly due to the increase in taxable profit and the raise of average tax rate during the Reporting Period.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2021, profit for the year increased by approximately 192.6% as compared with the corresponding period of last year. The basic earnings per share has also increased by approximately 207.1% as compared with the corresponding period of last year, mainly due to the increase in profit for the year during the Reporting Period.

Net profit attributable to owners of the Company was approximately RMB284.2 million for the year ended 31 December 2021, representing an increase of 282.8% as compared with the corresponding period of last year, mainly due to that (i) the increase in profit for the year; and (ii) the completion of acquisition of a total of 19.18% minority equity in the subsidiary Neusoft Ruixin by the Group on 1 June 2021.

Management Discussion and Analysis

Non-IFRS Measures

To supplement the Group's Consolidated Financial Statements which are presented in accordance with IFRS, the Group also uses 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 and Adjusted Net Profit Attributable to Owners of the Company are profit for the year/period and profit for the year/period attributable to owners of the Company deducting the impact of (a) listing expenses; (b) share-based compensation expense; and (c) net exchange loss. The Group's Adjusted Net Profit Margin is Adjusted Net Profit divided by revenue. IFRS does not define the "Adjusted Net Profit", "Adjusted Net Profit Attributable to Owners of the Company" or "Adjusted Net Profit Margin". The use of Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company and Adjusted Net Profit Margin as analytical tools is significantly limited as it does not include all the items affecting the Group's profit for the year/period and the profit for the year/period attributable to owners of the Company. 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 measures provide useful information to investors and others in understanding and evaluating the 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.

Because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similar measures used by other 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 substitutes for the Group's profit for the year/period and profit for the year/period attributable to owners of the Company or any other operating performance measure that is calculated in accordance with IFRS.

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:

	For the year ended	
	31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Profit for the year	301,220	102,936
Adjusted items:		
Share-based compensation expenses	18,444	111,144
Listing expenses	—	29,468
Net foreign exchange losses	8,468	32,269
Adjusted net profit	328,132	275,817

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Adjusted Net Profit was approximately RMB328.1 million for the year ended 31 December 2021, representing an increase of 19.0% as compared with the corresponding period of last year. Adjusted Net Profit Margin were 24.1% and 25.1% for the year ended 31 December 2021 and 31 December 2020 respectively.

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:

	For the year ended	
	31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Profit attributable to owners of the Company	284,222	74,246
Adjusted items:		
Share-based compensation expenses	16,630	89,947
Listing expenses	—	29,468
Net foreign exchange losses	8,468	32,269
Adjusted net profit attributable to owners of the Company	309,320	225,930

Adjusted Net Profit Attributable to Owners of the Company was approximately RMB309.3 million for the year ended 31 December 2021, representing an increase of 36.9% 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. There has been no change in the capital structure of the Group since then.

As at 31 December 2021, the issued share capital of the Company was HK\$133,741.12, and the number of issued ordinary shares was 668,705,600 of HK\$0.0002 each.

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately RMB1,228.5 million (31 December 2020: approximately RMB1,426.1 million). As at 31 December 2021, total borrowings of the Group amounted to approximately RMB2,167.2 million (31 December 2020: approximately RMB1,153.3 million). The maturity profile of the borrowings ranged from within one year to more than five years. Borrowings were all denominated in Renminbi. Interests were charged at fixed rates and floating rates. 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 2021, net current liabilities amounted to approximately RMB354.7 million (31 December 2020: RMB139.4 million). Such increase on net current liabilities was mainly due to (i) an increase in payables for infrastructure constructions as a result of the upgrade and expansion of campus; and (ii) an increase in contract liabilities, mainly due to the increase in tuition fees and boarding fees received by the Group in advance at the beginning of the school year.

As of 31 December 2021, the current ratio of the Group (being current assets divided by current liabilities) was 0.81 (31 December 2020: 0.92).

Contingent liabilities

As of 31 December 2021, 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 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.

Charge on assets

As at 31 December 2021, the Group had bank borrowings of RMB1,359.3 million pledged by certain collection rights of tuition fees and boarding fees, and bank borrowings of RMB357.5 million pledged by certain equity interests.

Gearing ratio

As at 31 December 2021, 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 147.1% (31 December 2020: 67.5%).

Capital expenditures

The capital expenditures of the Group for the year ended 31 December 2021 amounted to approximately RMB1,102.3 million, which was primarily related to the upgrade and expansion of our campuses.

Management Discussion and Analysis

Material acquisitions or disposals of subsidiaries, associates and joint venture

The Company completed the acquisition of a total of 19.18% Minority Interest in Neusoft Ruixin, a subsidiary of the Company, on 1 June 2021 with the total consideration of RMB602.3 million, thus Neusoft Ruixin became a wholly-owned subsidiary of the Company. For details, see announcements of the Company dated 19 November 2020, 25 February 2021, 10 May 2021 and 1 June 2021.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

Significant investments

As of 31 December 2021, 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

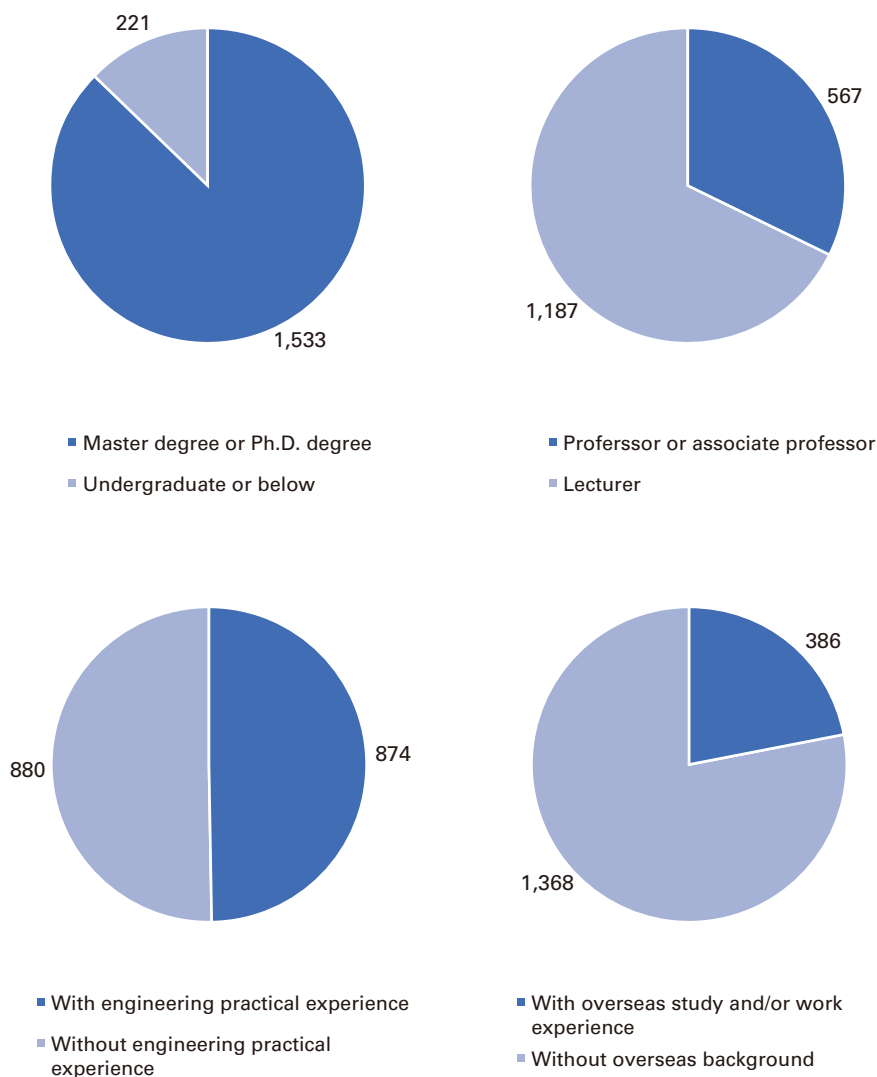
Dalian Education, a subsidiary of the Company, entered into the Cooperation Agreement (the "**Cooperation Agreement**") with Fujian Jiantou Group Co., Limited (the "**Fujian Jiantou**") on 12 April 2021. Pursuant to the Cooperation Agreement, (i) Fujian Jiantou will establish Putian Xianliang Education Technology Co. Limited (the "**Project Company**") (莆田市賢良教育科技有限公司), which will be responsible for land acquisition and project construction; (ii) as the sponsor of the new college, the Project Company will be responsible for obtaining the relevant school operating license, and (iii) Fujian Jiantou agreed that Dalian Education (or other member companies of the Group) can acquire all equity interest in the Project Company after the completion of campus construction. Pursuant to the Cooperation Agreement, Dalian Education shall pay an earnest money of RMB200 million (the "**Earnest Money**") to Fujian Jiantou. The Earnest Money will be financed by the relevant IPO proceeds (approximately RMB100 million) and its own internal resources (approximately RMB100 million). Dalian Education and Fujian Jiantou will jointly appoint a qualified independent valuer to evaluate the 100% equity interest of the Project Company, so as to determine the price of transferring equity in the Project Company, after the completion of the campus construction. For details, see the announcement of the Company dated 12 April 2021 and the circular dated 20 May 2021. As of 31 December 2021, Dalian Education has paid RMB50 million of the Earnest Money to Fujian Jiantou pursuant to the Cooperation Agreement.

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus of the Company dated 17 September 2020 and disclosed in this annual report, the Group did not have any other plans for material investments or capital assets as of 31 December 2021.

3 Employee and Remuneration Policy

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

As of 31 December 2021, our three universities had 1,754 full-time teachers and 1,030 part-time teachers. 87.4% of the full-time teachers had a master degree or Ph.D. degree, approximately 32.3% being professors or associate professors, approximately 49.8% with engineering practice experience in enterprises, and 22% with overseas studies and/or work experience.



Management Discussion and Analysis

As of 31 December 2021, the Group had 3,246 employees, and the number of employees employed varied from time to time depending on needs. Among them, 1,325 of our employees were based in Liaoning province, 702 of our employees based in Sichuan province, and 768 of our employees were based in Guangdong province. The following table sets forth the total number of employees by function as of 31 December 2021:

Function	Number of employees	% of total
Full-time teachers ⁽¹⁾	1,832	56.4%
Engineers ⁽²⁾	320	9.9%
Research and development personnel ⁽²⁾	269	8.3%
Management and administrative staff ⁽²⁾	677	20.8%
Sales and marketing personnel ⁽²⁾	148	4.6%
Total	3,246	100.0%

Notes:

- (1) Include 1,754 full-time teachers in our three universities and 78 full-time teachers in the training business.
- (2) 164 of our engineers, research and development staff, and management and administrative staff also serve as part-time teachers in the three universities of the Group.

The Group 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. Details of the remuneration of the Directors of the Company are set out in note 37 to the consolidated financial statements in this annual report. The emoluments of the Directors of the Company are determined with reference to the economy, the prevailing market conditions, and the responsibilities undertaken and the performance of the Directors. 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, unemployment insurance, among others. 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 2021, the total cost of employee remuneration of the Group (including Directors' fees) was RMB556.1 million (2020: RMB572.1 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 2021, 1,716,980 share options under the Pre-IPO Share Incentive Scheme have been cancelled, 2,444,925 share options having lapsed, and 2,038,400 share options been exercised; and no options under the Post-IPO Share Incentive Scheme have been granted, exercised, having lapsed or been cancelled.

4 Future Development

4.1 Development Environment

4.1.1 The release of “The Regulations on the Implementation of the Law for Promoting Private Education” shows the policy direction

The “Regulations on the Implementation of the Law for Promoting Private Education of the PRC” (the “**Regulation on the Implementation of the Law for Promoting Private Education**”) was released in April 2021 and has been implemented officially from 1 September 2021. The Regulation on the Implementation of the Law for Promoting Private Education emphasizes the encouragement and support of social forces to participate in school operation under the premise of standardized management, especially highlighting the overall positive encouragement of wider and deeper participation of social capital in the development of vocational education. The Regulation on the Implementation of the Law for Promoting Private Education also clarifies the policy measures of financial support, tax preference and land security, which provides more room for the development of private higher education institutes.

4.1.2 Vocational education enters a new development stage

In October 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the “Opinions on Promoting the High-quality Development of the Modern Vocational Education” (the “**Opinions**”), which encourages listed companies and industry leaders to sponsor vocational education and encourages all enterprises to sponsor vocational education in accordance with laws. Vocational schools are encouraged to cooperate with social capital to build the infrastructures and training bases for vocational education, and to jointly build and share the public training bases. The Opinions also highlights the synergic promotion of the in-depth industry-education integration, and that all levels of governments shall list the industry-education integration in their economic and social development plans.

4.1.3 Continue to cultivate high-skilled talents and focus on their lifelong skill training

On 30 June 2021, the MHRSS issued the ‘Skills China Action’ Implementation Plan (the “**Implementation Plan**”), which expressly points out that during the 14th Five-year Period, over 40 million of new skilled talents shall be provided, and skilled talents shall account for 30% of the total employment. According to the “Planning Guide for the Development of Manufacturing Talents”, the IT talent gap in the PRC is expected to reach 9.5 million in 2025. The Implementation Plan also highlights the establishment and improvement of a lifelong vocational skill training system covering both urban and rural labourers throughout their whole work and study life, meeting their needs for employment and entrepreneurship and their needs for industry and work personal growth and high-quality development of talents. The publication of the Implementation Plan indicates that China will further focus on and strengthen the cultivation of high-skilled talents, and pay attention to the lifelong skill training for talents.

4.1.4 Further support, encourage and promote the industry-education integration

In May 2021, the National Development and Reform Commission, the MOE, and the MHRSS jointly issued the “Implementation Plan of the Promotion Project of Strengthening the Nation through Education during the Period of the 14th Five-Year Plan”, which states: “to concentrate on supporting a batch of high-quality vocational colleges and application-oriented undergraduate institutes to construct a batch of high-level and specialized training bases with industry-education integration.” In December 2021, the “Revised Draft of the Vocational

Management Discussion and Analysis

Education Law of the Peoples' Republic of China" (the "**Draft**") was once again presented to the meeting of the NPC Standing Committee for review and consideration. The Draft expressly states that enterprises with industry-education integration will be supported in areas such finance, fiscal policy, land, credit, etc. and enjoy tax preference. in accordance with the relevant national regulations, and enterprises will be guided to set aside apprenticeship positions at a certain percentage of all positions. As the industry-education integration has been continually deployed nationwide and further implemented in all provinces, our business of application-oriented teaching system, continuing education, education resources and apprenticeship programme business will be further enhanced.

4.2 Development Strategy

4.2.1 Increasing investment in school operation and insisting on high quality of school operation

Adhering to the educational concept of "Empower Students with Innovative Education", we focus on the fundamental undertaking of cultivating people by fostering their virtues with the goal of promoting the comprehensive development of our students in the aspects of virtue, intelligence, physical conditions, aesthetic and community service. We will continue implementing and repeatedly upgrade our TOPCARES education approach and take the road of education innovation with high quality and connotative development: Focusing on the field of "generalised IT + healthcare technology", we will cooperate with leading enterprises in the industry to consolidate the construction of five typical industrial colleges; we will optimize the academic major group operating mechanism of "intra-group symbiosis and intergroup synergy", and accelerate the cultivation of new majors and cross-integration between majors to build advantageous major groups leveraging on our National-level and Provincial-level First-class Bachelor Degree Programmes Construction Sites; we will deepen the reform of the TOPCARES education teaching, and through the way of strengthening the in-depth integration of information technology and education, we carry out comprehensive reforms on the presentation of teaching contents, access to learning resources, interaction between teachers and students, reconstruction of teaching space, and assessment and evaluation of courses, aiming to create a more mixed, interactive and open education ecology so as to continuously promote our education and teaching level; we will strengthen talents introduction and team building, and enhance the teaching capability and standards of our teachers; we will enhance the studying and living experience of our students by constantly improving our school operation conditions, upgrading experimental teaching environment and infrastructures, and optimizing network-based, digital and intelligent studying and living environment.

4.2.2 Deepening industry-education integration

By continuously satisfying the needs of the industries and enterprises, fully leveraging the enterprises' customized cultivation, and driving the development of the front-end businesses by the needs of enterprises, we develop a cooperation model of "short-term customized cultivation + probation and internship assignment" to realise the growth on our business; we will proactively promote the cooperation with the small- and medium-sized enterprises within the region and industrial parks, and connect the regional industry chain and the innovation chain, so as to build a regional talent ecosystem on the carrier of industry colleges; we will strengthen the resource exchange by way of cooperation with large and medium-sized enterprises in the long run, and strategically cooperate with industry agencies, downstream talent importing enterprises, large internet factories, among other enterprises. in aspect of teaching, research and development, practice, etc. in the long run.

4.2.3 Increasing investment in R&D to develop the integrated R&D system

Facing the trend of digital and intelligent transformation of education in China, the Group will constantly increase the expenditure and personnel investment in R&D; we will continue to promote the construction of teaching resources of multiple majors, multiple types and multiple levels under the featured TOPCARES education approach of Neuedu; we will build integrated cloud experimental products by reconstructing and integrating existing practice system, further expanding the practical training products in the fields of artificial intelligence and medical imaging; we will carry on omni-directional integration leveraging on the existing single software system to build an online education service platform based on unified data and resource management, thus realizing platform aggregation of full-caliber users and providing one-stop support for typical service scenarios, including lessons teaching, online practice, online examination, innovation and entrepreneurship activities, graduation projects, quality monitoring, student management, project certifications, major assessment, skill competition, skill assessment and employment service; we will proactively explore the integrated application of artificial intelligence, big data, cloud computing, blockchain, virtual reality and other cutting-edge technologies on the platform.

4.2.4 Striving to develop online education

We will deploy the platform ecosystem of online programmes + practice and training + employment and entrepreneurship service targeting high education students based on our core of self-owned products and guided by customer needs; we will build the bridge for school-to-enterprise transition through building the big data system, pointing to learning achievements with learning behaviors, visualising the capabilities of the practitioners, and pinpointing the employment direction through our featured talent assessment system; we will open up a new talent cultivation model, thereby forming a closed loop of talents identifying, talents cultivation and talents delivery by promoting the certifications of skill improvement and carrying on the integration of assessment, study, practice, examination, certification and employment.

4.2.5 Optimizing the delivery model and expanding the sales network

We will focus on constructing a flexible and efficient sales and delivery network covering the country with local supports by holding regional and national competitions and events, so as to continuously increase the coverage among colleges or universities in cooperation; we will realise the diversified delivery model combining the “scattered delivery + centralised delivery” and the “offline delivery + online delivery” by strengthen the regional sales empowering, connecting regional departments in designing a clear sales network, and integrating the resources of third parties and agents; we will continue to deepen the cooperation relationship with material colleges and universities in cooperation so as to reach a stable and long-term strategic cooperation.

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)	66	Non-executive Director, Chairperson	Overall strategic planning, overall management and business direction	Jun 2000	31 Aug 2018
WEN Tao (溫濤)	59	Executive Director, Chief executive officer, President	Overseeing operational performance and daily management	Jun 2000	31 Aug 2018
RONG Xinjie (榮新節)	59	Non-executive Director	Providing professional advice to the Board	Jan 2013	31 Aug 2018
YANG Li (楊利)	59	Non-executive Director	Providing professional advice to the Board	Feb 2003	31 Aug 2018
ZHANG Yinghui (張應輝)	49	Non-executive Director	Providing professional advice to the Board	Feb 2003	31 Aug 2018
SUN Yinhan (孫蔭環)	72	Non-executive Director	Providing professional advice to the Board	May 2021	25 May 2021
LIU Shulian (劉淑蓮)	67	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018
QU Daokui (曲道奎)	60	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018
WANG Weiping (王衛平)	70	Independent non-executive Director	Providing independent opinion and judgement to the Board	Aug 2018	31 Aug 2018

Mr. Klaus Michael ZIMMER (“**Mr. ZIMMER**”) has retired as a non-executive Director of the Company at the conclusion of the annual general meeting on 25 May 2021. Mr. Zimmer has confirmed that he has no disagreement with the Board and there is no matter in relation to his retirement that needs to be brought to the attention of the Shareholders of the Company.

Chairperson

Dr. LIU Jiren (劉積仁)

Dr. J. Liu, aged 66, 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) and is currently the director or chairperson of the board of a number of the Group members, including: (i) Dalian Development, since July 2002; (ii) our universities, since establishment; (iii) our two School

Directors and Senior Management

Sponsors, Chengdu Development, since July 2002, and Foshan Development, since January 2002; (iv) Neusoft Education HK, since September 2018; (v) Neusoft Education BVI, since September 2018; (vi) Neusoft Ruixin, since establishment; and (vii) Tianjin Ruidao, since March 2012. 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 30 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 whose shares have been listed on the Shanghai Stock Exchange (stock code: 600718), since June 1996.

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 59, is our executive Director, chief executive officer and president of the Company. He holds various directorships within the Group, including: (i) principal and director of Dalian Neusoft Vocational College of Information Technology from June 2000 to May 2012 (merged into Dalian University in 2012); principal of Dalian University from April 2004 to March 2022, director of Dalian University since April 2004, and vice-chairperson of Dalian University since April 2020; director of Chengdu University and Guangdong University since establishment, and vice-chairperson of Chengdu University and Guangdong University since May 2018 and June 2019, respectively; (ii) director of our two School Sponsors, Chengdu Development, since July 2002, and Foshan Development, since January 2002; (iii) director and general manager of Dalian Development, since July 2002 and January 2012, respectively; (iv) director and general manager of Neusoft Ruixin since May 2019; (v) director and general manager of Dalian Education since August 2018; and (vi) director of Tianjin Ruidao since March 2012. Dr. Wen is currently executive director or chairperson of a number of the Group members including Neusoft Industry Management, Dalian Yunguan, Shanghai Ruixiang, Neusoft Electronic Press, Dalian Technology and Neusoft Training School.

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 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, one of our Controlling Shareholders and the Registered Shareholder of Dalian Development. 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, 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.

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Dr. Wen was (or is currently) appointed to a number of positions on professional and government bodies, including: a member of the National Evaluation Committee for the Establishment of Institutions of Higher Learning, Vice Chairman of the National Teaching Steering Committee for Industry and Information Sector, Member of the Teaching Steering Committee for Software Engineering Major in Institutions of Higher Learning of the Ministry of Education, Chairman of Vocational Education Committee of China Institute of Communications, Supervisor of Liaoning Private Education Association, and Deputy to Dalian Municipal People's Congress. He has won the "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", "Liaoning Province Outstanding Educators", "Liaoning May 1st Medal", "Liaoning Province Outstanding Experts", "Dalian Special Grade Labor Model" and the first prize of National Teaching Achievement of Higher Education.

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.

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie (榮新節)

Mr. Rong, aged 59, is a non-executive Director of the Company and a member of the Audit Committee. He holds various directorships within the Group, including: Dalian Development, since March 2013; our two other School Sponsors, Chengdu Development, since April 2013, and Foshan Development, since June 2013; Chengdu University and Dalian University from January 2013 to September 2018; Guangdong University from January 2013 to June 2019 and 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 a director and general manager and a deputy- chairperson of the board of directors of Neusoft Holdings from February 2013 to January 2017; general manager and chief executive officer, since January 2017. He was a director and senior vice-president of Neusoft Corporation, from September 2004 to May 2008; and currently holds directorship within the related companies of Neusoft Holdings and Neusoft Corporation, including director from June 2008 to March 2018, chairperson of the board since March 2018 of Liaoning Neusoft Venture Capital Co., Ltd. (遼寧東軟創業投資有限公司), and a director of Shanghai Sirui since March 2016.

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. YANG Li (楊利)

Dr. Yang, aged 59, is a non-executive Director of the Company. He was previously a director of Neusoft Ruixin from May 2019 to June 2021; a director of Dalian Education from August 2018 to July 2021. He was also a director of Guangdong University from December 2016 to December 2021, and principal of Guangdong University, from February 2003 to December 2021. He is general manager of Foshan Development, since June 2013 as well.

Dr. Yang received his bachelor's degree in software computing (電子計算機軟件), master's degree in software computing and doctorate degree in software computing from the National University of Defence Technology (國防科技大學) (formerly known as People's Liberation Army National University of Defence Science and Technology

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(中國人民解放軍國防科學技術大學)), China, in July 1983, June 1988 and January 1996, respectively. Dr. Yang also received a professorship from Northeastern University in June 1999. He conducted post-doctoral research in computer science and technology in Northeastern University from June 1997 to June 2000.

Dr. Yang was previously the technical director at Shenyang Neu-Alpine Software Co., Ltd. (瀋陽東大阿爾派軟件股份有限公司), from September 1999 to April 2001; and director of the software research centre at Neusoft Corporation, from May 1998 to August 1999.

Dr. Yang 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, aged 49, is a non-executive Director of the Company. He is general manager of Chengdu Development since April 2013, the director of Neusoft Education Chengdu since April 2019, director since December 2016, and principal since February 2003 of Chengdu University. He was a director of Neusoft Ruixin from May 2019 to June 2021, a director of Dalian Education from August 2018 to July 2021.

Dr. Zhang 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 also received professorship certification from Sichuan Provincial Vocational Reform Bureau (四川省職改辦), China, in December 2007.

Dr. Zhang 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 Yinhuan (孫蔭環)

Mr. Sun, aged 72, 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) (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.

Independent Non-executive Directors

Dr. LIU Shulian (劉淑蓮)

Dr. S. Liu, aged 67, is an independent non-executive Director of the Company, chairperson of the Audit Committee, and a member of the Nomination Committee. Dr. S. Liu is also an independent non-executive director of Neusoft Corporation, a company listed on the Shanghai Stock Exchange (stock code: 600718), since May 2017. Prior to this, she was an independent non-executive 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,

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a company listed on the Shenzhen Stock Exchange (stock code: 2204), from March 2007 to April 2013; and she was an independent non-executive 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), 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 60, is an independent non-executive Director of the Company, the chairperson of the Remuneration Committee, and a member of the Audit Committee. Dr. Qu is the president and deputy chairman of SIASUN Robot & Automation Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300024), and he has been working at the company since January 2000. 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, China, 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), China, 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, aged 70, is an independent non-executive Director of the Company, a member of the Remuneration Committee, and a member of the Nomination Committee. Dr. Wang 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 is a professor specialising in paediatrics.

Directors and Senior Management

Dr. Wang 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)), 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 also received his professorship from Shanghai Medical University in December 1994. Dr. Wang currently serves as an independent non-executive director of Top Education Group Ltd., a company listed on the Stock Exchange (stock code: 1752), since April 2018.

Save as disclosed in this section, Dr. Wang 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)	56	Vice-president; Chief financial officer	Finance management	February 2004
LI Yingao (李印杲)	50	Vice-president	Overseeing the business operations of education resources and continuing education	March 2020
WANG Weikun (王維坤)	50	Vice-president	Overseeing the operations of branding, administration, and logistics management	June 2002

Due to family reasons, Dr. LI Xue (李雪) resigned as the vice-president of the Company on 18 February 2021. Dr. LI Xue has confirmed that he did not have any disagreement with the Board or the senior management, and there was not any matter that needs to be brought to the attention of the Group, the Company's Shareholders or the Stock Exchange.

Mr. CHAO Yujun (晁玉軍) ("Mr. Chao")

Mr. Chao, aged 56, is the vice-president and the chief financial officer of our Company, and a senior vice-president and the chief financial officer of Dalian Education, 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 Personnel Department of Liaoning Province (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.

Directors and Senior Management

Mr. LI Yingao (李印泉) (“Mr. Li”)

Mr. Li, aged 50, is a vice-president of our Company and a senior vice-president of Dalian Education, 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 the president 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 50, is a vice president of our Company and a senior vice-president of Dalian Education, both since March 2020. He is also a director of Neusoft Training School and Guangdong University, since August 2018 and June 2019, respectively. 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 & 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 immediately 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 Secretaries

Ms. HE Jing (何婧) (“Ms. He”)

Ms. He, aged 37, is one of our Company Secretaries and the head of the office of the board of directors (董事會辦公室主任) of Dalian Education since June 2019 and April 2020, respectively. Ms. He was the deputy director of the general management department (綜合管理部副部長) of Dalian Education, 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 Company Ltd. (新華人壽保險股份有限公司), a company listed jointly listed on the Stock Exchange (stock code: 1336) and the Shanghai Stock Exchange (stock code: 601336), from August 2009 to June 2013.

Directors and Senior Management

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 received a legal professional qualification (法律職業資格) from the Ministry of Justice China (中華人民共和國司法部), on February 2007.

Ms. MAK Po Man Cherie (麥寶文) ("Ms. Mak")

Ms. Mak, aged 47, is one of our company secretaries. She is also the vice-president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate services provider. Ms. Mak has worked for various professional firms and listed companies in Hong Kong, with over 17 years of experience in auditing, accounting, corporate finance, compliance and corporate secretarial positions. She is an associate member of the Hong Kong Chartered Governance Institute (previously known as the Hong Kong Institute of Chartered Secretaries), since December 2017; an associate member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, since December 2017; a member of the Hong Kong Institute of Certified Public Accountants, since January 2003; and a fellow member of the Association of Chartered Certified Accountants, since October 2006.

Ms. Mak received her bachelor's degree in arts (majoring in business and finance) from the University of Portsmouth, England, in January 2002, and master's degree in corporate governance from the Hong Kong Polytechnic University, Hong Kong, in September 2017.

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 2021.

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 2021, the Company has complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

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 10 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, except the matters described below, 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 2021. The Company has been notified by Dr. Liu Jiren (劉積仁) (a non-executive Director of the Company) that he is deemed to be interested in Shares held by Neusoft Holdings, which acquired 1,454,500 Shares of the Company (representing approximately 0.217% of the total issued share capital of the Company at the time) through its wholly-owned subsidiary during the black-out period prior to the publication of the annual results for the year of 2020 of the Company. Therefore, Dr. J. Liu did not strictly comply with paragraphs A.3(a), A.6 and B.8 of the Model Code in respect of the aforesaid share purchases. In light of the aforesaid and in order to prevent potential breaches in the future, the Company has taken various measures, including (i) reiterating and reminding the Directors from time to time in respect of the relevant rules and requirements in relation to Directors' dealing in securities, (ii) providing enhanced trainings to Dr. J. Liu and relevant executives at Neusoft Holdings in relation to the Model Code and relevant internal regulations, and (iii) strengthen the internal control procedures in order to ensure the compliance of the code of conduct and the Model Code.

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.

The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where it is considered relevant and necessary for the purpose of discharging their duties.

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 Dr. LIU Jiren	Executive Director Dr. WEN Tao
Non-executive Directors (aside from our Chairperson) Mr. RONG Xinjie Dr. YANG Li Dr. ZHANG Yinghui Mr. SUN Yinhan ^(note)	Independent Non-executive Directors Dr. LIU Shulian Dr. QU Daokui Dr. WANG Weiping

Note:

Mr. ZIMMER retired as a non-executive Director of the Company on 25 May 2021 and Mr. SUN Yinhan was appointed as a non-executive Director of the Company on 25 May 2021.

Corporate Governance Report

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.

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 of the Company is 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.

Corporate Governance Report

During the year ended 31 December 2021, the Company held four regular Board meetings and two temporary meetings and passed nine written resolutions. Six Board meetings were held on 5 February 2021, 29 March 2021, 22 April 2021, 30 August 2021, 22 September 2021 and 26 November 2021 respectively. In addition, the Company held one annual general meeting during the year ended 31 December 2021 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 ^(Notes 1 and 3)	3/1/4	75%	0/1 ^(Note 2)	0% ^(Note 2)
Dr. YANG Li	6/0/6	100%	0/1 ^(Note 2)	0% ^(Note 2)
Dr. ZHANG Yinghui ^(Note 4)	5/1/6	83.33%	0/1 ^(Note 2)	0% ^(Note 2)
Mr. Klaus Michael ZIMMER ^(Note 5)	1/1/2	50%	0/1 ^(Note 2)	0% ^(Note 2)
Mr. SUN Yinhuan ^(Note 6)	2/0/2	100%	N/A ^(Note 6)	N/A ^(Note 6)
Dr. LIU Shulian	6/0/6	100%	1/1	100%
Dr. QU Daokui ^(Note 7)	4/2/6	66.67%	1/1	100%
Dr. WANG Weiping	6/0/6	100%	0/1 ^(Note 2)	0% ^(Note 2)

Notes:

- (1) The Chairperson Dr. LIU Jiren, executive Director Dr. WEN Tao and the non-executive Director Mr. RONG Xinjie, were not obliged to attend the Board meetings held on 22 April 2021 and 22 September 2021 as they were required to abstain from voting on all the issues of those meetings.
- (2) The non-executive Directors Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui and Mr. Klaus Michael ZIMMER, and the independent non-executive Director Dr. WANG Weiping, were unable to attend the annual general meeting of the Company held on 25 May 2021 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.
- (3) Dr. WEN Tao was entrusted to attend and vote on the Board meeting of the Company held on 26 November 2021 by the non-executive Director Mr. RONG Xinjie.
- (4) Dr. WEN Tao was entrusted to attend and vote on the Board meeting of the Company held on 5 February 2021 by the non-executive Director Dr. ZHANG Yinghui.
- (5) Dr. LIU Jiren was entrusted to attend and vote on the Board meeting of the Company held on 5 February 2021 by the non-executive Director Mr. ZIMMER. Mr. ZIMMER was not obliged to attend the Board meeting held on 22 April 2021 as he was required to abstain from voting on all the issues of the Board meeting. Mr. ZIMMER retired as a non-executive Director of the Company on 25 May 2021.
- (6) Mr. SUN Yinhuan was elected as a non-executive Director of the Company at the annual general meeting of the Company held on 25 May 2021 with effect from the conclusion of the annual general meeting. Mr. SUN Yinhuan was not obliged to attend the Board meeting held on 22 September 2021 as he was required to abstain from voting on all the issues of the Board meeting.
- (7) Dr. LIU Shulian was entrusted to attend and vote on the Board meetings of the Company held on 5 February 2021 and 29 March 2021 by the 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 A.2.7 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 ^(Note 1)	1	√
Dr. WEN Tao ^(Note 2)	1	√
Mr. RONG Xinjie ^(Note 2)	1	√
Dr. YANG Li ^(Note 2)	1	√
Dr. ZHANG Yinghui ^(Note 2)	1	√
Mr. SUN Yinhan ^(Notes 2 and 3)	2	√
Dr. LIU Shulian ^(Note 2)	1	√
Dr. QU Daokui ^(Note 2)	1	√
Dr. WANG Weiping ^(Note 2)	1	√

Notes:

- (1) Dr. LIU Jiren attended a training organized on 10 May 2021 by a company proposed to be listed on the Hong Kong Stock Exchange to fully understand and learn about the duties, responsibilities, among other things of the directors of the companies proposed to be listed in Hong Kong under the relevant statutory requirement.
- (2) Dr. WEN Tao, Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui, Mr. SUN Yinhan, Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping attended the training organized by the Company on 30 August 2021 to fully understand and learn about corporate governance, directors' duties, standard code for securities transactions, etc.
- (3) Mr. SUN Yinhan received a formal and comprehensive induction training for the Directors organized by the Company on 19 May 2021, i.e. before his first appointment, to ensure that he fully understands the operations and business of the Company and is fully aware of the duties and responsibilities of the directors under the Listing Rules and relevant statutory requirements.

The Company has kept the training records of each Director for the year ended 31 December 2021.

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 2021, 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 2021, 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.

Corporate Governance Report

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 general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company 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, Dr. LIU Jiren, Dr. WEN Tao, Dr. YANG Li shall retire from office as Directors at the annual general meeting. Except for Dr. Yang Li, who does not participate in re-election due to job change, all of the retiring Directors above, being eligible, will 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). Dr. LIU Shulian is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system (including risk management) of the Group, review and approve connected transactions and provide advice and comments to the Board. The committee must meet, at least twice a year, with the external auditors, to assist and advise the Board in establishing formal and transparent arrangements to consider how the Board should apply financial reporting, risk management and internal control principles, and for maintaining an appropriate relationship with the Company's auditors, and for approving connected transactions for the Company.

During the year ended 31 December 2021, the Audit Committee held three Audit Committee meetings on 29 March 2021, 30 August 2021 and 20 December 2021 respectively. The Audit Committee meeting held on 29 March 2021 reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2020 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 function. The Audit Committee meeting held on 30 August 2021 reviewed the unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2021. At the Audit Committee meeting held on

Corporate Governance Report

20 December 2021, the Audit Committee listened to the report from the external auditor on the financial audit work plan of the Company in 2021 and discussed the financial audit work plan of the Company in 2021. No executive Director attended the three meetings between the Audit Committee and the external auditor.

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 1)	2/3
Mr. RONG Xinjie (M)	3/3

Note:

(1) Dr. QU Daokui was absent from the Audit Committee meeting held on 29 March 2021.

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 and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. 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). Dr. LIU Jiren is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The committee shall meet at least once annually, to identify, consider and recommend to the Board appropriate candidates to serve as Directors of the Company, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board nomination guidelines. 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 2021, the Nomination Committee held a meeting on 29 March 2021 at which it reviewed the independence of the independent non-executive Directors, the membership structure, size and composition of the Board, adopted a policy on the nomination of the Directors and made recommendations to the Board on the reappointment of retiring Directors and the election of non-executive Directors to be considered at the annual general meeting on 25 May 2021.

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 and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. 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). Dr. QU Daokui is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board the terms of remuneration packages, bonuses and other compensation for our Directors and senior management. The committee shall meet at least once annually, to make recommendations to the Board in determining the policy and structure for the remuneration of all Directors and senior management, including remuneration packages, bonuses and other compensation, to establish a formal and transparent procedure for developing relevant policy, to evaluate the performance of Directors and senior management, to review and approve the terms of incentive schemes and Directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

During the year ended 31 December 2021, the Remuneration Committee held one meeting on 29 March 2021, at which the Remuneration Committee discussed the remuneration policy and structure of the Company's Directors and senior management, the remuneration packages for 2021 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 1)	0/1
Dr. LIU Jiren (M)	1/1
Dr. WANG Weiping (M)	1/1

Note:

(1) Dr. QU Daokui was absent from the remuneration committee meeting held on 29 March 2021, which was chaired by Dr. LIU Jiren.

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 B.1.5 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 2021:

Group ^(note)	Remuneration (RMB)	Number of Individuals
1	700,000–1,000,000	1
2	1,000,001–2,000,000	3
3	2,000,001–3,000,000	2

Note:

Group 1 includes 1 Director.

Group 2 includes 1 Director and senior management of the Company, and 2 members of senior management of the Company.

Group 3 includes 1 Director and 1 member of senior management of 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 paragraph headed “Pre-IPO Share Incentive Scheme” and “Post-IPO Share Incentive Scheme” of Directors’ Report in this Report.

During the year ended 31 December 2021, 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 16 of the Listing Rules are set out in notes 11 and 37 to the financial statements.

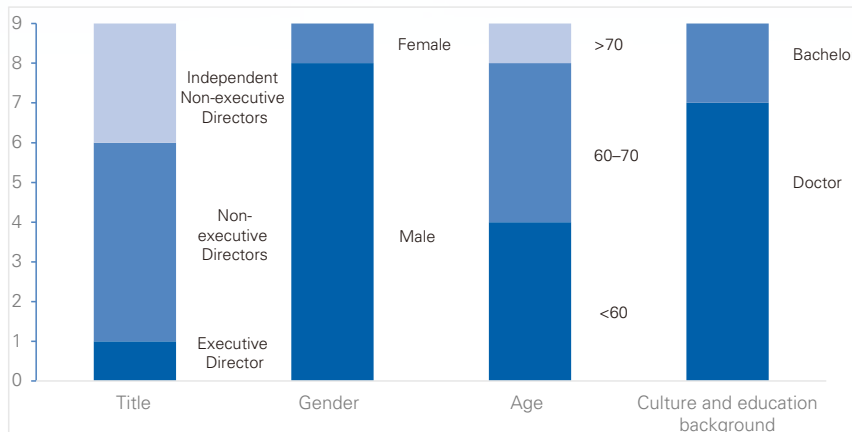
Board Diversity Policy

The Board 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.

Corporate Governance Report

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 below chart shows the diversity profile of the Board as at 31 December 2021:



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.

Dividend Policy

Subject to the Articles of Association and applicable laws, the Company at general meeting may declare dividends in any currency 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 of 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 2021 which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (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 2021, 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	3,800
Non-audit services	250
Total	4,050

The statement of the auditor regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 98 to 103 of this Report.

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 2021. 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 98 to 103 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, it considers that 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 Company is willing to take in achieving its strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems.

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 financial, operational and compliance controls annually. The Board acknowledges that such risk management and internal control systems 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.

Corporate Governance Report

The Audit and Supervision Department of the Company has the internal audit function and has conducted an assessment on the internal control and risk management systems of the Company for the year ended 31 December 2021. The review covered all material risks and controls, including financial, operational, business and strategic, compliance as well as risk management. The adequacy and effectiveness of such systems was analysed by (1) interviewing with the Board and supervisors of different operation units regarding the Company's daily operation flow; and (2) examining major internal control procedures by random sampling. 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. During the year, no major deficiencies were found in respect of internal control. The Board believes that the internal control and risk management systems of the Company are adequate and effective.

The key features of the Company's internal control and risk management systems include:

- A comprehensive financial accounting system to accurately measure financial performance of the Company
- The Board monitors and maintains levels of cash and cash equivalents deemed adequate to finance the Company'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 risks factors
- Report to the Audit Committee about the findings on identified risks and measures to address such risks

The Company will continue to review the Company's systems of internal control and risk management and further enhance the Company's system as appropriate. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programs and internal audit budget in terms of the Company's accounting and financial reporting functions.

The Company 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 relevant department heads and the management involved in the handling and dissemination of inside information.

Joint Company Secretaries

Ms. HE Jing and Ms. MAK Po Man Cherie are the joint company secretaries of the Company. For details of Ms. HE Jing and Ms. MAK Po Man Cherie, please refer to the section headed “Directors and Senior Management” of this Report. Ms. HE Jing is 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.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. MAK Po Man Cherie of SWCS Corporate Services Group (Hong Kong) Limited, as the Company’s joint company secretary, to assist Ms. HE Jing in discharging the duties of a company secretary. Ms. HE Jing has attended trainings on, among other things, the Listing Rules, Directors’ and Board secretaries’ duties, rules on information disclosure, rules on connected transactions, notifiable transactions, Directors’ securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies.

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 2021. The Company’s primary contact with Ms. MAK Po Man Cherie is the joint company secretary of the Company, Ms. HE Jing.

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 also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. 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/herself (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.

Corporate Governance Report

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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 Company publishes the latest information regarding the Company on the maintained website (<https://www.neuedu.com>), including business operations, financial information, corporate governance practices and other information.

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, to provide the latest and comprehensive information of the Company.

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. There are no material changes in the constitutional documents of the Company during the year ended 31 December 2021. The latest version of the Company's Memorandum and Articles of Association are available on the websites of the Stock Exchange and the Company.

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 2021.

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) continuing education services; and (iii) education resources and apprenticeship programme. Activities and particulars of the subsidiaries of the Company are set out in note 36 to consolidated financial statements.

3. Business Review

The business review of the Group for the year ended 31 December 2021, 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" and "Management Discussion and Analysis" in this Report. The review and discussion form part of this Directors' Report.

4. Environmental Policies and Performance

The Group recognizes 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 organize 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 the year ended 31 December 2021, the Group was not subject to any fines or other penalties for breaching any health, safety or environmental protection laws and regulations. For details, please see the Environmental, Social and Governance Report to be published separately by the Group.

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;
- risks relating to our Contractual Arrangements; and
- our business is likely to be adversely affected by the COVID-19 pandemic.

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 Transactions

For the purpose of enhancing control and influence over the management and operation of the operating entities of the Group, on 25 February 2021, Dalian Sidi Technology Co., Ltd. ("**Dalian Sidi**") and Dalian Xindi Technology Co., Ltd. ("**Dalian Xindi**"), entered into the SPA I and SPA II with PICC Life and PICC Health, respectively, in relation to the acquisition of 13.25% equity interest in Dalian Ruixin. Pursuant to the SPA I, Dalian Sidi acquired the 8.4% equity interest in Dalian Ruixin held by PICC Life with the consideration of RMB263,770,035. Pursuant to the SPA II, Dalian Xindi acquired the 4.85% equity interest in Dalian Ruixin held by PICC Health with the consideration of RMB152,295,794.

As each of PICC Life and PICC Health is majority-controlled by The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ("**PICC Group**"), the PICC Group is a substantial shareholder of Dalian Ruixin, which is a non-wholly-owned subsidiary of the Company. PICC Group is a connected person at the subsidiary level of the Company. Therefore, both SPA I and SPA II constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Board has approved SPA I and SPA II; and (ii) the independent non-executive Directors have confirmed that the terms of the SPA I and SPA II are on normal commercial terms and are fair and reasonable and the SPA I and SPA II are in the interests of the Company and its shareholders as a whole, the SPA I and SPA II are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement. As of 31 December 2021, Neusoft Ruixin had become a wholly-owned subsidiary of the Company. For further details, please refer to the announcements issued by the Company on 25 February 2021, 10 May 2021 and 1 June 2021, respectively.

7. Continuing Connected Transactions

1) Neusoft holdings framework agreement

Background

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 the Neusoft Holdings Framework Agreement, pursuant to which: (i) the Group would lease certain properties to Neusoft Holdings Group; (ii) the Group would provide software development and technological services to Neusoft Holdings Group; and (iii) the Group would outsource talent (including secondment placements) to Neusoft Holdings Group. The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be effective from the Listing Date to 31 December 2022 (both dates inclusive).

Details of these transactions and waivers granted by the Stock Exchange from strict compliance with relevant requirements under Chapter 14A of the Listing Rules (where applicable) are set out below.

a. Property leasing and management

Description of the transaction and pricing policy

We will lease out certain buildings (including land and facilities) and offer property management services to members of Neusoft Holdings Group. The rental amount will be agreed upon periodically, generally on an annual basis, between the parties with reference to historical rates, market rates of similar premises within the location, and facilities or fittings within the property. The total rental amount 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 networking services; and (vii) deposit. The fees may be adjusted based on market conditions and changes in the surface area leased and services provided.

Historical amounts

In 2021, the actual revenue from this transaction was approximately RMB0.6 million.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules is less than 0.1% and the transaction is on normal commercial terms or better, pursuant to Rule 14A.76(1)(a) of the Listing Rules, this transaction will be a fully-exempt continuing connected transaction, exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

b. Software development and technological services

Description of the transaction and pricing policy

We provide software development and technological services to members of Neusoft Holdings Group, including: internet systems, email platforms and support services, helpdesk platform and support services, desktop support, video and audio conferencing systems, and network maintenance services. The transaction fees will be agreed periodically, generally on an annual basis, between the parties with reference to historical amounts for the same transaction, and calculated on the basis of the systems provided and services offered.

Historical amounts, annual caps and bases of annual caps

In 2021, the annual cap for such software development and technological services was RMB6.0 million. In 2021, the actual revenue from this transaction was nil.

Directors' Report

Listing Rules implications

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, this transaction will be a partially-exempt continuing connected transaction, exempt from the circular and independent shareholder's approval (including recommendation from an independent financial adviser) requirements, but will be subject to announcement requirements and annual reporting requirements under Chapter 14A of the Listing Rules.

c. Provision of on-site engineers

Description of the transaction and pricing policy

We provide on-site engineers to members of Neusoft Holdings Group, which in-turn provide client companies with, among others, on-site software engineering services and technological and innovative solutions for their projects and businesses. The transaction fees will be agreed periodically, or on a project basis, between the parties with reference to historical rates, number of personnel, estimated hours engaged, seniority and experience of each of the person engaged, nature of the client company's request and the pricing is based on the cost of engineers requested plus a certain level of profit. A transaction amount may be agreed beforehand as an estimated amount, or calculated according to actual work performed or required and invoiced periodically. The transaction fees include a base rate and may include reimbursements for fees and expenses.

Historical amounts, annual caps and basis of annual caps

In 2021, the annual cap for providing on-site engineers was RMB90.0 million. In 2021, the actual revenue from this transaction was approximately RMB53.7 million.

In 2022, the annual cap for providing on-site engineers is RMB50.0 million.

The annual caps are set based on the following: (i) historical transaction amounts during the track record period; (ii) our understanding of the, or the anticipated, business needs of our client companies; and (iii) our future business plan of this business arm.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules is more than 5% and the total consideration is expected to exceed HK\$10.0 million, this transaction will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules, including reporting, annual review, announcement, circular and independent shareholders' approval requirements.

Connected relationship

Neusoft Holdings is the Controlling Shareholder of the Company and a substantial shareholder at the Company and the subsidiary level. Its subsidiaries are the associates of Neusoft Holdings. Therefore, Neusoft Holdings and its subsidiaries are connected persons of the Company.

2) Property framework agreement

Description of the transaction and pricing policy

On 11 September 2020, the Company (for itself and on behalf of the other members of our Group) and Dr. J. Liu (on behalf of the entities controlled by him) entered into a framework agreement ("**Property Framework Agreement**"), pursuant to which we and entities controlled by Dr. J. Liu would lease certain buildings (including land and facilities) and offer property management services to one another. The rental amount will be agreed periodically with reference to, and will comprise, the same factors as those for the property leasing and management transaction with Neusoft Holdings Group under the Neusoft Holdings Framework Agreement. The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be effective from the Listing Date to 31 December 2022 (both dates inclusive).

Historical amounts

In 2021, the actual fee for this transaction was approximately RMB1.5 million.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules is more than 0.1% but less than 5%, the total annual cap is less than HK\$3.0 million, and the transaction is on normal commercial terms or better, pursuant to Rule 14A.76(1)(c) of the Listing Rules, this transaction will be a fully-exempt continuing connected transaction, exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected relationship

Dr. J. Liu is the Controlling Shareholder of the Company, Chairperson, Director, a core founding member of the Group and a substantial shareholder at the Company level, and the entities controlled by him are the associates of Dr. J. Liu. Therefore, Dr. J. Liu and his controlling entities are connected persons of the Company.

3) Property leasing agreement and service agreement

Description of the transaction and pricing policy

For the purpose of promoting the co-construction and sharing of educational resources for our majors in healthcare technology and utilizing our ancillary properties to create an additional source of income, on 24 September 2021, Neusoft Industry Management, a wholly-owned subsidiary of the Company, entered into the Property Leasing Agreement (the "**Property Leasing Agreement**") and Service Agreement (the "**Service Agreement**") with Dalian Ruikang Hospital, pursuant to which Neusoft Industry Management agreed to lease Dalian Neusoft Education Health Technology Training Base Phase I (the "**Property**"), which is located at No. 50, North Section of Digital Road, Dalian High-tech Industrial Park, and provide property management services relating to the Property to Dalian Ruikang Hospital. The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be effective from 16 October 2021 to 15 October 2024 (both dates inclusive). For further details, please refer to our announcement dated 24 September 2021 "Continuing Connected Transactions — Entering into the Property Leasing Agreement and the Service Agreement".

Historical amounts

In 2021, the annual cap for property leasing and service was RMB5.5 million. In 2021, the actual revenue for this transaction was approximately RMB4.5 million.

Directors' Report

Listing Rules implications

For the purpose of calculation of the size of transactions in accordance with the relevant requirements of the Listing Rules, the Company has aggregated the continuing connected transactions contemplated under the Property Leasing Agreement and Service Agreement and the property leasing and management transaction under the Neusoft Holdings Framework Agreement. Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, this transaction will be a partially-exempt continuing connected transaction, exempt from the circular and independent shareholder's approval (including recommendation from an independent financial adviser) requirements, but will be subject to announcement requirements and annual reporting requirements under Chapter 14A of the Listing Rules.

Connected relationship

Dalian Ruikang Hospital is an indirect wholly-owned subsidiary of Neusoft Holdings, which is a Controlling Shareholder of the Company. Accordingly, Dalian Ruikang Hospital is a connected person of the Company.

4) Structured contracts

Overview

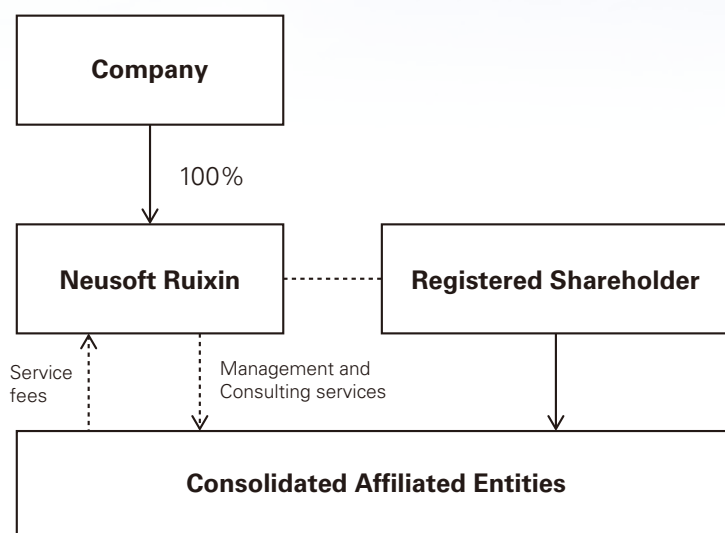
The Group (a) operates private higher education businesses (through our universities) ("**Education Business**"); and (b) publishes audio-visual products and electronic publications, and provides internet publishing service (through Neusoft Electronic Press) ("**Publishing Business**"), in China (collectively, 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. Details of the Consolidated Affiliated Entities are set out in the note 36 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, Summary of Other 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.

Directors' Report

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.

Directors' Report

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.

Directors' Report

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. Analysis of the principal activities of the Group and particulars of its major subsidiaries and the Consolidated Affiliated Entities during the year ended 31 December 2021 are set out in Notes 1 and 36 to the consolidated financial statements.

Business activities of the consolidated affiliated entities in the PRC and their significant financial contributions to the group

In 2021, revenue from the Contractual Arrangements of the Group was approximately RMB1,088.6 million, accounting for approximately 80.6% of the total revenue of the Group (2020: RMB873.1 million). As of 31 December 2021, the total assets of the Group's Contractual Arrangements were approximately RMB4,385.2 million, accounting for approximately 81.2% of the total asset of the Group (2020: RMB3,068.9 million). Analysis of the principal activities of the Group and particulars of its major subsidiaries and the Consolidated Affiliated Entities during the year ended 31 December 2021 are set out in Notes 1 and 36 to the consolidated financial statements.

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

Directors' Report

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 AizuNeusoft Innovation Hub and the Neusoft Education Technology Co., Ltd. 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. We planned to start sending teachers to Aizu in 2021 for exchange and to gain experience in running schools in Japan. However, as a result of global Covid-19 pandemic, we did not implement the teacher dispatch plan in 2021, which will be carried out on the premise that both the global pandemic is under control and the plan is permitted under China’s pandemic prevention policy.

Directors' Report

- (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 is in the process of communicating and negotiating with certain experienced and reputable overseas education services providers on potential collaboration opportunities, including expanding the Group’s school network 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. Due to the impact of the Coronavirus Disease pandemic, the establishment our Japanese subsidiary has not yet been completed. We 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 2021, there were no major changes in the Structured contracts and/or the circumstances under which of the structured contracts were adopted.

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.

Directors' Report

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.

5) 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 2021 were entered into and conducted pursuant to the relevant provisions thereunder; (ii) no dividends or other distributions have been paid by the Consolidated Affiliated Entities to their respective holders of equity and/or sponsor interests (where applicable) which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts were entered into, renewed or reproduced between the Group and our Consolidated Affiliated Entities during the year ended 31 December 2021.

6) 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 2021:

- (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 disclosed continuing connected transactions 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 had been made by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to our Group.

The auditors have reviewed the transactions carried out pursuant to the Contractual Arrangements during the year ended December 31, 2021 and advised the Board in writing (with a copy provided to the Stock Exchange) that (i) all transactions in relation to the structured contracts during the year ended 31 December 2021 were entered into and conducted pursuant to the relevant provisions thereunder; and (ii) no dividends or other distributions have been paid by the PRC Consolidated Affiliated Entities to their respective holders of equity and/or sponsor interests (where applicable) which are 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 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 2021 as set out in note 35 to the consolidated financial statements do not fall under connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules, except for Directors' emoluments, which form part of the "Directors' Remuneration" described in note 37 to the consolidated financial statements were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Listing Rules.

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 2021.

9. Subsidiaries

Particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

10. Purchase, Sale or Redemption of the Company's Listed Securities

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

11. Share Capital and Issued Shares

As of 31 December 2021, 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 2021, 668,705,600 shares were in issue and fully paid. Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 26 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 as at 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 unutilized 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 of the change in the use of proceeds from the IPO, please refer to the announcement of the Company dated 8 June 2021.

As of 31 December 2021, the use of proceeds from the IPO is as follows:

		Revised net proceeds from the IPO RMB million	Amount utilised as at 31 December 2021 RMB million	Amount unutilised as at 31 December 2021 RMB million	Expected timeline for fully utilising unutilised amount
	% of net proceeds				
Upgrading our existing school facilities and expanding our campus ⁽¹⁾	51.4%	399.6	233.0	166.6	2022
Acquisition of other schools ⁽²⁾	12.9%	100.0	50.0	50	2022
Repay commercial loans	25.4%	198.0	198.0	—	N/A
Supplement working capital ⁽³⁾	10.3%	79.9	66.1	13.8	2022
Total	100%	777.5	547.1	230.4	2022

Notes:

- (1) The delay of expected timeline for fully utilizing unutilized amount planned for upgrading our existing school facilities and expanding our campus is due to the impact of our university infrastructure construction payment process.
- (2) The delay of expected timeline for fully utilizing unutilized amount planned for acquisition of other schools is due to the impact of the deposit schedule of cooperation projects.
- (3) The delay of expected timeline for fully utilizing unutilized amount planned for supplement working capital is due to our sufficient working capital after charging tuition fees during the second half year of 2021.

13. Issued Bonds

For the year ended 31 December 2021, the Company did not issue or maintain any bonds.

14. Directors

As of 31 December 2021 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. YANG Li

Dr. ZHANG Yinghui

Mr. SUN Yinhan

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, Dr. LIU Jiren, Dr. WEN Tao and Dr. YANG Li shall retire from office as Directors at the annual general meeting. Except for Dr. Yang Li, who does not participate in re-election due to job change, all of the retiring Directors above, 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" on pages 36 to 43 of this Report.

16. Changes in Directors' or Chief Executive's Information

The Board has been authorized by the Shareholders at the annual general meeting held on 25 May 2021 to fix the remuneration of the Directors. Accordingly, as recommended by the remuneration committee of the Board and approved by the Board, the annual remuneration of each of the independent non-executive Directors, namely Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping, has been adjusted from HKD150,000 to HKD180,000 since 1 January 2022. Save as disclosed above and in the section headed "Directors and Senior Management" of this Report, there have been no other changes in the information of Directors and chief executive of the Company since the publication of the 2021 interim report up to the date of this Report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 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. All 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 2021 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 2021, 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	466,136,000	69.71%
WEN Tao ⁽²⁾	Beneficial interest	9,595,000	1.43%
RONG Xinjie ⁽²⁾	Beneficial interest	300,000	0.04%
YANG Li ⁽²⁾	Beneficial interest	3,420,000	0.51%
ZHANG Yinghui ⁽²⁾	Beneficial interest	3,145,000	0.47%
SUN Yinhan ⁽³⁾	Founder of a discretionary trust	65,010,000	9.72%

Notes:

- (1) Dr. LIU Jiren: (a) wholly-owns Kang Ruidao First, which holds all of the voting rights of Kang Ruidao; (b) controls the voting rights held by the proxy grantor (being Century Bliss) in the Company through the irrevocable voting proxies; and (c) 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, the proxy grantor (being Century Bliss), 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.
- (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) The percentage represents the total number of the Shares held by each Director divided by the number of issued Shares of the Company of 668,705,600 as at 31 December 2021.

Directors' Report

Interest in associated corporations***Dalian Development***

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
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 2021, 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 2021, 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 ⁽⁵⁾
Kang Ruidao ⁽¹⁾	Beneficial interest	150,245,000	22.47%
Kang Ruidao First ⁽¹⁾	Interest in a controlled corporation	150,245,000	22.47%
Dongkong First ⁽²⁾⁽³⁾	Beneficial interest	130,881,000	19.57%
Dongkong Second ⁽²⁾⁽³⁾	Beneficial interest	120,000,000	17.95%
Neusoft International ⁽²⁾	Interest in a controlled corporation	250,881,000	37.52%
Neusoft Holdings ⁽²⁾	Interest in a controlled corporation	250,881,000	37.52%
Century Bliss ⁽⁴⁾	Beneficial interest	65,010,000	9.72%
Deluxe Glorious Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	9.72%
Deluxe Capital Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	9.72%
TMF (Cayman) Ltd. ⁽⁴⁾	Trustee of a trust	65,010,000	9.72%

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 Education First Investment Inc. and Dongkong Education Second Investment Inc. 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, pursuant to which, CIIT already have a right to the Shares held by Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc on 29 September 2021 (being the time the share pledge became effective).
- (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. Accordingly, 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) The percentage represents the total number of the Shares held by each shareholder divided by the number of issued Shares of the Company of 668,705,600 as at 31 December 2021.

Directors' Report

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%
iMobile Inc.	Dalian Waye Information Service Co., Ltd.	Beneficial interest	40%
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%
Shanxi Cloud Age Service Center Co., Limited (山西雲時代事務中心有限公司) ⁽⁴⁾	Shanxi Cloud Age Neusoft Technology Co., Ltd.	Beneficial interest	40%

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.
- (4) According to publicly available information, Shanxi Cloud Age Technology Co., Limited (山西雲時代技術有限公司) wholly owns Shanxi Cloud Age Service Center Co., Limited (山西雲時代事務中心有限公司). Shanxi State-owned Asset Operation Co. Limited (山西省國有資本運營有限公司) wholly owns Shanxi Cloud Age Technology Co., Limited. The People's Government of Shanxi Province State-owned Asset Supervision and Administration Bureau (山西省人民政府國有資產監督委員會) wholly owns Shanxi State-owned Asset Operation Co. Limited. Therefore, the People's Government of Shanxi Province State-owned Asset Supervision and Administration Bureau, Shanxi State-owned Asset Operation Co. Limited and Shanxi Cloud Age Technology Co., Limited are all 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 2021 (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 27 May 2022. 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 Friday, 20 May 2022 to Friday, 27 May 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 19 May 2022.

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 Thursday, 2 June 2022 to Tuesday, 7 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 June 2022.

23. Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the sections headed "Connected Transactions", "Continuing Connected Transactions" and "Related Parties Transactions" of Directors' Reports in this Report and the note 35 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 2021 and up to the date of this Report.

24. Controlling Shareholders' Interests in Contracts of Significance

Save as reorganization related contracts of the Group entered into in respect of the Listing disclosed in the Prospectus, the section headed "Continuing Connected Transactions" and "Related Parties Transactions" of Directors' Reports herein and note 35 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 2021 and up to the date of this Report.

25. Directors' Interests in Competing Business

For the year ended 31 December 2021, 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 2021. 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 2021.

27. Permitted Indemnity Provisions

Pursuant to the Articles of Association, the Directors of the Company, managing directors, alternate Directors, auditors, 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

For the year ended 31 December 2021, 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 2021 and up to the date of this Report, 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 2021.

31. Results and Dividends

The results of the Group for the year ended 31 December 2021 set out in the consolidated income statement and consolidated statement of comprehensive income on pages 104 to 105 of this Report.

The Board has resolved to recommend the payment of a final dividend per share of HK14.1 cents for the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on 7 June 2022. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 27 May 2022, if approved, it will be paid in cash on or around 24 June 2022.

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.

Directors' Report

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 197 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 2021 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 2021, the Group had outstanding bank borrowings and interest accruals of approximately RMB2,152.4 million (2020: RMB1,161.1 million). Details of the borrowings are set out in note 30 to the consolidated financial statements.

38. Donations

In 2021, the Group donated RMB0 million (2020: RMB0.2 million).

39. Employee and Remuneration Policy

Details of the employee and remuneration policy of the Group are set out in the section of "Management Discussion and Analysis" 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 2021, 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 2021.

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 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 7.48% of the Company's total issued share as at 31 December 2021.

During the year ended 31 December 2021, 1,716,980 options have been cancelled, and 2,444,925 options have lapsed, together with 2,038,400 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. The terms of the Post-IPO Share Incentive Scheme are governed by Chapter 17 of the Listing Rules. 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 2021. The following is a summary of the principal terms of the Post-IPO Share Incentive Scheme.

Directors' Report

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 9.95% of the issued shares of the Company as of the date of this Report. 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).

Performance target

The Post-IPO Rules does not set out any performance targets that must be achieved before the options may be exercised. However, the Board may, at their sole discretion, specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

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.

Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his/her personal representative(s) in accordance with the Post-IPO Rules.

Directors' Report

Options granted to connected persons

Each grant of options to any Director or chief executive (as defined in the Listing Rules) or substantial shareholder (or their respective associates) must first be approved by our independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the caption grants). Where any grant of options to a substantial shareholder or an independent non-executive Director (or their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options will be subject to prior approval by the Shareholders in general meeting. In obtaining approval, we will send a circular to the Shareholders no later than the date on which we give notice of the general meeting to approve the grant of such options. The proposed grantee, his/her associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

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.

Restriction of grant of options

No offer shall be made and no option shall be granted to any participant in circumstances prohibited by the Listing Rules or at a time when the participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules). Furthermore, no offer shall be made and no option shall be granted:

- (a) during the period of 60 days immediately preceding the publication date of the Company's annual results announcement or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and
- (b) during the period of one month immediately preceding the publication date of the Company's half-year results announcement or, if shorter, the period from the end of the relevant half-year period up to the publication date of such results.

Such period will also cover any period of delay in the publication of any results announcement.

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 that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Cancellation of options

Any breaches of the Post-IPO Rules by a grantee may result in the options granted to that grantee being cancelled by the Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Incentive Scheme (excluding cancelled options) and in compliance with the Post-IPO Rules.

Lapse of options

An Option shall automatically lapse (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of the grant ("**Post-IPO Option Period**");
- (b) the expiry of any of the periods for exercising the option as referred to in the Post-IPO Rules; and
- (c) the date on which the grantee commits a breach of the Post-IPO Rules.

Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any option (or underlying Share) that has not been exercised.

Directors' Report

Effects of alterations in the capital structure of the Company

In the event of an alteration in the Company's capital structure, whilst any option remains exercisable, by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the Company's capital structure in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the Company's capital structure as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (a) the number or nominal amount of Shares comprised in each option so far as unexercised;
- (b) the subscription price; and/or
- (c) the method of exercise of the option,

or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards to any particular grantee, to be in their opinion fair and reasonable, provided that any such adjustments should give each grantee the same proportion of the equity capital of the Company as that to which that grantee was previously entitled prior to such adjustments, provided no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) in this is that of experts and not of arbitrators, and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by the Company.

Retirement, death or permanent physical or mental disability of a selected participant and other events

If a grantee ceases to be a selected participant by reason of (i) death of the grantee; (ii) termination of the grantee's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement; (iii) retirement of the grantee, the option may be exercised that has already vested on or before the date that the grantee ceases to be an eligible person within the Post-IPO Option Period, or such other period as the Board may decide in their sole discretion.

In the case of death of a grantee, the option that has already vested on or before the date that the grantee ceases to be an eligible person may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, or has not yet vested on or before the date that the grantee ceases to be an eligible person, the option shall lapse.

If a grantee, being an employee whose employment is terminated by the Group or its affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu notice, or the grantee having been convicted of any criminal offence involving his/her integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be a selected participant due to termination of the grantee's employment or contractual engagement with the Group by reason of redundancy, the option that has already vested on or before the date that the grantee ceases to be an Eligible Person may be exercised within three months of such cessation or within the Post-IPO Option Period, whichever is shorter, or such other period as the Board may decide in their sole discretion.

If a grantee ceases to be a selected participant other than in any of the circumstances described above, unless otherwise provided in the terms of the offer, a grantee may exercise his/her option within three months of such cessation or within the Post-IPO Option Period, whichever is the shorter, or such other period as the Board may decide in their sole discretion.

If an option is not exercised within the time mentioned above, the option shall lapse.

43. Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

44. Principal Properties

As of 31 December 2021, the details of the principal investment properties of the Group are set out as below:

Name and Location	Use	Approximate Ground Floor Area (square metre)	Lease Term	Whether freehold or not
The real estate located at Dalian Neusoft Education Health Technology Training Base Phase I (No. 50, North Section of Digital Road, Dalian High-tech Industrial Park	Leased out for management and operation of cardiovascular hospital	23,578.8 square metres	16 October 2021 to 15 October 2024	leasehold

For further details please refer to note 19 to the consolidated financial statements.

45. Reserves and Distributable Reserves

Details of movements in the reserves of the Company for the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements, of which, the reserves available for distribution to Shareholders as at 31 December 2021 are set out in note 27 to the consolidated financial statements.

46. Audit of Annual Results

The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2021, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Directors' Report

47. Auditor

PricewaterhouseCoopers is the auditor of the Company for the year ended 31 December 2021, and has audited the consolidated financial statements of the Company for the year ended 31 December 2021. 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 27 May 2022 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 2021, the Company has not changed the auditor.

48. Major Customers and Suppliers

Our customers

Our customers primarily are our students. For our education resources and apprenticeship programme, our customers primarily include universities/colleges, vocational schools, companies, and government agencies.

In 2021, 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 2021, the goods and services purchased by the Group from the five largest suppliers accounted for less than 30% of our operating costs.

49. 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 2021, 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.

50. 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 2021 and as of the date of this Report, 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.

51. 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.

52. Material Legal Proceedings

The Group was not involved in any material legal proceedings for the year ended 31 December 2021.

53. Compliance with Relevant Laws and Regulations

For the year ended 31 December 2021, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

54. Events Subsequent to the End of this Year

Save as set out in note 38 to the audited consolidated financial statements, the Group did not have any other material events during the period from 31 December 2021 to the date of this Report.

By order of the Board

Neusoft Education Technology Co. Limited

Chairperson

Dr. LIU Jiren

Hong Kong, 31 March 2022

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 104 to 196, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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, which include significant accounting policies 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) 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.

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

Assessment of control over the Consolidated Affiliated Entities through Contractual Arrangements

Refer to Notes 2.2.1(a) Subsidiaries — Consolidation — Subsidiaries controlled through Contractual Arrangements and 4(a) Critical estimates and judgements — Contractual Arrangements to the consolidated financial statements.

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 and consolidates these entities as its indirect subsidiaries in the consolidated financial statements of the Group.

How our audit addressed the Key Audit Matter

In response to this key audit matter, we have performed the following procedures:

- 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;

Independent Auditor's Report

Key Audit Matter

During the year ended 31 December 2021, 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 the Group's wholly foreign owned entities, 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.

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 2021.

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, which could have significant and pervasive implications to the consolidated financial statements.

Impairment assessment of goodwill and brand with indefinite useful lives

Refer to Note 2.8 Impairment of non-financial assets, Note 4(b) Critical accounting estimates and judgments — Estimation of goodwill impairment and brand impairment and Note 17(a) Intangible assets — Impairment tests for goodwill and brand to the consolidated financial statements.

The Group recognised goodwill and brand which have indefinite useful lives of RMB135 million and RMB89 million respectively as at 31 December 2021 arising from the acquisition of Tianjin Ruidao on 1 March 2020.

How our audit addressed the Key Audit Matter

- 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.

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.

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.

Independent Auditor's Report

Key Audit Matter

Management performed impairment reviews of goodwill and brand, which have indefinite useful lives, annually. 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 2021.

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.

How our audit addressed the Key Audit Matter

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:

- Tested the data, on a sample basis, used in management's discounted cash flow forecast by checking 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;

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.

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.

Independent Auditor's Report

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 IFRSs 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 are 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.
- 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.

Independent Auditor's Report

- 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, 31 March 2022

Consolidated Income Statement

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	6	1,363,126	1,100,011
Cost of revenue	10	771,696	(678,923)
Gross profit		591,430	421,088
Selling expenses	10	(38,394)	(32,473)
Administrative expenses	10	(144,687)	(231,232)
Research and development expenses	10	(46,105)	(33,215)
Net impairment losses on financial assets		(75)	(999)
Other income	7	112,744	103,606
Other expense	8	(32,892)	(23,918)
Other gains-net	9	4,154	3,764
Operating profit		446,175	206,621
Finance income	12	9,488	4,665
Finance expenses	12	(76,838)	(74,320)
Finance expenses-net	12	(67,350)	(69,655)
Profit before income tax		378,825	136,966
Income tax expenses	13	(77,605)	(34,030)
Profit for the year		301,220	102,936
Profit attributable to:			
— Owners of the Company		284,222	74,246
— Non-controlling interests		16,998	28,690
		301,220	102,936
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	15	0.43	0.14
Diluted earnings per share	15	0.41	0.14

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

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit for the year	301,220	102,936
Other comprehensive income/(loss)		
<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	6,722	—
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation	194	(782)
Other comprehensive income/(loss) for the year	6,916	(782)
Total comprehensive income for the year	308,136	102,154
Total comprehensive income attributable to:		
— Owners of the Company	291,138	73,464
— Non-controlling interests	16,998	28,690
	308,136	102,154

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

Consolidated Balance Sheet

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Investment properties	19	179,100	—
Right-of-use assets	18	658,298	663,286
Property, plant and equipment	16	2,684,499	1,543,474
Intangible assets	17	292,388	300,828
Deferred income tax assets	20	34,691	33,353
Prepayments, deposits and other receivables	23	58,050	11,500
Total non-current assets		3,907,026	2,552,441
Current assets			
Inventories		4,918	8,449
Trade and notes receivables	22	30,408	23,333
Prepayments, deposits and other receivables	23	94,130	57,442
Financial assets at fair value through profit or loss	24	134,565	35,233
Restricted cash	25	2,540	4,119
Cash and cash equivalents	25	1,228,478	1,426,063
Total current assets		1,495,039	1,554,639
Total assets		5,402,065	4,107,080
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	26	117	117
Share premium	27	2,915,130	2,919,030
Reserves	27	(1,961,446)	(1,598,071)
Retained earnings		544,474	277,171
Subtotal		1,498,275	1,598,247
Non-controlling interest		8,624	193,045
Total equity		1,506,899	1,791,292

Consolidated Balance Sheet

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	29	675	675
Borrowings	30	1,930,676	504,881
Deferred tax liabilities	20	41,253	42,408
Lease liabilities	18	39,236	46,302
Deferred income	31	33,598	27,517
Total non-current liabilities		2,045,438	621,783
Current liabilities			
Trade and other payables	29	715,153	341,540
Current income tax liabilities		58,076	26,407
Contract liabilities	6(c)	769,183	619,510
Borrowings	30	236,493	648,383
Lease liabilities	18	9,694	10,131
Deferred income	31	61,129	48,034
Total current liabilities		1,849,728	1,694,005
Total liabilities		3,895,166	2,315,788
Total equity and liabilities		5,402,065	4,107,080

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

The consolidated financial statements on pages 104 to 196 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

Dr. LIU Jiren

Director

Dr. WEN Tao

Director

Consolidated Statements of Changes in Equity

	Note	Attributable to owners of the Company							Non-controlling interests	Total	
		Share capital	Share premium	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2021		117	2,919,030	(1,756,337)	13,105	145,957	(796)	277,171	1,598,247	193,045	1,791,292
Comprehensive income											
Profit for the year		—	—	—	—	—	—	284,222	284,222	16,998	301,220
Other comprehensive income											
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties		—	—	—	—	—	6,722	—	6,722	—	6,722
Exchange differences on translation		—	—	—	—	—	194	—	194	—	194
Total comprehensive income		—	—	—	—	—	6,916	284,222	291,138	16,998	308,136
Transactions with owners in their capacity as owners											
Share-based compensation:											
— value of employee services	28	—	—	—	16,630	—	—	—	16,630	1,814	18,444
— exercise of share options	28	0	11,003	—	(6,210)	—	—	—	4,793	—	4,793
Profit appropriation to statutory reserves	27(a)	—	—	—	—	16,919	—	(16,919)	—	—	—
Transactions with non-controlling interests	27(b)	—	—	—	(397,630)	—	—	—	(397,630)	(204,703)	(602,333)
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	—	1,470	1,470
Dividends distribution	14	—	(14,903)	—	—	—	—	—	(14,903)	—	(14,903)
		0	(3,900)	—	(387,210)	16,919	—	(16,919)	(391,110)	(201,419)	(592,529)
Balance at 31 December 2021		117	2,915,130	(1,756,337)	(374,105)	162,876	6,120	544,474	1,498,275	8,624	1,506,899

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company									Non-controlling interests	Total
	Note	Share capital	Share premium	Merge 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		
Balance at 1 January 2020		88	2,046,481	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927
Comprehensive income											
Profit for the year		—	—	—	—	—	—	74,246	74,246	28,690	102,936
Other comprehensive loss		—	—	—	—	—	(782)	—	(782)	—	(782)
Total comprehensive income		—	—	—	—	—	(782)	74,246	73,464	28,690	102,154
Transactions with owners in their capacity as owners											
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	26	29	872,549	—	—	—	—	—	872,578	—	872,578
Share-based compensation — value of employee services	28	—	—	—	89,947	—	—	—	89,947	21,193	111,140
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	30,996	30,996
Profit appropriation to statutory reserves	27(a)	—	—	—	—	4,391	—	(4,391)	—	—	—
Transactions with non-controlling interests	27(b)	—	—	—	(12,697)	—	—	—	(12,697)	(23,577)	(36,274)
Deregistration or disposal of subsidiaries		—	—	—	—	—	—	—	—	(2,229)	(2,229)
		29	872,549	—	77,250	4,391	—	(4,391)	949,828	26,383	976,211
Balance at 31 December 2020		117	2,919,030	(1,756,337)	13,105	145,957	(796)	277,171	1,598,247	193,045	1,791,292

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

Consolidated Statements of Cash Flows

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations		772,230	594,621
Income taxes paid		(50,548)	(19,799)
Net cash generated from operating activities	32(a)	721,682	574,822
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		—	(320,736)
Prepayment for acquiring of Putian Xianliang Education Technology Co., Limited ("Putian Xianliang")	34(a)(i)	(50,000)	—
Purchases of property, plant and equipment		(1,068,272)	(403,006)
Payment for land use right		(30,798)	(60)
Proceeds from sale of property, plant and equipment	32(b)	2,685	2,744
Purchases of intangible assets	17	(3,186)	(5,559)
Purchases of financial assets measured at fair value through profit and loss	3.3	(1,009,300)	(691,425)
Settlement of financial assets measured at fair value through profit and loss	3.3	913,789	749,753
Decrease in restricted bank deposits		1,579	6,096
Interest received		9,488	4,726
Net cash used in investing activities		(1,234,015)	(657,467)
Cash flows from financing activities			
Transaction with non-controlling interests		(602,333)	(2,229)
Capital contribution from non-controlling interests		1,470	—
Professional expense paid in connection with the issuance of new shares during the listing process		—	(36,342)
Net proceeds from exercise of share options		5,224	—
Proceeds from borrowings	32(c)	1,972,317	643,433
Repayments of borrowings	32(c)	(973,063)	(489,114)
Borrowings from related parties	32(c), 35(a)	100,000	—
Borrowings from a third party	32(c)	20,000	20,000
Repayments of borrowings to related parties	32(c), 35(a)	(100,000)	—
Repayments of borrowings to a third party	32(c)	(5,256)	(20,000)
Dividends paid	32(c)	(13,265)	(467)
Interest paid	32(c)	(72,662)	(37,356)
Principal elements of lease payments	32(c)	(9,216)	(11,704)
Net proceeds from issuance of ordinary shares relating to the initial public offering		—	911,874

Consolidated Statements of Cash Flows

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Net cash generated from financing activities		323,216	978,095
Net increase in cash and cash equivalents		(189,117)	895,450
Cash and cash equivalents at the beginning of the year	25	1,426,063	562,882
Effects of exchange rate changes on cash and cash equivalents	12	(8,468)	(32,269)
Cash and cash equivalents at end of year	25	1,228,478	1,426,063

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**” or “**Neusoft Education Technology**”) 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**”) (collectively referred to as the “**Business**”).

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

Prior to the incorporation of the Company and the completion of the reorganisation, the Business was carried out by companies now comprising the Group, including 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**”), Chengdu Neusoft Software Co., Ltd. (“**Chengdu Software**”), Shanghai Ruixiang Information Technology Co., Ltd. (“**Shanghai Ruixiang**”), Dalian Neusoft Technology Development Co., Ltd. (“**Dalian Technology**”), Dalian Yunguan Information Technology Co., Ltd (“**Dalian Yunguan**”) and Foshan Yunguan Information Technology Co., Ltd. (“**Foshan Yunguan**”).

Pursuant to the reorganization in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”):

- (1) In 2018, Dalian Neusoft Education Technology Group Co. Limited (“**Dalian Education**”) was incorporated as a limited liability company in the PRC. Dalian Education acquired Shanghai Ruixiang and Dalian Yunguan from Dalian Development and Neusoft Holdings Co., Ltd. (“**Neusoft Holdings**”). Subsequently, in order to effectively realize the resource sharing and cost saving among all the schools, Neusoft Holdings transferred “Cloud services business” to Dalian Yunguan. Further, Tianjin Ruidao transferred education software development business to Dalian Yunguan.
- (2) On 6 September 2018, the Company established Neusoft Education Technology (BVI) Co., Limited (“**Neusoft Education BVI**”) as a limited liability company under the laws of the British Virgin Islands (BVI). On 26 September 2018, Neusoft Education BVI established Neusoft Education Technology (HK) Co. Limited (“**Neusoft Education HK**”) as a limited liability company under the laws of Hong Kong.
- (3) On 17 May 2019, Dalian Neusoft Ruixin Technology Development Co., Limited (“**Neusoft Ruixin**”) was incorporated as a limited liability company in the PRC with the registered capital of RMB10,000, and was held as 80.82% by Neusoft Education HK, 5.93% by Northeastern University Science & Technology Industry Group (“**Northeastern University**”), 8.40% by PICC Life Insurance Company Limited (“**PICC Life**”), and 4.85% by PICC Health Insurance Company Limited (“**PICC Health**”).
- (4) Due to the regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Consolidated Affiliated Entities in the PRC. Neusoft Ruixin has entered into the Contractual Arrangements with certain main Consolidated Affiliated Entities and their respective equity holders, which, effective from 21 June 2019. The Company is effectively control and receive all the economic benefits of the business and operation of all Consolidated Affiliated Entities.
- (5) The Consolidated Affiliated Entities engaged in the Listing Business were transferred to the Company.

Notes to the Consolidated Financial Statements

1. General information (continued)

On 1 March 2020, Dalian Education acquired 90.91% equity interest in Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (“**Tianjin Ruidao**”) from 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 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 significant 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 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) 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 revaluation of financial assets at fair value through profit or loss and investment properties.

The preparation of the consolidated financial statements in conformity with IFRS 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 or after 1 January 2021 and are applicable for the Group:

- Amendments to IFRS 16 on Covid-19 Related Rent Concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on Interest Rate Benchmark Reform Phase 2

The adoption of these interpretation and amendments to standards has had no significant impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)**2.1 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 2021, and have not been early adopted by the Group:

		Effective from annual period beginning on or after
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contract — Cost of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS standards 2018–2020	IFRS 1, IFRS 9, IFRS 16, and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 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.

(a) *Subsidiaries controlled through Contractual Arrangements*

As part of the reorganization, a subsidiary of the Company, Neusoft Ruixin, has entered into a series of Contractual Agreement with Dalian Development, the Schools and the equity shareholders including Dalian Kang Ruidao, Dalian Siwei, Liu Ming, Alpine China, Northeastern University, Yida Holdings Co., Ltd (Yida Holdings), PICC Life, and 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;
- 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 holders without prior consent of Neusoft Ruixin; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Subsidiaries controlled through Contractual Arrangements (continued)*

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 IFRSs.

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.

(b) *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.

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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Business combination not under common control (continued)*

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.

(c) *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.

(d) *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.

2.2.2 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.

2.3 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.4 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 gain or loss. 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.

(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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.5 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.

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 2.8).

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.

2.6 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 2.8).

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(b) *Customer relationship and brand*

Customer relationship and brand are initially recognized and measured at fair value in business combinations not under common control. Customer relationship is amortized 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 have 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 are initially recognized and measured at cost incurred to acquire and bring them to use. They are amortized on a straight-line basis over their estimated useful lives from 4 to 10 years, and recorded in amortization within operation expense in the consolidated income statement.

(d) *Research and development expenditures*

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized 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 recognized as an expense as incurred.

For the years ended 31 December 2021 and 2020, 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 significant accounting policies (continued)

2.7 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.

2.8 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. Assets that are subject to amortisation are reviewed 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.9 Investments and other financial assets

2.9.1 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 amortized 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.

2.9.2 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:

- **Amortized 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 amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains, net. 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 (losses)/gains, net.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.9 Investments and other financial assets (continued)

2.9.2 Recognition and measurement (continued)

Debt instrument (continued)

- Fair value through profit or loss (“**FVPL**”): Assets that do not meet the criteria for amortized 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 recognized in profit or loss and presented net in the consolidated income statement within other (losses)/gains, net in the period in which it arises.

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 recognized 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 recognized 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.

2.10 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.

2.11 Impairment of financial assets

The Group has types of financial assets subject to IFRS 9’s new 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 IFRS9, the identified impairment loss was immaterial.

The Group’s financial assets measured at amortized cost are subject to IFRS 9’s new expected credit loss model. The Group assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortized 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.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Inventory

Inventory are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprised raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2.17 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.17 Borrowings (continued)

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.

2.18 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.

2.19 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.

(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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)**2.19 Current and deferred income tax (continued)****(b) Deferred income tax (continued)***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.

2.20 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.

(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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.20 Employee benefits (continued)

(b) *Post-employment obligations (continued)*

Pension obligations (continued)

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.

2.21 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 recognized 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 recognized 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 recognizes 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 recognizing 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.22 Revenue from contracts with customers

Revenue are recognized 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 recognized 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 recognized as revenue proportionately over the school year based on the school calendar, while the boarding fees are recognized 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) *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 program, 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 programs 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 recognized 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.

(c) *Education resources and apprenticeship programme*

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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.22 Revenue from contracts with customers (continued)

(c) Education resources and apprenticeship programme (continued)

Education resources (continued)

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 2020, 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 recognized 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.

Apprenticeship programme

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.

Tianjin Ruidao offers students opportunities to intern at various enterprises after training them systematically and intensively. Tianjin Ruidao 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) Development of software system technology

Development of software system technology is recognized 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 recognized 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.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.23 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.

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. Amortization of land is calculated using the straight-line method to allocate their cost to their residual values over 36 to 47 years.

Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (continued)

2.24 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

2.25 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.

2.26 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.

Notes to the Consolidated Financial Statements

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 and restricted cash, detail of which has been disclosed in Note 25.

The Group's interest-rate risk arises from borrowings, details of which have been disclosed in Note 30. 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. During the year, the Group's borrowings bore interest at variable rates.

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 2021, if the interest rates on bank borrowings, restricted cash and cash and cash equivalents 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 RMB3,722,000 lower/higher (2020: RMB1,173,000 higher/lower).

(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.

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 deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of 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.

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. To measure the expected credit risk losses, trade receivables have been 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)*

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

	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 2021						
Expected loss rate	0.01%– 2.51%	0.15%– 18.39%	0.68%– 35.47%	1.08%– 100.00%	100.00%	
Gross carrying amount	26,057	1,456	140	4	506	28,163
Loss allowance	188	34	32	1	506	761

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	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 2020						
Expected loss rate	0.01%– 2.01%	0.02%– 13.53%	0.08%– 22.94%	0.18%– 35.35%	100.00%	
Gross carrying amount	18,467	588	1,399	170	387	21,011
Loss allowance	109	1	229	2	387	728

The loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Year ended 31 December 2021 RMB'000
Opening loss allowance	728
Increase in loss allowance recognized in profit or loss during the year	33
Receivables written off during the year as uncollectable	—
Closing loss allowance	761

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)

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 2021.

(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 2021, there is no non-compliance with such loan covenants.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30. 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.

As at 31 December 2021, the Group has cash and cash equivalents and restricted cash of approximately RMB1,231,018,000 (2020: RMB1,430,382,000) (Note 25), trade and other receivables excluding non-financial assets of approximately RMB57,918,000 (2020: RMB48,525,000) (Note 22) and notes receivables of RMB3,006,000 (2020: 3,050,000) (Note 22) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to the Consolidated Financial Statements

3. Financial risk management (continued)**3.1 Financial risk factors (continued)***(c) Liquidity risk (continued)*

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 2021						
Borrowings (principal plus interests)	334,948	199,902	1,132,068	1,135,455	2,802,373	2,167,169
Trade and other payables (excluding non-financial liabilities)	613,552	—	—	—	613,552	613,552
Lease liabilities	11,852	9,193	27,593	8,957	57,595	48,930
	960,352	209,095	1,159,661	1,144,412	3,473,520	2,829,651
	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 2020						
Borrowings (principal plus interests)	686,756	170,888	267,180	54,031	1,178,855	1,153,264
Trade and other payables (excluding non-financial liabilities)	248,744	—	—	—	248,744	248,744
Lease liabilities	13,286	10,960	22,356	18,538	65,140	56,433
	948,786	181,848	289,536	72,569	1,492,739	1,458,441

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.

Notes to the Consolidated Financial Statements

3. Financial risk management (continued)**3.2 Capital management (continued)**

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 2021 and 2020 was as follows:

	As at 31 December	
	2021	2020
The liability-to-asset-ratio	72.11%	56.39%

3.3 Fair value estimation*Financial assets*

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 2020 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.

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2021 and 2020:

	Level 3 RMB'000
At 31 December 2021	
Financial assets at fair value through profit or loss	134,565
At 31 December 2020	
Financial assets at fair value through profit or loss	35,233

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements

3. Financial risk management (continued)**3.3 Fair value estimation (continued)***Financial assets (continued)*

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 2021 and 2020:

	Financial products sponsored and managed by banks (Level 3) RMB'000
Balance at 1 January 2020	50
Acquisition of a subsidiary	90,540
Additions	691,425
Settlements	(749,753)
Gain and loss recognised in profit or loss (<i>Note 9</i>)	2,971
Balance at 31 December 2020	35,233
Balance at 1 January 2021	35,233
Additions	1,009,300
Settlements	(913,789)
Gain and loss recognised in profit or loss (<i>Note 9</i>)	3,821
Balance at 31 December 2021	134,565

The level 3 instruments represent bank wealth management products, measured at fair value through profit or loss (Note 24). 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.

Notes to the Consolidated Financial Statements

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

Financial assets (continued)

The valuation of the level 3 instruments mainly includes financial assets at fair value through profit or loss (Note 24). 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
	2021	2020		2021	2020	
	RMB'000	RMB'000				
Financial assets at fair value through profit or loss	134,565	35,233	Expected rate of return	1.3%–3.2%	2%–3.1%	The higher the expected rate of return, 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 RMB535,000 (2020: RMB152,000) lower/higher.

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.

Notes to the Consolidated Financial Statements

4. Critical estimates and judgements (continued)

(a) Contractual Arrangements (continued)

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 2021.

(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 2.6. 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 2021.

(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 amortization 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.

Notes to the Consolidated Financial Statements

4. Critical estimates and judgements (continued)**(e) Estimation of the useful lives of property, plant and equipment**

As at 31 December 2021, the net book values of certain buildings that owned by Guangdong University are RMB252,851,000 (2020: RMB273,808,000). 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.

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 and major customers

No single customer accounted for more than 10% of the Group's total revenues for the years ended 31 December 2021 and 2020.

6. Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Full-time formal higher education services	1,025,205	801,616
— Tuition fees	935,359	755,279
— Boarding fees	88,371	44,320
— Rental income of telecommunication device	1,475	2,017
Continuing education services (i)	132,645	124,359
Education resources and apprenticeship programme	205,276	174,036
— Education resources	140,138	92,518
— Apprenticeship programme	65,138	81,518
	1,363,126	1,100,011

- (i) During the year, Tianjin Ruidao and its subsidiaries fulfilled the agreed employment rate with the customer and did not return any Committed Fees (2020: Nil).

Notes to the Consolidated Financial Statements

6. Revenue (continued)

(a) Revenue from contracts with customers

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<i>Revenue from the transfer of goods and services over time</i>		
Full-time formal higher education services	1,023,730	799,599
— Tuition fees	935,359	755,279
— Boarding fees	88,371	44,320
Continuing education services	132,645	124,359
Education resources and apprenticeship programme	133,850	133,067
— Education resources	68,712	51,549
— Apprenticeship programme	65,138	81,518
<i>Revenue from the transfer of goods and services at a point in time</i>		
Education resources and apprenticeship programme	71,426	40,969
— Education resources	71,426	40,969
	1,361,651	1,097,994

(b) Revenue from other sources

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Full-time formal higher education services		
— Rental income of telecommunication device	1,475	2,017

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 2021 and 2020 and will be expected to be recognized within one year:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Full-time formal higher education services	674,626	546,258
— Tuition fees	610,657	490,447
— Boarding fees	63,969	55,811
Continuing education services	50,043	53,082
Education resources and apprenticeship programme	40,098	14,845
— Education resources	40,098	14,845
Development of software system technology	4,416	5,325
	769,183	619,510

The Group receives tuition fees, boarding fees, continuing education services fees, education resources and apprenticeship programme fee, and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognized over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognized.

Notes to the Consolidated Financial Statements

6. Revenue (continued)**(c) Contract liabilities (continued)****(1) Revenue recognized in relation to contract liabilities**

The following table shows the revenue recognized for the years ended 31 December 2021 and 2020 related to brought-forward contract liabilities:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Full-time formal higher education services	546,258	445,530
— Tuition fees	490,447	400,600
— Boarding fees	55,811	44,930
Continuing education services	53,082	41,795
Education resources and apprenticeship programme	14,845	233
— Education resources	14,845	233
Development of software system technology	5,325	1,878
	619,510	489,436

(2) Unsatisfied contracts

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Expected to be recognized within one year		
Full-time formal higher education services	674,626	546,258
— Tuition fees	610,657	490,447
— Boarding fees	63,969	55,811
Continuing education services	50,043	53,082
Education resources and apprenticeship programme	78,882	24,895
— Education resources	78,882	24,895
Development of software system technology	4,416	5,325
	807,967	629,560

Notes to the Consolidated Financial Statements

7. Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income from properties	37,382	31,398
Property service and management income	24,067	18,359
Government grants and subsidies	32,981	43,126
Development of software system technology	15,768	9,918
Interest income from loan to related parties and third party	53	61
Others	2,493	744
	112,744	103,606

8. Other expenses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	7,592	6,755
Property maintenance and fire protection expenses	6,775	5,599
Development of software system technology expenses	12,619	6,992
Utilities expenses	4,065	3,018
Employee benefit expenses (Note 11)	791	536
Amortization of land use rights and intangible assets	922	884
Others	128	134
	32,892	23,918

9. Other gains and losses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gains on financial assets at fair value through profit or loss	3,821	2,971
Donation received	584	1,354
Net losses on disposal of property, plant and equipment	(291)	(652)
Net losses on disposal of intangible assets	(1,630)	—
Written back of payables	801	—
Others	869	91
	4,154	3,764

Notes to the Consolidated Financial Statements

10. Expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (<i>Note 11</i>)	555,289	571,516
Depreciation and amortization expenses	138,982	132,211
Property management, landscaping and maintenance expenses	53,288	47,082
Office and utilities expenses	107,917	76,160
Rental expense	40,805	43,907
Cost of goods sold	27,327	10,718
Subcontract cost (a)	25,963	27,683
Taxes and fees	8,709	7,652
Auditors' remuneration	4,050	3,800
Consulting and professional fees	3,064	1,496
Listing expenses	—	29,468
Others	35,488	24,150
	1,000,882	975,843

- (a) Subcontract cost mainly includes the service fee paid by Guangdong University and Tianjin Ruidao to subcontractors. Guangdong University mainly paid service fee to Foshan Wentong Education Consulting Services Co., Ltd. ("**Wentong Education**") for the administration and training service provided for adult students of the 2018/2019, 2019/2020 and 2020/2021 school year under continuing education services in Guangdong University. Since 1 January 2021, Guangdong University terminated cooperation with Wentong Education and took up the related administration and providing training service by itself. Tianjin Ruidao and its subsidiaries paid service fee to subcontractors for outsourced education resources and other services.

Notes to the Consolidated Financial Statements

11. Employee benefit expense

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	429,242	371,898
Share-based compensation (Note 28)	18,444	111,144
Contributions to pension plan (a)	42,588	28,759
Welfare and other expenses	65,806	60,251
	556,080	572,052

(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 2021 include 2 Directors (2020: 3 Directors), whose remuneration are included in the analysis presented in Note 37. Details of the remunerations of the remaining highest paid non-director individuals during the year are set out as below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Share-based compensation expenses (Note 28)	2,975	9,961
Wages and salaries	5,853	3,920
Welfare and other expenses (i)	58	27
Contributions to pension plan (i)	42	14
Total employee benefit expense	8,928	13,922

- (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 and, welfare and other expenses.

Notes to the Consolidated Financial Statements

11. Employee benefit expense (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	
	Years ended 31 December	
	2021	2020
Emolument band		
HKD 9,000,001 HKD 9,500,000	—	1
HKD 7,000,001 HKD 7,500,000	—	1
HKD 4,000,001 HKD 4,500,000	1	—
HKD 3,500,001 HKD 4,000,000	1	—
HKD 2,500,001 HKD 3,000,000	1	—

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	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income from deposits	9,488	4,665
	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance expenses		
Interest expenses from bank	(92,133)	(51,729)
Interest expenses from leasing	(2,471)	(2,798)
Interest expenses from related party	(1,414)	—
Other charges	(336)	(347)
Net foreign exchange losses	(8,468)	(32,269)
Less: Amount capitalized (a)	27,984	12,823
	(76,838)	(74,320)
Finance expenses — net	(67,350)	(69,655)

(a) Finance costs have been capitalized on qualifying assets at an average interest rate of 5.10% and 4.81% per annum for the year ended 31 December 2021 and 2020, respectively.

Notes to the Consolidated Financial Statements

13. Income tax expense

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current tax on profits for the year	82,339	36,987
Deferred income tax (Note 20)	(4,734)	(2,957)
	77,605	34,030

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	
	2021 RMB'000	2020 RMB'000
Profit before income tax	378,825	136,966
Tax calculated at a taxation rate of 25%	94,706	34,242
The impact of preferential tax rate	(34,533)	(34,969)
Expenses and losses not deductible for tax purposes	5,813	31,860
Tax losses for which no deferred tax assets was recognised	8,861	10,126
Non-taxable income	(1,381)	(3,075)
Utilisation of previously unrecognised tax losses	(3,623)	(4,154)
PRC withholding tax	8,205	—
Others	(443)	—
Tax charge	77,605	34,030

(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.

(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.

Notes to the Consolidated Financial Statements

13. Income tax expense (continued)

(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 PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

Except for dividends declared amounted to RMB80,820,000 by Neusoft Ruixin to Neusoft Education HK on 31 December 2021, 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. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as at the end of the year.

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 0% to 20%, which are:

- Dalian Yunguan is qualified as high-tech enterprise in 2020. It is subject to an EIT rate of 15% for the years ended 31 December 2021 and 2020.
- Shanghai Ruixiang is exempt from EIT for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2019 to 2021. It is subject to an EIT rate of 12.5% for the years ended 31 December 2021 and 2020.
- Dalian Education is exempt from EIT for two years since 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2021 to 2023. It is subject to an EIT rate of 12.5% and 0% for the years ended 31 December 2021 and 2020.
- The subsidiaries of Tianjin Ruidao are small low-profit enterprises, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Suzhou Neusoft Technology Development Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Chengdu Neusoft Education Technology Group Co., Limited is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Dalian Technology is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Nanjing Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Huzhou Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

13. Income tax expense (continued)**(vi) Preferential EIT rate (continued)**

- Putian Neusoft Digital Technology Lab Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Zhengzhou Neusoft Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.
- Chengdu Ruixiang Skill Training School Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2021.

(vii) Deferred tax assets not recognised

As at 31 December 2021, the Group has unused tax losses of RMB96,563,000 (2020: RMB66,854,000), 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.

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 approximately RMB13,265,000 (HKD0.027 per share) (2020: Nil) were paid during the year ended 31 December 2021.

A dividend in respect of the year ended 31 December 2021 of HKD0.141 per share (2020: HKD0.027 per share), in an aggregate amount of HKD94,436,000 (equivalent to RMB77,211,000) (2020: RMB14,903,000) 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 27 May 2022. 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	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	284,222	74,246
Weighted average number of ordinary shares in issue (thousands)	666,991	542,466
Basic earnings per share (in RMB)	0.43	0.14

(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	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	284,222	74,246
Weighted average number of ordinary shares in issue (thousands)	666,991	542,466
Adjustments for share options granted to employees (thousands)	18,996	4,458
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	685,987	546,924
Diluted earnings per share (in RMB)	0.41	0.14

Notes to the Consolidated Financial Statements

16. Property, plant and equipment

	Buildings	Renovation	Motor	Electronic	Furniture and fixtures	Others	Construction in progress	Total
	RMB'000	RMB'000	vehicles	equipment	and	RMB'000	RMB'000	RMB'000
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020								
Cost	1,402,704	55,156	4,795	191,482	140,304	18,257	138,532	1,951,230
Accumulated depreciation	(467,705)	(16,580)	(4,011)	(145,519)	(102,806)	(12,242)	—	(748,863)
Net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Year ended								
31 December 2020								
Opening net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Acquisition of a subsidiary	—	4,983	—	14,448	1,080	608	—	21,119
Additions	—	8,128	—	25,890	8,084	1,607	384,179	427,888
Transfer upon completion	128,300	218	—	—	—	—	(128,518)	—
Disposals	(1,441)	—	—	(1,849)	(93)	(13)	—	(3,396)
Depreciation charge	(53,457)	(9,983)	(176)	(27,867)	(11,241)	(1,780)	—	(104,504)
Closing net book amount	1,008,401	41,922	608	56,585	35,328	6,437	394,193	1,543,474
At 31 December 2020								
Cost	1,529,563	68,485	4,795	229,971	149,375	20,459	394,193	2,396,841
Accumulated depreciation	(521,162)	(26,563)	(4,187)	(173,386)	(114,047)	(14,022)	—	(853,367)
Net book amount	1,008,401	41,922	608	56,585	35,328	6,437	394,193	1,543,474
Year ended								
31 December 2021								
Opening net book amount	1,008,401	41,922	608	56,585	35,328	6,437	394,193	1,543,474
Additions	579	11,149	736	43,430	19,480	3,849	1,334,918	1,414,141
Transfer upon completion	910,694	—	—	13	2	—	(910,709)	—
Transfer to investment properties	—	—	—	—	—	—	(159,547)	(159,547)
Disposals	—	—	(43)	(1,269)	(1,591)	(73)	—	(2,976)
Depreciation charge	(61,453)	(12,998)	(179)	(23,765)	(10,236)	(1,962)	—	(110,593)
Closing net book amount	1,858,221	40,073	1,122	74,994	42,983	8,251	658,855	2,684,499
At 31 December 2021								
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

(a) Construction in progress as at 31 December 2021 comprises buildings being constructed.

(b) As at 31 December 2021, buildings with a net book value of RMB76,277,000 (2020: RMB81,417,000) had been leases out.

Notes to the Consolidated Financial Statements

17. Intangible assets

	Goodwill	Brand	Customer relationship	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020					
Cost	—	—	—	24,110	24,110
Accumulated amortisation	—	—	—	(13,374)	(13,374)
Net book amount	—	—	—	10,736	10,736
Year ended 31 December 2020					
Opening net book amount	—	—	—	10,736	10,736
Acquisition of a subsidiary	134,937	89,499	66,907	2,357	293,700
Additions	—	—	—	5,559	5,559
Amortisation charge	—	—	(5,576)	(3,591)	(9,167)
Closing net book amount	134,937	89,499	61,331	15,061	300,828
At 31 December 2020					
Cost	134,937	89,499	66,907	32,026	323,369
Accumulated amortisation	—	—	(5,576)	(16,965)	(22,541)
Net book amount	134,937	89,499	61,331	15,061	300,828
Year ended 31 December 2021					
Opening net book amount	134,937	89,499	61,331	15,061	300,828
Additions	—	—	—	3,186	3,186
Disposals	—	—	—	(1,632)	(1,632)
Amortisation charge	—	—	(6,691)	(3,303)	(9,994)
Closing net book amount	134,937	89,499	54,640	13,312	292,388
At 31 December 2021					
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

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 CGU, Tianjin Ruidao. The following tables set out the key assumptions for the CGU:

	As at 31 December 2021
Revenue growth rate (%)	10%–20%
EBITDA (% of revenue) (%)	18%–21%
Long-term growth rate (%)	2.60%
Pre-tax discount rate (%)	15.95%

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 cash-generating units.

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	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	613,358	609,191
Leased properties	44,940	54,095
	658,298	663,286
Lease liabilities		
Current	9,694	10,131
Non-current	39,236	46,302
	48,930	56,433

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 10)	26,909	26,179
Interest expense (Note 12)	2,471	2,798
Expense relating to short-term leases (Note 10)	40,805	43,907
	70,185	72,884

The total cash outflow for leases during the year ended 31 December 2021 is RMB11,687,000 (Note 32).

(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 2021, two parcels of land (2020: four parcels of land) owned by Guangdong University with a net book value of RMB2,190,000 (2020: RMB11,981,000) 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. Lease payments for the contracts include CPI increases, but there are no other variable lease payment that depend on an index or rate. 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 realize any reduction in residual value at the end of these leases. Rental income recognised during the year ended 31 December 2021 was RMB37,382,000 (2020: RMB31,398,000), details of which are included in note 7.

As at 31 December 2021, the Group has future minimum lease payments receivable on leases of properties are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
No later than 1 year	37,726	33,048
Later than 1 year and no later than 5 years	70,560	48,677
Later than 5 years	2,919	3,836
	111,205	85,561

Notes to the Consolidated Financial Statements

19. Investment Properties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Opening net book amount	—	—
Transfer from property, plant and equipment	159,547	—
Transfer from right-of-use assets	10,590	—
Fair value gains on investment properties, net	8,963	—
Closing net book amount	179,100	—

On 24 September 2021, the Group entered into an agreement with a wholly-owned subsidiary of Neusoft Holdings after arm's length negotiations under which investment properties were leased out and would be used for the management and operation of cardiovascular hospital. The hospital is part of the science-technology park to the university, as well as the practical training hospital 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 educational resources for majors in healthcare technology.

(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 2021, 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.

(b) Valuation techniques

Fair value of the investment properties are derived using the income approach. The income approach is based on the capitalisation of net rental income and reversionary income potential by adopting appropriate capitalisation rates. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

Notes to the Consolidated Financial Statements

19. Investment Properties (continued)

(c) Information about fair value measurements using significant unobservable inputs (level 3)

Property category	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range of unobservable inputs
	2021 RMB'000				
Leased properties	179,100	Income approach	Term yield	5.5%	
			Reversionary yield	6.0%	
			Monthly rental	RMB47 to RMB55 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 2021 was approximately RMB3,614,000. Direct expenses from properties that generated rental income were RMB479,000.

Notes to the Consolidated Financial Statements

20. Deferred income tax assets and liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	2,252	1,649
Deferred income tax assets to be recovered after more than 12 months	32,439	31,704
	34,691	33,353
Deferred income tax liabilities		
Deferred income tax liabilities to be settled within 12 months	(2,795)	(3,428)
Deferred income tax liabilities to be settled after more than 12 months	(38,458)	(38,980)
	(41,253)	(42,408)

The gross movement of the Group's deferred income tax assets is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	33,353	34,809
Credited/(Debited) to the consolidated statements of comprehensive income	1,338	(1,456)
End of the year	34,691	33,353

The gross movement of the Group's deferred income tax liabilities is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	(42,408)	(6,779)
Acquisition of a subsidiary	—	(40,042)
Credited to the consolidated statements of comprehensive income	1,155	4,413
End of the year	(41,253)	(42,408)

Notes to the Consolidated Financial Statements

20. Deferred income tax assets and liabilities (continued)

The movements in deferred income tax assets and liabilities of the Group during the year ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred tax assets

	Unrealised gain on intra-group transactions RMB'000	Impairment loss RMB'000	Property Plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2021	33,160	193	—	33,353
Credited/(debited) to the consolidated statements of comprehensive income	928	(27)	437	1,338
Balance at 31 December 2021	34,088	166	437	34,691

	Unrealised gain on intra-group transactions RMB'000	Impairment loss RMB'000	Property Plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2020	34,809	—	—	34,809
Credited/(debited) to the consolidated statements of comprehensive income	(1,649)	193	—	(1,456)
Balance at 31 December 2020	33,160	193	—	33,353

(b) Deferred tax liabilities

	Customer relationship RMB'000	Brand RMB'000	Investment Property RMB'000	Property, plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2021	(15,333)	(22,374)	—	(4,701)	(42,408)
Credited/(debited) to the consolidated statements of comprehensive income	1,869	—	(2,241)	1,527	1,155
Balance at 31 December 2021	(13,464)	(22,374)	(2,241)	(3,174)	(41,253)

Notes to the Consolidated Financial Statements

20. Deferred income tax assets and liabilities (continued)**(b) Deferred tax liabilities (continued)**

	Customer relationship RMB'000	Brand RMB'000	Investment Property RMB'000	Property, plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2020	—	—	—	(6,779)	(6,779)
Acquisition of a subsidiary	(16,727)	(22,374)	—	(941)	(40,042)
Credited to the consolidated statements of comprehensive income	1,394	—	—	3,019	4,413
Balance at 31 December 2020	(15,333)	(22,374)	—	(4,701)	(42,408)

21. Financial instruments

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2021			
Assets as per balance sheet			
Trade and other receivables excluding non-financial assets	57,918	—	57,918
Financial products as designed by a financial institution (<i>Note 24</i>)	—	134,565	134,565
Cash and cash equivalents (<i>Note 25</i>)	1,228,478	—	1,228,478
Restricted cash (<i>Note 25</i>)	2,540	—	2,540
	1,288,936	134,565	1,423,501

Notes to the Consolidated Financial Statements

21. Financial instruments (continued)

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2020			
Assets as per balance sheet			
Trade and other receivables excluding non-financial assets	48,525	—	48,525
Financial products as designed by a financial institution (Note 24)	—	35,233	35,233
Cash and cash equivalents (Note 25)	1,426,063	—	1,426,063
Restricted cash (Note 25)	4,119	—	4,119
	1,478,707	35,233	1,513,940
			Amortised cost RMB'000
At 31 December 2021			
Liabilities as per balance sheet			
Borrowings (Note 30)			2,167,169
Trade and other payables excluding non-financial liabilities (Note 29)			613,552
			2,780,721
			Amortised cost RMB'000
At 31 December 2020			
Liabilities as per balance sheet			
Borrowings (Note 30)			1,153,264
Trade and other payables excluding non-financial liabilities (Note 29)			248,744
			1,402,008

Notes to the Consolidated Financial Statements

22. Trade and notes receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Due from related parties <i>(Note 35 (b))</i>	4,240	3,564
Receivables from continuing education services	3,517	5,164
Receivables from education resources services	19,426	11,734
Receivables from development of software system technology	50	200
Others	930	349
	28,163	21,011
Less: Provision for impairment of trade receivables	(761)	(728)
Trade receivables — net	27,402	20,283
Notes receivables	3,006	3,050
	30,408	23,333

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade receivables granted by the Group are generally no more than 180 days after the invoice date. As at 31 December 2021 and 2020, the ageing analysis of the trade receivable was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 6 months	25,829	18,634
6 months to 1 year	1,197	591
1 to 2 years	495	1,222
More than 2 years	642	564
	28,163	21,011

- (b) The Group applies the simplified approach to providing expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristic and days past due. The expected credit losses also incorporate forward looking information.

Notes to the Consolidated Financial Statements

23. Prepayments, deposits and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other receivables and deposits		
Due from related parties (<i>Note 35 (b)</i>)	—	48
Loan receivable from third parties	1,200	1,300
Advance to staff	1,778	1,890
Advance to third parties	4,039	2,711
Deposits	14,921	16,774
Deductible VAT input	41,198	15,819
Others	4,811	1,741
	67,947	40,283
Less: Provision for impairment of other receivables	(313)	(271)
	67,634	40,012
Less: non-current portion		
— Deposits	(8,050)	(11,500)
Other receivables and deposits — current portion	59,584	28,512

Notes to the Consolidated Financial Statements

23. Prepayments, deposits and other receivables (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayment		
Prepayment for utilities	6,397	4,298
Prepayment for leases	21,337	23,206
Prepayment to related parties (Note 35 (b))	17	17
Prepayments for acquisition of Putian Xianliang (Note 34(a)(i))	50,000	—
Prepayment to others	6,795	1,409
Less: non-current portion		
— Prepayments for acquisition of Putian Xianliang (Note 34(a)(i))	(50,000)	—
Prepayments — current portion	34,546	28,930
Total prepayments, deposits and other receivables — current portion	94,130	57,442

The Group's prepayments, deposits and other receivables were denominated in RMB and the carrying amounts approximated their fair values.

24. Financial assets at fair value through profit or loss

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets		
Financial products sponsored and managed by banks (Note 3.3)	134,565	35,233

Notes to the Consolidated Financial Statements

25. Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash on hand	196	146
Cash at banks	1,228,282	1,425,727
Short-term deposit with initial terms within three months	—	190
	1,228,478	1,426,063

(b) Restricted cash

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
For securing deposits	2,540	4,119

Notes to the Consolidated Financial Statements

26. Share capital

Authorised:

As at 31 December 2021 and 2020, 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 2020	500,000,000	100,000	88	2,046,481	2,046,569
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs (a)	166,667,200	33,333	29	872,549	872,578
As at 31 December 2020	666,667,200	133,333	117	2,919,030	2,919,147
As at 1 January 2021	666,667,200	133,333	117	2,919,030	2,919,147
Dividends distribution	—	—	—	(14,903)	(14,903)
Exercise of share options	2,038,400	408	0	11,003	11,003
As at 31 December 2021	668,705,600	133,741	117	2,915,130	2,915,247

- (a) Upon completion of the IPO, the Company issued 166,667,200 new shares at par value of HKD0.0002 each for cash consideration of HKD6.22 each and raised gross proceeds of approximately HKD1,036,670,000 (equivalent to RMB911,876,000). The respective share capital amount was approximately RMB29,000 and share premium arising from the issuance was approximately RMB872,549,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB39,327,000 were treated as a deduction against the share premium arising from the issuance.

Notes to the Consolidated Financial Statements

27. Share premium and reserves

	Share premium	Merge reserve	Capital reserve	Statutory surplus reserves(a)	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	2,919,030	(1,756,337)	13,105	145,957	(796)	1,320,959
Share-based compensation						
— value of employee services	—	—	16,630	—	—	16,630
— exercise of share options	11,003	—	(6,210)	—	—	4,793
Profit appropriation to statutory surplus reserves (a)	—	—	—	16,919	—	16,919
Transactions with non-controlling interests (b)(i)	—	—	(397,630)	—	—	(397,630)
Dividends distribution	(14,903)	—	—	—	—	(14,903)
Other comprehensive income	—	—	—	—	6,916	6,916
At 31 December 2021	2,915,130	(1,756,337)	(374,105)	162,876	6,120	953,684
At 1 January 2020	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	872,549	—	—	—	—	872,549
Share-based compensation	—	—	89,947	—	—	89,947
Profit appropriation to statutory surplus reserves (a)	—	—	—	4,391	—	4,391
Transactions with non-controlling interests	—	—	(12,697)	—	—	(12,697)
Other comprehensive loss	—	—	—	—	(782)	(782)
At 31 December 2020	2,919,030	(1,756,337)	13,105	145,957	(796)	1,320,959

Notes to the Consolidated Financial Statements

27. Share premium and reserves (continued)**(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.

(b) Transactions with non-controlling interests

- (i) On 25 February 2021, the Group’s wholly-owned subsidiaries, Dalian Sidi Technology Co., Ltd. (“**Dalian Sidi**”) and Dalian Xindi Technology Co., Ltd. (“**Dalian Xindi**”), entered into share purchase agreements with two non-controlling shareholders of the Group, PICC Life Insurance Company Limited (“**PICC Life**”) and PICC Health Insurance Company Limited (“**PICC Health**”), to acquire their equity interest of 8.40% and 4.85% in Dalian Neusoft Ruixin Technology Development Co., Limited (“**Neusoft Ruixin**”) at purchase considerations of approximately RMB263,770,000 and RMB152,296,000 respectively.

On 8 May 2021, the Group’s wholly-owned subsidiary, Dalian Ruidi Technology Co., Ltd. (“**Dalian Ruidi**”), entered into the equity transfer agreement with a non-controlling shareholder of the Group, Northeastern University Science & Technology Industry Group (“**Northeastern University**”), to acquire equity interests of 5.93% in Neusoft Ruixin at a purchase consideration of approximately RMB186,209,000.

Notes to the Consolidated Financial Statements

27. Share premium and reserves (continued)

(b) Transactions with non-controlling interests (continued)

(i) (continued)

On 1 June 2021, the Group completed aforementioned transactions and owned additional 19.18% equity interests of Neusoft Ruixin. Immediately prior to the completion of the transactions, the carrying amount of the equity attributable to the non-controlling shareholders with 19.18% interests in Neusoft Ruixin was RMB204,703,000. The Group recognized a decrease in non-controlling interests by RMB204,703,000 and a decrease in equity attributable to the owners of the parent by RMB397,630,000.

Upon completion of transactions above, Neusoft Ruixin became an indirectly wholly-owned subsidiary of the Group.

- (ii) On 19 May 2020, Dalian Education 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, Dalian Education has the option to acquire from Tianjin Ruiyi, and Tianjin Ruiyi has the option to sell to Dalian Education, a 9.09% equity interest in Tianjin Ruidao for a consideration of approximately RMB36,274,000. Pursuant to the Agreement, Dalian Education 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.

28. 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 authorized 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 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 2020, no options has been granted or agreed to be granted pursuant to Post-IPO Share Incentive Scheme.

Notes to the Consolidated Financial Statements

28. Share option (continued)**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.

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 2021	49,074,200	3.11
Forfeited during the year	(3,236,105)	3.11
Exercised during the year	(2,038,400)	3.11
Outstanding as of 31 December 2021	43,799,695	3.11
Exercisable as of 31 December 2021	30,732,295	3.11
Outstanding as of 1 January 2020	—	—
Granted during the year	50,000,000	3.11
Forfeited during the year	(925,800)	3.11
Exercised during the year	—	—
Outstanding as of 31 December 2020	49,074,200	3.11
Exercisable as of 31 December 2020	21,725,000	3.11

The weighted-average remaining contract life for outstanding share options was 8.67 years as of 31 December 2021 (2020: 9.67 years).

Notes to the Consolidated Financial Statements

28. Share option (continued)**Pre-IPO Share Incentive Scheme (continued)***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:

	Year ended 31 December 2021
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.

The weighted average fair value of granted share options was HKD3.45 per share, for the years ended 31 December 2021.

The total expenses recognized in the consolidated income statements for share options granted under Pre-IPO Share Incentive Scheme were RMB18,444,000 for the year ended 31 December 2021 (2020: RMB111,144,000).

Notes to the Consolidated Financial Statements

29. Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
Amount due to third parties	9,852	4,133
Other payables		
Amount due to related parties (<i>Note 35(b)</i>)	4,525	1,336
Miscellaneous expenses received from students	64,116	50,567
Payables in relation to the Listing	—	216
Salary and welfare payables	83,084	81,729
Deposits	34,173	30,424
Government subsidies payable to students	5,927	7,901
Payables for purchases of property, plant and equipment	427,891	82,022
Payables for administrative cost	13,453	14,317
Tax payables	17,554	11,742
Interest payables to bank	3,251	7,786
Redemption liability (<i>Note 27 (b)(iii)</i>)	36,274	36,274
Dividend payable	1,638	—
Others	14,090	13,768
Less: non-current portion		
— Amount due to a third party	(675)	(675)
Other payables — current portion	705,301	337,407
Total trade and other payables	715,153	341,540

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2021 and 2020, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 6 months	9,852	4,133

Notes to the Consolidated Financial Statements

30. Borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings		
— secured	1,716,828	428,881
— unsecured	366,686	275,950
Current portion of long term borrowings		
— secured	(118,592)	(55,000)
— unsecured	(42,120)	(144,950)
	1,922,802	504,881
Borrowings from a financial institution		
— secured	14,744	—
Current portion of long-term borrowings		
— secured	(6,870)	—
	7,874	—
Short-term borrowings		
Bank borrowings		
— unsecured	68,911	448,433
Current portion of long term borrowings		
— secured	118,592	55,000
— unsecured	42,120	144,950
	229,623	648,383
Borrowings from a financial institution		
— secured	—	—
Current portion of long-term borrowings		
— secured	6,870	—
	6,870	—
Total borrowings	2,167,169	1,153,264

Notes to the Consolidated Financial Statements

30. Borrowings (continued)

- (a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Neusoft Holdings (<i>Note 35 (d)</i>)	1,456,828	85,000

- (b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings	4.92%	4.90%

- (c) The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowing facilities	1,317,304	2,119,387

- (d) The maturity date of the following was analysed as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	236,493	648,383
Between 1 and 2 years	103,365	147,881
Between 2 and 5 years	928,009	330,800
More than 5 years	899,302	26,200
	2,167,169	1,153,264

- (e) As at 31 December 2021, the Group's borrowings were denominated in RMB.

Notes to the Consolidated Financial Statements

30. Borrowings (continued)

- (f) On 12 October 2017, Guangdong University entered into a loan agreement with a bank. On 5 January 2018, an additional RMB60,000,000 was borrowed under the contract. As at 31 December 2021, the loan balance is RMB70,000,000 (31 December 2020: RMB100,000,000). Guangdong University has pledged the collection rights of the tuition, accommodation and other service fees from 27 September 2017 to 31 December 2035 to the bank.

On 17 January 2020, Guangdong University further entered into a loan agreement with the bank. As at 31 December 2021, the loan balance is RMB35,000,000 (31 December 2020: RMB45,000,000). Guangdong University has pledged the collection rights of the tuition fees from 17 January 2020 to 31 December 2035.

On 16 March 2021, Guangdong University further entered into a loan agreement with the bank. As at 31 December 2021, the outstanding loan balance is RMB100,000,000 (31 December 2020: Nil). Guangdong University has pledged the collection rights of the tuition fees from 1 January 2021 to 31 December 2035.

On 27 October 2021, Guangdong University further entered into a loan agreement with the bank. As at 31 December 2021, the outstanding loan balance is RMB30,000,000 (31 December 2020: Nil). Guangdong University has pledged the collection rights of the tuition fees from 1 January 2021 to 31 December 2035.

On 6 December 2021, Guangdong University further entered into a loan agreement with the bank. As at 31 December 2021, the outstanding loan balance is RMB25,000,000 (31 December 2020: Nil). Guangdong University has pledged the collection rights of the tuition fees from 1 January 2021 to 31 December 2035.

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 2021, the balance in this bank account is RMB42,453,000 (31 December 2020: RMB7,266,000).

As at 31 December 2021, the loan balance with RMB327,228,000 (31 December 2020: RMB198,881,000) was loaned from a bank by Dalian University since 28 March 2019. Dalian University has pledged 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 2021, the balance in this bank account is RMB19,000 (31 December 2020: RMB4,000).

On 26 November 2020, Dalian University entered into a loan agreement with a bank. During the year of 2021, an additional RMB480,000,000 was borrowed under the contract. As at 31 December 2021, the outstanding loan balance is RMB565,000,000 (31 December 2020: RMB85,000,000). Dalian University has pledged the collection rights of the tuition fees from 19 November 2020 to 18 November 2035 to the bank.

As at 31 December 2021, the loan balance with RMB207,100,000 was loaned from a bank by Chengdu University since 21 April 2021. Chengdu University has pledged the collection rights of the tuition fees from 21 April 2021 to 20 April 2036 to the bank.

Notes to the Consolidated Financial Statements

30. Borrowings (continued)

(f) (continued)

On 24 June 2021, Dalian Ruidi, Dalian Sidi, Dalian Xindi entered into a loan agreement with a bank with loan balances of RMB110,500,000, RMB156,500,000 and RMB90,500,000 as at 31 December 2021. Dalian Ruidi, Dalian Sidi and Dalian Xindi have mortgaged 5.93%, 8.4% and 4.85% equity interests of Neusoft Ruixin from June 2021 to June 2026 to the bank.

On 31 March 2021, Dalian Education entered into a loan agreement with a bank. Dalian Education has pledged the 90.91% equity interests of Tianjin Ruidao from 1 March 2021 to 1 March 2024 to the bank. The loan was fully repaid to the bank on 29 November 2021, the outstanding loan balance is nil as at 31 December 2021.

As at 31 December 2021, 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 4.45% to 5.23%.

(g) On 30 April 2021, Dalian University entered into a loan agreement with a financial institution. Dalian University has pledged self-owned equipment from 30 April 2021 to 30 April 2024 to the financial institution. The outstanding loan balance is RMB14,744,000 as at 31 December 2021.

(h) As at 31 December 2021, in addition to the above loans, the other unsecured loan balances were RMB435,597,000 (31 December 2020: RMB724,383,000).

31. Deferred income

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Deferred government grants (a)	33,598	27,517
Current:		
Deferred government grants (a)	49,485	40,699
Rental	11,644	7,335
	61,129	48,034
	94,727	75,551

(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

32. Notes to consolidated statement of cash flows

(a) Cash generated from operations:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	378,825	136,966
Adjustments for:		
— Depreciation of property, plant and equipment (Note 16)	110,593	104,504
— Amortisation of intangible assets (Note 17)	9,994	9,167
— Depreciation of right-of-use assets (Note 18)	26,909	26,179
— Net losses on disposal of property, plant and equipment (Note 9)	291	652
— Net losses on disposal of intangible assets (Note 9)	1,630	—
— Gains in profit or loss on financial instrument (Note 9)	(3,821)	(2,260)
— Interest income (Note 12)	(9,488)	(4,726)
— Finance expenses (Note 12)	76,502	73,973
— Share-based compensation (Note 11)	18,444	111,144
— Provision for impairment on financial assets (Note 22, Note 23)	75	999
Operating cash flows before movements in working capital	609,954	456,598
Changes in working capital:		
— Trade and notes receivables (Note 22)	(7,108)	(11,088)
— Prepayments, deposits and other receivables (Note 23)	(33,280)	2,368
— Decrease/(increase) in inventories	3,531	(5,135)
— Deferred income (Note 31)	19,178	7,007
— Contract liabilities (Note 6)	149,673	110,597
— Trade and other payables	30,282	34,274
Cash generated from operations	772,230	594,621
Income taxes paid	(50,548)	(19,799)
Net cash generated from operations	721,682	574,822

Notes to the Consolidated Financial Statements

32. 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	
	2021 RMB'000	2020 RMB'000
Net book amount (<i>Note 16</i>)	2,976	3,396
Loss on disposal of property, plant and equipment (<i>Note 9</i>)	(291)	(652)
Proceeds from disposal of property, plant and equipment	2,685	2,744

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Borrowing from financial institution	Borrowing from related parties	Borrowing from a third party	Dividends	Lease liabilities	Total
As at 1 January 2021	1,161,050	—	—	—	56,433	1,217,483
Cash flows						
— Proceeds from borrowings	1,972,317	100,000	—	—	—	2,072,317
— Repayments of borrowings	(973,063)	(100,000)	—	—	—	(1,073,063)
— Borrowings from a third party	—	—	20,000	—	—	20,000
— Repayments of borrowings to a third party	—	—	(5,256)	—	—	(5,256)
— Lease principal elements paid	—	—	—	—	(9,216)	(9,216)
— Interest paid	(67,823)	(1,414)	(954)	—	(2,471)	(72,662)
— Dividends paid	—	—	—	(13,265)	—	(13,265)
Non-cash movements	—	—	—	—	—	—
— Addition of lease liabilities	—	—	—	—	6,723	6,723
— Interest accrued	63,195	1,414	954	—	2,471	68,034
— Dividends declared	—	—	—	14,903	—	14,903
— Others	—	—	—	—	(5,010)	(5,010)
As at 31 December 2021	2,155,676	—	14,744	1,638	48,930	2,220,988

Notes to the Consolidated Financial Statements

32. 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	Borrowing from related parties	Borrowing from a third party	Dividends	Lease liabilities	Total
As at 1 January 2020	1,002,236	—	—	467	45,248	1,047,951
Cash flows						
— Proceeds from borrowings	643,433	—	—	—	—	643,433
— Repayments of borrowings	(489,114)	—	—	—	—	(489,114)
— Borrowings from a third party	—	—	20,000	—	—	20,000
— Repayments of borrowings to a third party	—	—	(20,000)	—	—	(20,000)
— Lease principal elements paid	—	—	—	—	(11,704)	(11,704)
— Interest paid	(34,558)	—	—	—	(2,798)	(37,356)
— Dividends paid	—	—	—	(467)	—	(467)
Non-cash movements	—	—	—	—	—	—
— Addition of lease liabilities	—	—	—	—	22,889	22,889
— Interest accrued	38,906	—	—	—	2,798	41,704
— Others	147	—	—	—	—	147
As at 31 December 2020	1,161,050	—	—	—	56,433	1,217,483

Notes to the Consolidated Financial Statements

33. Contingencies

The Group did not have any significant contingencies items as of 31 December 2021 and 2020.

34. Commitments**Capital commitments**

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Commitment for acquisition of property, plant and equipment and land use right	431,881	826,137
Commitment for acquisition of Putian Xianliang	Note (i)	

(i) Commitment for acquisition of equity interests of Putian Xianliang

On 12 April 2021, Dalian Education entered into a cooperation agreement ("**Cooperation Agreement**") with Fujian Jiantou Group Co., Limited ("**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. Dalian Education 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**").

Notes to the Consolidated Financial Statements

34. Commitments (continued)

Capital commitments (continued)

(i) *Commitment for acquisition of equity interests of Putian Xianliang (continued)*

Earnest Money and payment terms

Pursuant to the Cooperation Agreement, Dalian Education 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 Dalian Education 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. Dalian Education 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 Dalian Education 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.

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 Dalian Education 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.

Notes to the Consolidated Financial Statements

35. 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 Neusoft Siwei Technology Development Co., Ltd.	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd.	A company controlled by Neusoft Holdings
Qiqin Technology (Beijing) Co., Ltd.	A company controlled by Neusoft Holdings
Shanghai Sirui Information Technology Company Limited	A company controlled by Neusoft Holdings
Guangzhou SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Tianjin SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Puer Jinggu Yunshe Hotel Co., Ltd.	A company controlled by Neusoft Holdings
Neusoft Health Medical Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Cardiovascular Hospital Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Cardiovascular Hospital	A company controlled by Neusoft Holdings
Dalian Ruikang Stomatological Hospital Management Co., Ltd.	A company controlled by Neusoft Holdings

Notes to the Consolidated Financial Statements

35. Significant related party transactions (continued)

(a) Transactions with related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Borrowings from related parties		
Owner who has significant influence over the Company		
<i>(Note (i))</i>		
Balance at 1 January	—	—
Borrowings from related parties	100,000	—
Repayments of borrowings to related parties	(100,000)	—
Interest payable to related parties	1,414	—
Repayments of interest to related parties	(1,414)	—
Balance at 31 December	—	—

- (i) On 26 April 2021, the Group received loans from Neusoft Holdings with a floating interest rate raised by 15% on the base of Loan Prime Rate (LPR) for one-year loan. The loans are unsecured have been fully repaid on 11 August 2021.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Receiving outsourcing services		
A company controlled by Liu Jiren	101	36
A company controlled by Neusoft Holdings	1,239	—
Receiving entrustment services		
Owner who has significant influence over the Company	1,148	1,727
	2,488	1,763

Receiving 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

35. Significant related party transactions (continued)

(a) Transactions with related parties (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Providing apprenticeship programme services		
A company controlled by Neusoft Holdings	53,735	57,139
Providing rental and property management services		
A company controlled by Liu Jiren	1,500	1,455
Companies controlled by Neusoft Holdings	5,085	302
	60,320	58,896

Providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

(b) Balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables due from related parties		
Companies controlled by Neusoft Holdings	4,240	3,564
Other receivables due from related parties		
A company controlled by Neusoft Holdings	—	48
Other payables due to related parties		
Owner who has significant influence over the Company	2,118	21
A company controlled by Liu Jiren	238	238
Companies controlled by Neusoft Holdings	2,169	1,077
	4,525	1,336

Notes to the Consolidated Financial Statements

35. Significant related party transactions (continued)**(b) Balances with related parties (continued)**

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts prepaid by related parties		
A company controlled by Liu Jiren	226	226
Companies controlled by Neusoft Holdings	76	64
	302	290
Amounts prepaid to related parties		
A company controlled by Liu Jiren	17	17

As at 31 December 2021 and 2020, 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.

(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	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	10,201	12,904
Share-based compensation	8,487	51,617
Contributions to pension plans	168	141
Welfare and other expenses	168	163
	19,024	64,825

(d) Borrowings guaranteed by related party

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Owner who has significant influence over the Company	1,456,828	85,000

Notes to the Consolidated Financial Statements

36. Subsidiaries

As at 31 December 2021 and 2020, 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			
				2021	2020		
Directly held:							
Neusoft Education BVI	BVI	20 August 2018	—	100%	100%	100%	Investment holding in BVI
Indirectly held:							
Dalian Development	PRC	10 July 2002	RMB359,000,000	100%	80.82%	100%	Investment Holding & Estate Management in PRC
Dalian University	PRC	29 April 2004	RMB350,190,000	100%	80.82%	100%	Higher education in PRC
Neusoft Electronic Press	PRC	21 April 2005	RMB5,000,000	100%	80.82%	100%	Publishing in PRC
Dalian Technology	PRC	10 October 2013	RMB10,000,000	100%	80.82%	100%	Investment holding in PRC
Chengdu Development	PRC	8 July 2002	RMB195,800,000	100%	80.82%	100%	Investment holding in PRC
Chengdu University	PRC	10 June 2003	RMB230,663,174	100%	80.82%	100%	Higher education in PRC
Foshan Development	PRC	8 January 2002	RMB150,700,000	100%	80.82%	100%	Investment holding in PRC
Guangdong University	PRC	24 February 2003	RMB158,400,000	100%	80.82%	100%	Higher education in PRC
Shanghai Ruixiang	PRC	14 April 2017	RMB5,000,000	100%	80.82%	100%	Software development in PRC
Dalian Yunguan	PRC	17 February 2013	RMB20,000,000	100%	80.82%	100%	Software development in PRC
Foshan Yunguan (note (a))	PRC	24 June 2016	RMB5,000,000	—	80.82%	—	Software development in PRC
Neusoft Education HK	Hong Kong	26 September 2018	HKD100	100%	100%	100%	Investment holding in Hong Kong
Neusoft Training School	PRC	29 August 2018	RMB1,000,000	100%	80.82%	100%	Training service in PRC
Dalian Neusoft Industry Management Services Co., Ltd.	PRC	14 August 2018	RMB3,000,000	100%	80.82%	100%	Property management in PRC
Dalian Education	PRC	3 August 2018	RMB10,000,000	100%	80.82%	100%	Investment holding in PRC
Neusoft Ruixin	PRC	17 May 2019	RMB10,000	100%	80.82%	100%	Investment holding in PRC
Chengdu Neusoft Education Technology Group Co., Limited	PRC	26 April 2019	RMB1,000,000	100%	80.82%	100%	Investment holding in PRC
Suzhou Neusoft Technology Development Co., Ltd.	PRC	23 January 2020	—	100%	80.82%	100%	Investment holding in PRC
Tianjin Ruidao	PRC	22 March 2012	RMB110,000,000	100%	80.82%	100%	Training service in PRC

Notes to the Consolidated Financial Statements

36. 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			
				2021	2020		
Indirectly held: (continued)							
Shenyang Neusoft Software Talent Training School	PRC	9 September 2008	RMB300,000	100%	80.82%	100%	Training service in PRC
Dalian Neusoft Software Talent Training Centre	PRC	8 May 2009	RMB1,000,000	100%	80.82%	100%	Training service in PRC
Tianjin City Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School (note (a))	PRC	13 August 2015	RMB1,000,000	—	80.82%	—	Training service in PRC
Nanjing Neusoft Ruidao Information Technology Co., Ltd.	PRC	5 March 2014	—	100%	80.82%	100%	Training service in PRC
Nanjing Neusoft Talent Training Centre	PRC	28 July 2009	RMB300,000	100%	80.82%	100%	Training service in PRC
Shenyang Neusoft Ruidao Education Services Co., Ltd.	PRC	9 July 2012	RMB5,000,000	100%	80.82%	100%	Training service in PRC
Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	6 December 2012	RMB2,000,000	100%	80.82%	100%	Training service in PRC
Qingdao Xihaian Newtown Neusoft Ruidao Software Talent Training School	PRC	12 November 2013	RMB1,200,000	100%	80.82%	100%	Training service in PRC
Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	31 December 2013	RMB1,000,000	100%	80.82%	100%	Training service in PRC
Guangzhou Neusoft Software Talent Vocational Training School	PRC	13 July 2015	RMB1,000,000	100%	80.82%	100%	Training service in PRC

Notes to the Consolidated Financial Statements

36. 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			
				2021	2020		
Indirectly held: (continued)							
Chongqing Neusoft Ruidao Information Technology Co., Ltd.	PRC	11 July 2017	RMB2,000,000	100%	80.82%	100%	Training service in PRC
Dalian Neusoft Ruichang Technology Development Co., Ltd.	PRC	22 August 2014	RMB10,000,000	100%	80.82%	100%	Software development in PRC
Chengdu Neusoft Software Co., Ltd. (note (a))	PRC	17 June 2010	RMB10,000,000	—	80.82%	—	Software development in PRC
Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd.	PRC	29 October 2019	RMB1,200,000	100%	80.82%	100%	Training service in PRC
Qinhuangdao Neusoft Venture School	PRC	15 March 2016	RMB5,000,000	90%	72.74%	90%	Training service in PRC
Tianjin Neusoft Ruichang Technology Business Incubator Co., Ltd.	PRC	18 April 2016	RMB1,000,000	60%	48.49%	60%	Software development in PRC
Dalian Waye Information Service Co., Ltd. (note (a))	PRC	15 March 2016	RMB10,739,000	48.49%	48.49%	—	Software development in PRC
Guangdong Ruidao Gongchuang Technology CO., Ltd.	PRC	29 April 2016	RMB10,000,000	51%	41.22%	51%	Software development in PRC
Dalian Zhisheng Technology Co., Ltd.	PRC	23 September 2020	RMB139,754,000	100%	100%	100%	Investment holding in PRC
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

Notes to the Consolidated Financial Statements

36. 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			
				2021	2020		
Indirectly held: (continued)							
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	—	100%	80.82%	100%	Software development in PRC
Tianjin Port Baoshui Zone Neusoft Ruidao Vocational Training School Co., Ltd.	PRC	4 September 2020	RMB4,784,000	100%	80.82%	100%	Training service in PRC
Dalian DOIT Human Resource Service Co., Ltd.	PRC	11 November 2020	RMB2,000,000	100%	80.82%	100%	Investment holding in PRC
Ningbo Wanli Neusoft Digital Technology Co., Ltd.	PRC	28 December 2020	RMB3,000,000	51.00%	41.22%	51.00%	Investment holding in PRC
Nanjing Ruidao Digital Technology Co., Ltd. (note(b))	PRC	30 August 2021	RMB300,000	100%	—	100%	Software development in PRC
Huzhou Ruidao Digital Technology Co., Ltd. (note(b))	PRC	26 August 2021	RMB1,000,000	100%	—	100%	Software development in PRC
Putian Neusoft Digital Technology Lab Co., Ltd. (note(b))	PRC	9 July 2021	—	100%	—	100%	Software development in PRC
Zhengzhou Neusoft Ruidao Digital Technology Co., Ltd. (note(b))	PRC	23 November 2021	—	100%	—	100%	Training service in PRC
Shanxi Yunshidai Neusoft Digital Technology Co., Ltd. (note(b))	PRC	3 August 2021	—	60%	—	60%	Software development in PRC
Chengdu Ruixiang Skill Training School Co., Ltd. (note(b))	PRC	19 October 2021	RMB1,000,000	100%	—	100%	Training service in PRC

Notes to the Consolidated Financial Statements

36. Subsidiaries (continued)

Notes:

- (a) Foshan Yunguan has been deregistered on 7 February 2021.

Chengdu Neusoft Software Co., Ltd. has been deregistered on 22 October 2021.

Tianjin City Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School has been deregistered on 31 March 2021.

Dalian Way Information Service Co., Ltd. has been deregistered on 25 January 2022.

- (b) Nanjing Ruidao Digital Technology Co., Ltd., Huzhou Ruidao Digital Technology Co., Ltd., Putian Neusoft Digital Technology Lab Co., Ltd., Zhengzhou Ruidao Neusoft Digital Technology Co., Ltd., Shanxi Yunshidai Neusoft Digital Technology Co., Ltd., Chengdu Ruixiang Skill Training School Co., Ltd. were newly incorporated companies during the year ended 2021.

37. 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), YANG Li (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 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 year ended 31 December 2021 and 2020 are set out below:

During the year ended 31 December 2021, 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 2021	Fees RMB'000	Salary and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Share-based compensation (note (a)) RMB'000	Total RMB'000
Executive director:						
WEN Tao	—	1,922	48	29	3,043	5,042
Non-executive directors:						
YANG Li	—	729	24	27	685	1,465
ZHANG Yinghui	—	2,300	29	26	761	3,116
Independent non-executive directors:						
LIU Shulian	125	—	—	—	—	125
QU Daokui	125	—	—	—	—	125
WANG Weiping	125	—	—	—	—	125
	375	4,951	101	82	4,489	9,998

Notes to the Consolidated Financial Statements

37. Benefits and interests of Directors (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2020	Fees RMB'000	Salary and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Share-based compensation (note (a)) RMB'000	Total RMB'000
Executive director:						
WEN Tao	—	4,312	48	27	13,117	17,504
Non-executive directors:						
YANG Li	—	1,423	24	25	6,073	7,545
ZHANG Yinghui	—	1,620	25	26	5,321	6,992
Independent non-executive directors:						
LIU Shulian	32	—	—	—	—	32
QU Daokui	32	—	—	—	—	32
WANG Weiping	32	—	—	—	—	32
	96	7,355	97	78	24,511	32,137

Note:

(a) 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:

- (i) the amount recognized as an expense in the period in accordance with IFRS2 Share-based payment; or
- (ii) 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 choose the second approach to estimate the money value of Share-based compensation to directors.

During the year ended 31 December 2021, WEN Tao, YANG Li and ZHANG Yinghui have 2,400,000, 540,000 and 600,000 Class B share options vested on 31 March 2021 with the market price of HKD5.18 and exercise price of HKD3.11 (Note 28). Accordingly, the estimated money value of share options is RMB3,043,000, RMB685,000 and RMB761,000 respectively.

During the year ended 31 December 2020, WEN Tao, YANG Li and ZHANG Yinghui was granted 4,795,000, 2,220,000 and 1,945,000 Class A share options respectively to reward their past years' contribution to the Group on 31 August 2020. Such options were vested immediately on the Listing date with the Offer Price of HKD6.22 and exercise price of HKD3.11 (Note 28). Accordingly, the estimated money value of share options is RMB13,117,000, RMB6,073,000 and RMB5,321,000 respectively. During the year ended 31 December 2020, no Class B share options are vested.

Notes to the Consolidated Financial Statements

37. Benefits and interests of Directors (continued)

(b) Directors' retirement benefits

No director's retirement benefit subsisted as of 31 December 2021 and 2020 or at any time during all the years presented.

(c) Directors' termination benefits

No director's termination benefit subsisted as of 31 December 2021 and 2020 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 of 31 December 2021 and 2020 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 of 31 December 2021 and 2020 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 of 31 December 2021 and 2020 or at any time during all the years presented.

38. Subsequent events

As at the date on which the consolidated financial statements were approved, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

Notes to the Consolidated Financial Statements

39. Financial position and reserve movement of the Company

(a) Financial position of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	2,017,054	2,068,228
Total non-current assets	2,017,054	2,068,228
Current assets		
Cash and cash equivalents	8,899	15,394
Prepayments, deposits and other receivables	785,806	808,573
Total current assets	794,705	823,967
Total assets	2,811,759	2,892,195
EQUITY		
Equity attributable to owners of the Company		
Share capital	117	117
Reserves (note 39(b))	2,794,215	2,879,033
Total equity	2,794,332	2,879,150
LIABILITIES		
Current liabilities		
Trade and other payables	17,427	13,045
Total current liabilities	17,427	13,045
Total liabilities	17,427	13,045
Total equity and liabilities	2,811,759	2,892,195

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf:

Dr. LIU Jiren

Director

Dr. WEN Tao

Director

Notes to the Consolidated Financial Statements

39. 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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	2,919,030	111,140	(124,947)	(26,190)	2,879,033
Loss for the year	—	—	—	(4,886)	(4,886)
Dividends distribution	(14,903)	—	—	—	(14,903)
Share-based compensation					
— value of employee services	—	18,444	—	—	18,444
— exercise of share options	11,003	(6,210)	—	—	4,793
Currency translation differences (<i>Note a</i>)	—	—	(88,266)	—	(88,266)
At 31 December 2021	2,915,130	123,374	(213,213)	(31,076)	2,794,215
At 1 January 2020	2,046,481	—	37,217	(14,119)	2,069,579
Loss for the year	—	—	—	(12,071)	(12,071)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	872,549	—	—	—	872,549
Share-based compensation					
— value of employee services	—	111,140	—	—	111,140
Currency translation differences (<i>Note a</i>)	—	—	(162,164)	—	(162,164)
At 31 December 2020	2,919,030	111,140	(124,947)	(26,190)	2,879,033

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				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	731,390	853,167	958,228	1,100,011	1,363,126
Cost of revenue	(496,958)	(580,884)	(635,226)	(678,923)	(771,696)
Gross profit	234,432	272,283	323,002	421,088	591,430
Operating profit	196,850	207,571	235,675	206,621	446,175
Profit before income tax	161,583	171,005	198,968	136,966	378,825
Profit for the year	143,215	163,678	175,015	102,936	301,220
Profit for the year attributable to owners of the Company	114,818	131,991	139,213	74,246	284,222
Adjusted net profit (<i>note i</i>)	143,215	173,042	195,743	275,817	328,132
Adjusted net profit attributable to owners of the Company	114,818	141,355	159,941	225,930	309,320

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				
	2017	2018	2019	2020	2021
Gross profit margin	32.1%	31.9%	33.7%	38.3%	43.4%
Net profit margin	19.6%	19.2%	18.3%	9.4%	22.1%
Adjusted net profit margin	19.6%	20.3%	20.4%	25.1%	24.1%

Assets and liabilities

	As at 31 December				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,435,594	1,436,050	1,927,909	2,552,441	3,907,026
Current assets	520,517	379,618	628,267	1,554,639	1,495,039
Current liabilities	1,096,219	888,575	1,244,324	1,694,005	1,849,728
Net current assets (liabilities)	(575,702)	(508,957)	(616,057)	(139,366)	(354,689)
Total assets less current liabilities	859,892	927,093	1,311,852	2,413,075	3,552,337
Non-current liabilities	233,139	385,030	598,925	621,783	2,045,438
Total equity	626,753	542,063	712,927	1,791,292	1,506,899
Total equity and non-current liabilities	859,892	927,093	1,311,852	2,413,075	3,552,337

Financial Summary

Extracted major items

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Property, plant and equipment	1,108,960	1,076,197	1,202,367	1,543,474	2,684,499
Cash and cash equivalents	332,558	214,834	562,882	1,426,063	1,228,478
Contract liabilities	411,766	449,944	489,436	619,510	769,183
Borrowings	426,500	527,980	998,798	1,153,264	2,167,169

Financial ratios

	For the year ended 31 December				
	2017	2018	2019	2020	2021
Asset to liability ratio	68.0%	70.1%	72.1%	56.4%	72.1%
Gearing ratio (<i>Note ii</i>)	103.2%	107.0%	146.4%	67.5%	147.1%

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 of the end of the year.

Cash flows

	For the year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Net cash generated from operating activities	343,724	343,203	380,972	574,822	721,682

Definitions

“%”	per cent
“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 measure that eliminates the effect of certain non-recurring items from our profit for the year. See “Financial Information — 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)) and a Shareholder as of 31 December 2021
“Apex Venture”	Apex Venture Holdings, Inc., a company incorporated under the laws of the United States and a Shareholder as of 31 December 2021
“APP”	an application, especially as downloaded by a user to a mobile device
“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 2021
“CG Code”	The Corporate Governance Code contained in Appendix 14 of the previous Listing Rules, which expired on 1 January 2022 and shall be in compliance with in the fiscal years commencing on or before 31 December 2021

Definitions

“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 Operating Entity
“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
“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 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)

Definitions

“Dalian Education”	Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司, formerly known as 東軟教育科技(大連)有限公司), a company incorporated under PRC Laws on 3 August 2018 and a wholly-owned subsidiary of Neusoft Ruixin
“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 Ruikang Hospital”	Dalian Ruikang Cardiovascular Hospital Management Co., Limited (大連睿康心血管醫院管理有限公司), a company incorporated under the PRC laws on 4 February 2021 and an indirect wholly-owned subsidiary of Neusoft Holdings
“Dalian Siwei”	Dalian Neusoft Siwei Technology Development Co., Ltd. (大連東軟思維科技發展有限公司)
“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 Neusoft Ruixin
“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 Neusoft Ruixin
“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
“Dr. J. Liu” or “Chairperson”	LIU Jiren (劉積仁), the Chairperson, Director and a core founding member of the Group

Definitions

“Dr. Qu”	QU Daokui (曲道奎), our Director
“Dr. S. Liu”	LIU Shulian (劉淑蓮), our Director
“Dr. Wang”	WANG Weiping (王衛平), our Director
“Dr. Wen”	WEN Tao (溫濤), our Director
“Dr. Yang”	YANG Li (楊利), our Director
“Dr. Zhang”	ZHANG Yinghui (張應輝), our Director
“FIL”	the Foreign Investment Law (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
“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 Foshan University, and a company incorporated under PRC Laws on 8 January 2002 and a wholly-owned subsidiary of our Operating Entity
“Foshan Yunguan”	Foshan Yunguan Information Technology Co., Ltd. (佛山雲觀信息技術有限公司), a company incorporated under PRC Laws on 24 June 2016 and a wholly-owned subsidiary of Dalian Yunguan
“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

Definitions

“Hong Kong dollars” or “HK dollars” or “HK\$”	the current lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“IFRS”	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
“Irrevocable Voting Proxies”	voting proxy arrangements granted by each of Century Bliss, Alpine Electronics and Apex Venture, to Dr. J. Liu in respect of voting rights attached to our Shares, and each of the arrangements, an “Irrevocable Voting Proxy.” See “Relationship with our Controlling Shareholders — Irrevocable Voting Proxies” of the Prospectus of the Company for further information
“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
“Kang Ruidao First”	Kang Ruidao Education First Investment Limited, a company incorporated under the laws of the BVI and a substantial shareholder
“Latest Practicable Date”	14 April 2022, 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

Definitions

“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
“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”	Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源和社會保障部)
“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)
“Minority Interest”	19.8% equity interest in Neusoft Ruixin originally held by PICC Life Insurance Company Limited, Northeastern University Science & Technology Industry Group Co., Limited and PICC Health Insurance Company Limited
“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

Definitions

“Neusoft Education Chengdu”	Chengdu Neusoft Education Technology Group Co. Limited (東軟教育科技(成都)有限公司), a company incorporated under PRC Laws on 26 April 2019 and a wholly-owned subsidiary of Neusoft Ruixin
“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 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 Holdings Framework Agreement”	framework agreement dated 11 September 2020 entered into between our Company and Neusoft Holdings and detailed in “Continuing Connected transactions — Neusoft Holdings Framework Agreement” of the Prospectus of the Company
“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 Neusoft Ruixin
“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
“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 Neusoft Ruixin
“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)

Definitions

“NPC”	the National People’s Congress (全國人民代表大會)
“One Fundamental Business”	full-time formal higher education services, the fundamental business of the Group
“Operating Entity” or “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
“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
“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
“Prospectus”	the prospectus of the Company dated 17 September 2020
“Proxy Grantors”	Century Bliss, Alpine Electronics, and Apex Venture, and each of them being a “Proxy Grantor”
“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 Operating Entity
“Remuneration Committee”	the remuneration committee of the Board

Definitions

“Reorganisation”	The Group’s reorganisation in preparation for the Listing, as described in “History, Reorganisation and corporate structure — Reorganisation” in the Prospectus of the Company dated 17 September 2020
“Reporting Period”	the year ended 31 December 2021
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“SPA I”	a sale and purchase agreement dated 25 February 2021 entered into between Dalian Sidi and PICC Life in relation to the acquisition of 8.40% equity interest in Neusoft Ruixin
“SPA II”	a sale and purchase agreement dated 25 February 2021 entered into between Dalian Xindi and PICC Health in relation to the acquisition of 4.85% equity interest in Neusoft Ruixin
“School Sponsor(s)”	our Operating Entity, 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 Neusoft Ruixin
“Shanghai Sirui”	Shanghai Sirui Information Technology Co., Ltd. (上海思芮信息科技有限公司), a wholly-owned subsidiary of Neusoft Holdings incorporated under PRC Laws on 7 November 2013
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each
“Share Incentive Scheme”	Pre-IPO Share Incentive Scheme and Post-IPO Share Incentive Scheme or any of them

Definitions

“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 Dalian Education
“Two Centennial Goals”	to complete a moderately prosperous society in all respects by the centenary of the CPC (founded in 1921), and to build China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the centenary of the People’s Republic of China (founded in 1949)
“Two Strategic Businesses”	continuing education services, and education resources and apprenticeship programme, the two strategic businesses of the Group
“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 date of this Report. 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