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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of the Company is pleased to announce the annual results of the Group for the year ended 31 December 2022.

HIGHLIGHTS

	For the year ended 31 December			
	2022 (RMB'000)	2021 (RMB'000)	Changes (RMB'000)	Percentage of change
Revenue	1,548,382	1,363,126	185,256	13.6%
Gross profit	666,739	591,430	75,309	12.7%
Profit for the year	385,416	301,220	84,196	28.0%
Profit for the year attributable to owners of the Company	385,393	284,222	101,171	35.6%
Adjusted net profit (note)	380,608	328,132	52,476	16.0%
Adjusted net profit attributable to owners of the Company	380,585	309,320	71,265	23.0%
Gross profit margin	43.1%	43.4%	-0.3%	N/A
Adjusted net profit margin	24.6%	24.1%	0.5%	N/A
Basic earnings per share (in RMB)	0.59	0.43	0.16	37.2%
Dividend per share (final dividend) (HK cents)	16.5	14.1	2.4	17.0%

Note:

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

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 losses of RMB8,468,000.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2022 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Revenue	3	1,548,382	1,363,126
Cost of revenue	6	(881,643)	(771,696)
Gross profit		666,739	591,430
Selling expenses	6	(38,797)	(38,394)
Administrative expenses	6	(148,344)	(144,687)
Research and development expenses	6	(41,507)	(46,105)
Net impairment losses on financial assets		(5,365)	(75)
Other income	4	188,720	112,744
Other expenses	5	(29,569)	(32,892)
Other gains – net		5,911	4,154
Operating profit		597,788	446,175
Finance income	7	11,896	9,488
Finance expenses	7	(92,149)	(76,838)
Finance expenses – net	7	(80,253)	(67,350)
Profit before income tax		517,535	378,825
Income tax expenses	8	(132,119)	(77,605)
Profit for the year		385,416	301,220
Profit attributable to:			
– Owners of the Company		385,393	284,222
– Non-controlling interests		23	16,998
		385,416	301,220
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	10	0.59	0.43
Diluted earnings per share	10	0.58	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	385,416	301,220
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties	<u>850</u>	<u>6,722</u>
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation	<u>2,087</u>	<u>194</u>
Other comprehensive income for the year	<u>2,937</u>	<u>6,916</u>
Total comprehensive income for the year	<u>388,353</u>	<u>308,136</u>
Total comprehensive income attributable to:		
– Owners of the Company	<u>388,330</u>	291,138
– Non-controlling interests	<u>23</u>	<u>16,998</u>
	<u>388,353</u>	<u>308,136</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	11	2,935,493	2,684,499
Intangible assets		283,232	292,388
Right-of-use assets		630,784	658,298
Investment properties		271,400	179,100
Deferred income tax assets		38,040	34,691
Other receivables		–	8,050
Prepayments and other assets		52,434	50,000
Total non-current assets		4,211,383	3,907,026
Current assets			
Inventories		4,297	4,918
Trade and notes receivables	12	75,334	30,408
Other receivables		27,021	18,386
Prepayments and other assets		98,866	75,744
Financial assets at fair value through profit or loss		390,449	134,565
Restricted cash		2,459	2,540
Cash and cash equivalents		1,183,811	1,228,478
Total current assets		1,782,237	1,495,039
Total assets		5,993,620	5,402,065
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		113	117
Share premium		2,756,159	2,915,130
Reserves		(1,938,446)	(1,961,446)
Retained earnings		909,426	544,474
Subtotal		1,727,252	1,498,275
Non-controlling interest		8,500	8,624
Total equity		1,735,752	1,506,899

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	13	675	675
Borrowings	14	2,141,325	1,930,676
Deferred tax liabilities		41,259	41,253
Lease liabilities		32,222	39,236
Deferred income		34,949	33,598
		<hr/>	<hr/>
Total non-current liabilities		2,250,430	2,045,438
Current liabilities			
Trade and other payables	13	643,142	715,153
Current income tax liabilities		78,607	58,076
Contract liabilities	15	989,341	769,183
Borrowings	14	244,930	236,493
Lease liabilities		9,092	9,694
Deferred income		42,326	61,129
		<hr/>	<hr/>
Total current liabilities		2,007,438	1,849,728
		<hr/>	<hr/>
Total liabilities		4,257,868	3,895,166
		<hr/>	<hr/>
Total equity and liabilities		5,993,620	5,402,065
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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 issued by International Accounting Standards Board and disclosure requirements of the Hong Kong Companies Ordinance.

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

The preparation of the consolidated financial statements in conformity with IFRS 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.

(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 IAS 16 on Proceeds before Intended Use
- Amendments to IFRS 3 on Reference to Conceptual Framework

- Amendments to IAS 37 on Cost of Fulfilling a Contract
- Annual improvements to IFRS standards 2018-2020 cycle (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

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

(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 2022, and have not been early adopted by the Group:

		Effective from annual period beginning on or after
IFRS 17	Insurance Contracts	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 IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or Joint Venture	To be determined

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

3. REVENUE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Full-time formal higher education services	1,175,294	1,025,205
– Tuition fees	1,072,611	935,359
– Boarding fees	99,858	88,371
– Rental income of telecommunication device	2,825	1,475
Education resources	182,278	140,138
Continuing education services	146,508	132,645
Apprenticeship programme	44,302	65,138
	<u>1,548,382</u>	<u>1,363,126</u>

4. OTHER INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from properties	56,470	37,382
Property service and management income	25,308	24,067
Government grants and subsidies	95,320	32,981
Development of software system technology	9,089	15,768
Others	2,533	2,546
	<u>188,720</u>	<u>112,744</u>

5. OTHER EXPENSES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	7,972	7,592
Property maintenance and fire protection expenses	8,996	6,775
Development of software system technology expenses	8,126	12,619
Utilities expenses	2,701	4,065
Employee benefit expenses	892	791
Amortisation of land use rights and intangible assets	683	922
Others	199	128
	<u>29,569</u>	<u>32,892</u>

6. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	630,241	555,289
Depreciation and amortisation expenses	162,471	138,982
Office, utilities and miscellaneous expenses	115,599	107,917
Property management, landscaping and maintenance expenses	66,492	53,288
Cost of goods sold	40,682	27,327
Rental expenses	38,200	40,805
Subcontract cost	16,611	25,963
Taxes and fees	8,831	8,709
Auditors' remuneration	3,800	4,050
Consulting and professional fees	2,903	3,064
Others	24,461	35,488
	<u>1,110,291</u>	<u>1,000,882</u>

7. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income from deposits	<u>11,896</u>	<u>9,488</u>
Finance expenses		
Interest expenses from borrowings	(120,673)	(93,547)
Interest expenses from leasing	(1,671)	(2,471)
Other charges	(519)	(336)
Net foreign exchange gains/(losses)	8,593	(8,468)
Less: amount capitalised	<u>22,121</u>	<u>27,984</u>
	<u>(92,149)</u>	<u>(76,838)</u>
Finance expenses – net	<u>(80,253)</u>	<u>(67,350)</u>

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax on profits for the year	135,745	82,339
Deferred income tax	<u>(3,626)</u>	<u>(4,734)</u>
	<u>132,119</u>	<u>77,605</u>

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	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	517,535	378,825
Tax calculated at a taxation rate of 25%	129,384	94,706
The impact of preferential tax rate	(7,156)	(30,772)
Expenses and losses not deductible for tax purposes	1,605	5,813
Tax losses for which no deferred tax assets was recognised	3,035	8,861
Non-taxable income	(2,092)	(1,381)
Utilisation of previously unrecognised tax losses	(6,667)	(3,623)
Super deduction for research and development expenses	(4,477)	(3,761)
PRC withholding tax	18,542	8,205
Others	(55)	(443)
	<hr/>	<hr/>
Tax charge	132,119	77,605

(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.

(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%.

On 17 May 2022, Dalian Zhisheng Technology Co., Ltd. and Dalian Zhizhuo Technology Co., Ltd. declared dividends amounted to RMB1,900,000 and RMB1,600,000 respectively to Neusoft Education Technology (HK) Co. Limited; on 26 May 2022, Dalian Neusoft Ruixin Technology Development Co. Limited declared dividends amounted to RMB94,559,000 to Neusoft Education Technology (HK) Co. Limited; on 31 December 2022, Dalian Neusoft Ruixin Technology Development Co. Limited, Dalian Sidi Technology Co., Ltd., Dalian Xindi Technology Co., Ltd. and Dalian Ruidi Technology Co., Ltd. declared dividends amounted to RMB60,615,000, RMB12,300,000, RMB9,600,000 and RMB7,400,000 respectively to Neusoft Education Technology (HK) Co. Limited.

Except for the above dividends declared to Neusoft Education Technology (HK) Co. Limited that totally amounted to RMB187,974,000 during the year ended 31 December 2022 (2021: RMB80,820,000), 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 12.5% to 20%, which are:

- Dalian Yunguan Information Technology Co., Ltd. is qualified as high-tech enterprise in 2020. It is subject to an EIT rate of 15% for the years ended 31 December 2022 and 2021.
- Shanghai Ruixiang Information Technology Co., Ltd. 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 25% and 12.5% for the years ended 31 December 2022 and 2021.
- Neusoft Education Technology Group Co. Limited 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. Neusoft Education Technology Group Co. Limited is qualified as high-tech enterprise in 2021. It is subject to an EIT rate of 15% and 12.5% for the years ended 31 December 2022 and 2021.
- The subsidiaries of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. except Dalian Neusoft Ruichuang Technology Development Co., Ltd. are small low-profit enterprises, followed by a reduced tax rate of 20% for the year ended 31 December 2022. The subsidiaries of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. 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 2022 and 2021.
- Chengdu Neusoft Education Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2022 and 2021.
- Dalian 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 2022 and 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 2022 and 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 2022 and 2021.
- 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 2022 and 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 2022 and 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 2022 and 2021.
- Ningbo Wanli Neusoft Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2022 and 2021.
- Suzhou Neusoft Ruixiang Technology Group Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2022 and 2021.

9. 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 RMB81,445,000 were paid during the year ended 31 December 2022 (2021: RMB13,265,000), of which RMB81,298,000 were paid to Shareholders of the Company (2021: RMB13,265,000) and RMB147,000 were paid to a non-controlling shareholder of a subsidiary (2021: Nil).

In respect of dividends paid to shareholders of the Company during the year ended 31 December 2022, RMB81,085,000 and RMB213,000 were related to dividends of the year ended 31 December 2021 and 2020 respectively (2021: RMB13,265,000 for dividends of the year ended 31 December 2020).

A dividend in respect of the year ended 31 December 2022 of HKD0.165 per share (2021: HKD0.141 per share) has been proposed by the Directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting to be held on 30 May 2023. Based on the total issued share capital of the Company as at 31 December 2022, the total final dividend to be paid by the Company amounts to approximately HKD106,624,000 (approximately equivalent to RMB95,244,000) (2021: RMB77,211,000). In the event of change in the total issued share capital of the Company before the record date for dividend payment, dividends will be distributed per share and the total distribution amount will be adjusted accordingly. These financial statements do not reflect this dividend payable.

10. 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	
	2022	2021
Profit attributable to owners of the Company (<i>RMB'000</i>)	385,393	284,222
Weighted average number of ordinary shares in issue (<i>thousands</i>)	658,567	666,991
Basic earnings per share (<i>in RMB</i>)	<u>0.59</u>	<u>0.43</u>

(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	
	2022	2021
Profit attributable to owners of the Company (<i>RMB'000</i>)	385,393	284,222
Weighted average number of ordinary shares in issue (<i>thousands</i>)	658,567	666,991
Adjustments for share options granted to employees (<i>thousands</i>)	9,022	18,996
Weighted average number of ordinary shares for calculation of diluted earnings per share (<i>thousands</i>)	<u>667,589</u>	<u>685,987</u>
Diluted earnings per share (<i>in RMB</i>)	<u>0.58</u>	<u>0.41</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021								
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
Year ended 31 December 2022								
Opening net book amount	1,858,221	40,073	1,122	74,994	42,983	8,251	658,855	2,684,499
Additions	–	5,288	–	40,328	22,328	4,078	400,979	473,001
Transfer upon completion	526,528	–	–	–	–	–	(526,528)	–
Transfer to investment properties	–	–	–	–	–	–	(85,150)	(85,150)
Disposals	–	–	–	(511)	(16)	(10)	–	(537)
Depreciation charge	(82,378)	(11,028)	(245)	(29,461)	(11,062)	(2,146)	–	(136,320)
Closing net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493
At 31 December 2022								
Cost	2,967,364	84,922	5,488	298,667	188,812	28,227	448,156	4,021,636
Accumulated depreciation	(664,993)	(50,589)	(4,611)	(213,317)	(134,579)	(18,054)	–	(1,086,143)
Net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493

12. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Due from related parties	12,884	4,240
Receivables from education resources services	60,063	19,426
Receivables from continuing education services	4,403	3,517
Receivables from development of software system technology	383	50
Others	889	930
	<u>78,622</u>	<u>28,163</u>
Less: Provision for impairment of trade receivables	(5,926)	(761)
Trade receivables – net	72,696	27,402
Notes receivables	2,638	3,006
	<u>75,334</u>	<u>30,408</u>

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

- (a) As at 31 December 2022 and 2021, the aging analysis of the trade receivables on the basis of recognition date was as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 6 months	60,245	25,829
6 months to 1 year	7,451	1,197
1 to 2 years	10,126	495
More than 2 years	800	642
	<u>78,622</u>	<u>28,163</u>

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
Amount due to third parties	<u>4,563</u>	<u>9,852</u>
Other payables		
Amount due to related parties	2,906	4,525
Miscellaneous expenses received from students	63,134	64,116
Salary and welfare payables	91,273	83,084
Deposits	40,344	34,173
Government subsidies payable to students	11,966	5,927
Payables for purchases of property, plant and equipment	349,429	427,891
Payables for administrative cost	16,586	13,453
Tax payables	9,502	17,554
Interest payables to bank	3,419	3,251
Redemption liability	36,274	36,274
Dividend payable	1,568	1,638
Others	12,853	14,090
Less: non-current portion		
– Amount due to a third party	<u>(675)</u>	<u>(675)</u>
Other payables – current portion	<u>638,579</u>	<u>705,301</u>
Total trade and other payables	<u>643,142</u>	<u>715,153</u>

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 2022 and 2021, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 6 months	<u>4,563</u>	<u>9,852</u>

14. BORROWINGS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Long-term borrowings		
Bank borrowings		
– secured	1,922,105	1,716,828
– unsecured	324,565	366,686
Current portion of long term borrowings		
– secured	(66,027)	(118,592)
– unsecured	(40,060)	(42,120)
	<u>2,140,583</u>	<u>1,922,802</u>
Borrowings from a financial institution		
– secured	7,928	14,744
Current portion of long-term borrowings		
– secured	(7,186)	(6,870)
	<u>742</u>	<u>7,874</u>
Short-term borrowings		
Bank borrowings		
– unsecured	131,657	68,911
Current portion of long term borrowings		
– secured	66,027	118,592
– unsecured	40,060	42,120
	<u>237,744</u>	<u>229,623</u>
Borrowings from a financial institution		
– secured	–	–
Current portion of long-term borrowings		
– secured	7,186	6,870
	<u>7,186</u>	<u>6,870</u>
Total borrowings	<u>2,386,255</u>	<u>2,167,169</u>

15. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2022 and 2021 and will be expected to be recognised within one year:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Full-time formal higher education services	886,118	674,626
– Tuition fees	810,277	610,657
– Boarding fees	75,841	63,969
Education resources	38,737	40,098
Continuing education services	60,182	50,043
Development of software system technology	4,304	4,416
	989,341	769,183

MANAGEMENT DISCUSSION AND ANALYSIS

1 ABOUT US

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

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

Following the development trend of digital, smart and intelligent education in China, we keep on track of connotative development with high-quality school operation, and strive to build the 4S characteristic service model and deepen cooperation with our client colleges and universities, for the purpose of providing diversified support for the cultivation of digital talents and sustainable assistance for the individual learners in relation to their ability enhancement. The following table shows a breakdown of our revenue from each business segment during the Reporting Period:

	For the year ended		Percentage of change	Percentage of total revenue
	2022	2021		
	(RMB'000)	(RMB'000)		
Full-time formal higher education services	1,175,294	1,025,205	14.6%	75.9%
Education resources provision	182,278	140,138	30.1%	11.8%
Continuing education services	146,508	132,645	10.5%	9.5%
Others	44,302	65,138	-32.0%	2.8%
Total	1,548,382	1,363,126	13.6%	100.0%

2 BUSINESS REVIEW

2.1 Our Universities – Upholding the Education Innovation Route Subject to High-quality and Connotative Development

We currently operate three universities, namely Dalian University in Liaoning Province, Chengdu University in Sichuan Province and Guangdong University in Guangdong Province, all of which provide bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes. All the three universities made great achievements during the Reporting Period.

2.1.1 Student Enrolment and Tuition Fees

Our superior school operation quality has been widely recognised by students and their parents. For the 2022/2023 school year, over 17,000 new students enrolled in our three universities, representing an increase of 17.1% as compared to the 2021/2022 school year. The total number of student enrolment in our three universities exceeded 50,000 upon the completion of their enrolment, hitting a record high in size.

	Student enrolment			Tuition fees (RMB per year) For new students of the 2022/2023 school year
	As at 31 December 2022	As at 31 December 2021	Percentage of Changes	
Dalian University				
Bachelor degree programmes	14,944	14,559	2.6%	28,000-34,000
Junior college diploma programmes	867	932	-7.0%	28,000
Junior college to bachelor degree transfer programmes	2,812	1,410	99.4%	28,000
Subtotal	18,623	16,901	10.2%	–

	Student enrolment			Tuition fees (RMB per year)
	As at 31 December 2022	As at 31 December 2021	Percentage of Changes	For new students of the 2022/2023 school year
Chengdu University				
Bachelor degree programmes	14,975	12,426	20.5%	18,000-20,000
Junior college diploma programmes	2,126	2,077	2.4%	18,000-19,000
Junior college to bachelor degree transfer programmes	3,610	1,703	112.0%	18,000-19,000
Subtotal	20,711	16,206	27.8%	–
Guangdong University				
Bachelor degree programmes	9,884	9,992	-1.1%	28,000-32,000 ⁽¹⁾
Junior college diploma programmes	670	1,060	-36.8%	– ⁽²⁾
Junior college to bachelor degree transfer programmes	2,994	1,459	105.2%	28,000-32,000
Subtotal	13,548	12,511	8.29%	–
Total	52,882	45,618	15.92%	–

Notes:

- (1) In addition, the tuition fee for new students of the 2022/2023 school year in the cooperative education project between Guangdong University and the University of the West of England is RMB68,000 per year for bachelor degree programmes.
- (2) Guangdong University did not enrol junior college diploma programme students in the 2022/2023 school year.

2.1.2 Constructions of Academic Majors

Taking full advantages of industry-education integration and combining with the new forms and model of industrial development in relation to digital economy, we have built the generalised IT superior major groups with great Neuedu characteristics through the academic major group construction mechanism of “intra-group symbiosis and intergroup synergy”, based on superior majors surrounding our five academic major groups, namely “computer and software, intelligence and electronic engineering, digital art and design, information and business management, health care technology”.

In 2022, all of our three universities made new breakthroughs in constructions of academic majors and the quality improvement of current majors:

- During the Reporting Period, 6 new bachelor degree programmes of the three universities have been approved, including 3 vocational bachelor degree programmes mainly in electronic information engineering, software engineering and other fields. Through continuously optimising of the structure and layout of majors, the proportion of identical majors in three universities has been further increased, promoting the mutual sharing high-quality educational resources between universities and using collective school operation to the best advantages.
- During the Reporting Period, 4 new programmes have been recognised as National First-class Bachelor Degree Programme Construction Sites (國家級一流本科專業建設點) and 4 new programmes as Provincial First-class Bachelor Degree Programme Construction Sites (省級一流本科專業建設點) in the three universities. Accordingly, the three universities have a total of 25 First-Class Bachelor Degree Programme Construction Sites (including 8 national-level sites), of which Dalian University has 7 National First-class Bachelor Degree Programmes Construction Sites, with the number ranking the leading position of all private universities in China, the First-class Bachelor Degree Programmes covering more than 70% of its undergraduates.

The construction and collaborative development of high-quality majors in our three universities reflect our comprehensive strength of majors in relevant fields, which lays a solid foundation for the sharing and provision of high-quality education resources.

2.1.3 Teaching Achievements

Under the guidance of TOPCARES education approach, our three universities, have continuously kept ahead in the aspect of the quality of school operation and the comprehensive strength, and have been widely recognised by the society. In 2022, Dalian University ranked first for the 4th year in a row 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); in “2022 Best China’s Private Universities Ranking of Shanghai Ranking” (軟科中國民辦高校排行榜(2022)), Dalian University ranked third across the country and Chengdu University ranked second in Sichuan Province. Dalian University won the honorary title of “2022 Brand University with Comprehensive Strength” (2022年度綜合實力品牌高校) by China National Radio; Chengdu University won the honorary title of “2022 University Brand Influence Award” (2022年度院校品牌影響力獎) by China Education Online and “2022 Education Brand with Comprehensive Strength” (2022年度綜合實力教育品牌) by Xinhuanet; Guangdong University won the honorary title of “2022 Bachelor Degree Programme University Most Trusted by Middle Schools” (2022年度最受中學信賴本科高校) by China Education Online.

Under the guidance of TOPCARES education approach, we have steadily deepened the reform on education and teaching, and thereby produced a series of high-level results on education and teaching with demonstration effect and promotion value. In 2022, the three universities won 1 special prize, 6 first prizes, 5 second prizes and 4 third prizes of teaching achievement awards in total, especially Dalian University ranking first among private universities in Liaoning Province in terms of the total number and the first prize number. In addition, the three universities have been approved for over 150 teaching research projects by education administration departments, institutes and associations at or above the provincial level.

Our universities are committed to cultivating application-oriented talents with all-around development of moral, intellectual, physical, aesthetic and labour education. In 2022, our students have made excellent performance and brilliant achievements in discipline competitions, employment and entrepreneurship. Students of our three universities won a total of 1,295 national prizes and 2,543 provincial prizes in academic competitions. According to statistics from the provincial employment management platforms for college graduates in the provinces of our three universities, the average employment rates of 2022 bachelor degree graduates and junior college diploma programme graduates in our three universities all exceeded 90% as at 31 December 2022.

2.1.4 Industry-education Integration

Giving full play to our industrial advantages since our establishment and adhering to the cultivation of application-oriented talents, we have carried out extensive and effective school-enterprise cooperation with hundreds of well-known enterprises, enabling our students to master what enterprises need before leaving the school, and to apply what they have learned in school when they just start their career.

During the Reporting Period, the construction of our five industrial colleges became more standardised and in-depth. Chengdu University won several honorary titles including the “First Batch of Characteristic Demonstration Software Colleges in Sichuan Province” (四川省首批特色化示範性軟體學院) and the “First Batch of Provincial Modern Industrial Colleges in Sichuan Province” (四川省首批省級現代產業學院). With the support of 4S services in fusion with industry “Five New” characteristics, the digital transformation process of the three universities is further accelerated. The Phase II of the provincial University Sci-Tech Park (大學科技園) in Dalian University has been completed, and the construction of Health Technology Industrial Park (健康科技產業園) of Chengdu University was underway in an orderly manner, two of which, focusing on the fields of digital technology and health care technology, have created a more convenient environment for research and engineering practice for teachers and innovation practice and internship for students, providing assistance in promoting the integration between industry and education, and between science and education. In 2022, the provincial University Sci-Tech Park of Dalian University was awarded the honorary title of “The Most Dynamic Industrial Park of Dalian Software Industry in 30 Years (大連軟件產業30年最具活力產業園區)” by Dalian Bureau of Industry and Information Technology (大連市工業和信息化局). In addition, our three universities have continuously deepened the ties between industry and education and striven to cultivate outstanding application-oriented talents adapted to the requirements of industrial development. In 2022, we have been approved for 188 Industry-University Cooperative Education Projects of the MOE (教育部產學合作協同育人項目) and Employment Education Projects Connecting Supply and Demand of the MOE (教育部供需對接就業育人項目) in total.

2.1.5 Campus Construction

We proceeded with expansion construction of our campus to increase our school capacity so as to meet student enrolments. In 2022, there was a total increase of 7,000 beds in the three universities, which were accordingly able to accommodate more than 58,000 students in total. In November 2022, we initiated the Chengdu University Phase VIII Expansion Project, which is expected to further increase our campus capacity upon completion. The following table sets forth the campus utilisation of our three universities:

	Campus capacity ⁽¹⁾		Utilisation rate ⁽²⁾	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Dalian University	24,525	22,443	75.9% ⁽³⁾	75.3% ⁽³⁾
Chengdu University	17,888	16,870	115.8% ⁽⁴⁾	96.1%
Guangdong University	15,647	11,663	86.6%	107.3% ⁽⁴⁾
Total/Average	58,060	50,976	91.1%	89.5%

Notes:

- (1) The campus capacity of each school refers to the total number of beds in student dormitories as at 31 December in each corresponding 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 at 31 December in each corresponding year divided by the school capacity at that time.
- (3) Some other beds of Dalian University are used by formal continuing education students due to the development of formal continuing education business.
- (4) For the purposes of off-campus internships or practical trainings, 2,823 graduates-to-be in Chengdu University lived outside the campus as at 31 December 2022, and 848 graduates-to-be in Guangdong University lived outside as at 31 December 2021.

In addition, we continued to promote the development and construction of digital and smart campus in our three universities by smoothing the avenues of digital infrastructure and circulation of data resources. In 2022, we organised the three universities to promote the building of computing infrastructure, and proceeded with improving the integrated internet structure, and facilitated the implementation of 4S service model in three universities with the construction of micro-service cloud; we also have built plenty of interactive smart classrooms to provide our students with studying experience of more intelligence and convenience.

During the Reporting Period, we have also proceeded with the construction of distinctive application-oriented university culture and built a common consensus for development, system, environment and behaviour, focusing on the construction of first-class culture and aiming to achieve cultural resonance and harmonious development of all members.

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

Following the digital transformation trend of education and the main line of technology empowering education, we have integrated educational experts and technical experts inside and outside the universities and built our strong product R&D team, based on our practice and school-running accumulation of over 20 years in the IT field. Through digitisation, productisation and platformisation of the advanced education concepts, methods, models, systems and standards verified by practice of our three universities with the support of the safe and reliable big data platform, we have researched and developed a series of digital education products and accordingly built our comprehensive product portfolio covering platforms, content, software and hardware, which provides a strong support for the expansion of our Two Strategic Businesses. In 2022, the revenue from all kinds of our products, including smart education platform, teaching content and practical training laboratory, was approximately RMB82.0 million, representing an increase of 19.1% as compared with the corresponding period of last year.

2.2.1 Smart Education Software Products

We provide applications covering education management, teaching operation, practical teaching and other areas to help colleges and universities to achieve precise perception of digital education, and realise personalised and intelligent education driven by data. By analysing the users' usage data, we provide services of business consultation, analysis reports and decision-making support accordingly, which covers various parts including teaching, learning, practicing, administrating and assessing for students, teachers and administrators. Our smart education software products include:

Neuedu Smart Education Software Products

- Intelligent Teaching System
- Cloud Practice System
- Project Training System
- Examination System
- Talent Cultivation Plan Management System
- Innovation and Entrepreneurship Education Management System
- Graduation Project Management System
- Intelligent Student Management System
- Engineering Education Certification Support System
- Academic Major Assessment System

2.2.2 Smart Practical Training Laboratories

In line with the forefront of the industry, we have built a professional and integrated practical teaching solution – the smart practical training laboratories. Equipped with core project resources at all levels of each academic major and together with the physical environment and related software and hardware equipment, the smart practical training laboratories provide a well-developed integrated solution for practical training of academic majors. In 2022, we organised and developed 34 practical training laboratories for nine majors with a basic coverage of Neuedu’s five predominant first-class major groups, based on the original eight predominant laboratories. Besides, we newly launched the Intelligent Monitoring Practical Training Laboratory and the Medical Imaging Practical Training Laboratory for health care, forming products of smart practical training laboratories for ten predominant majors:

Neuedu Smart Practical Training Laboratories

- Computer Technology Laboratories
- Software Development Laboratories
- Embedded Technology Laboratories
- Smart Media Laboratories
- Internet of Things Laboratories
- Big Data Technology Laboratories
- Intelligent Management Laboratories
- Health Care Laboratories
- Intelligence Application Laboratories
- Artificial Intelligence Laboratories

2.2.3 Digital Education Teaching Content

Leveraging on the superior majors of Neuedu, focusing on the key elements of TOPCARES education approach, interactive design and the introduce of “Five New”, we have developed digital teaching content covering six core majors, namely, artificial intelligence, big data, internet of things, computer, software and digital media, including teaching resources of professional talent training plans, courses, projects, practical training laboratories, activities, entrepreneurship and innovation, graduation design, which constitute a systematic content resource package.

In the future, we will continue to optimise, upgrade and launch more high-quality digital education teaching content based on the advantageous majors, accumulation of teaching practices and R&D of our three universities, thereby laying a good foundation for cooperation with client colleges and universities.

2.2.4 Online Education Platform

With our own products as the core, we have developed an online education platform adapted to multiple terminals such as mobile and PC, providing individual learners with comprehensive services of “assessment, study, practice, examination, certification and employment”, building an ecosystem covering “online programmes + practice and training + employment and entrepreneurship service”, forming a closed loop of “talents identifying, talents cultivation and talents delivery”; and we launched “Neuedu IT Cloud Class”, a professional channel providing individual learners with IT career skills upgrading training services in 2022.

2.3 Our Services – Supporting the Development of Two Strategic Businesses Based on Our Superior 4S Service Model

Based on the series of digital education products above mentioned, we have launched an innovative 4S characteristic services model (PaaS (Platform as a Service), SaaS (Software as a Service), CaaS (Content as a Service) and DaaS (Data as a Service)) to provide first-class education products and services to many universities and vocational colleges, so as to further empower the education reform of our partner colleges and universities; we also provide high-quality and flexible learning resources for the public to contribute to a learning-oriented society.

2.3.1 Education Resources Provision Services

Under the policy environment of greatly supporting industry-education integration and vocational education development in China, we have, based on Neuedu's advantages and products, carried out extensive and in-depth school-enterprise cooperation with universities and vocational colleges, and vigorously expanded the joint establishment business of industrial colleges and academic majors. Through the "3+N" Business Model, we will promote overall development upon our own experience, that is, taking advantage of our own high-quality education resources to assist our client colleges and universities in quality improvement and brand cultivation, and thus proactively expand Neuedu's brand influence.

1) Fully meet clients' needs with customized solutions

We subdivided products by types of institutions, academic majors and service content, and built a standardised solution matrix serving the 9 core tasks of Double High-level Construction, so as to provide standardised support for promotion and sales; we adhered to the segmentation of the client market and digital education service solutions of customised product packages based on the specific needs of different clients, and formed the unique service model applicable to each type of universities.

Based on practical feedbacks of our three universities and partner universities, we continued iteration of the products, improving the service content, optimising the delivery solution and enhancing the implementation quality during continuous delivery and interaction, and introduced first-class educational products and services to lots of vocational colleges and universities with "3+N" Business Model featuring O2O and asset-light, so as to constantly empower the educational reform and innovation of our partner universities.

2) *Continual growth of our business size and wide recognition of our service quality*

In response to the government’s policy of developing vocational education, we proactively expanded cooperation with vocational colleges and further increased the size of cooperation projects in 2022. During the Reporting Period, we were in cooperation with 69 colleges and universities in joint establishment of industrial colleges and academic majors, of which 33 were vocational colleges; the number of our cooperation projects has increased to 323, covering nearly 25,000 students, realising a revenue of RMB80.0 million. In addition, we have entered into cooperative agreements on joint establishment of academic majors or industrial colleges with 8 new colleges and universities in 2022, which are planned to be carried out in the coming school year.

Our service quality has also been highly praised by our partner universities and colleges and received wide recognition by all walks of society:

- In March 2022, our “Neuedu Modern Industrial College Jointly Established on the Concept of Dual Cultivation and Industry-Education Integration”(雙元育人產教融合共建東軟現代產業學院), which was jointly established by Neuedu and Meizhouwan Vocational Technology College (湄洲灣職業技術學院), was selected as a typical case of industry-education integration and school-enterprise cooperation by the Ministry of Education;
- In September 2022, students of “Neuedu Information Industrial College (東軟信息產業學院)”, which was jointly established by Neuedu and Yunnan Technician College (雲南技師學院) (also known as Yunnan Industry & Trade Vocational College (雲南工貿職業技術學院)), won the national first prize in the competition of “Business Software Solutions (商務軟件解決方案)” in the “Belt and Road and BRICS Skills Development and Technological Innovation Contest (一帶一路暨金磚國家技能發展與技術創新大賽)”; and
- In November 2022, the electronic information programme, which was jointly established by Neuedu and Changchun Guanghua University (長春光華學院), was recognised as a National First-class Bachelor Degree Programme Construction Site (國家級一流本科專業建設點).

2.3.2 Continuing Education Services

We have built the Neuedu characteristic continuing education system of “quality based, open sharing, online and offline integration”, innovating the new model of online and offline continuing education, to empower the sustainable development of individual learners and institutions.

1) *Proactively applying for training qualifications*

To facilitate the provision of continuing education services, we have proactively applied for various training qualifications and received more than 60 training qualifications. In 2022, we newly obtained 4 national-level, 1 provincial-level and 8 municipal-level training qualifications.

- In July 2022, Dalian University was approved as the “National Professional and Technical Personnel Continuing Education Base” (國家級專業技術人員繼續教育基地) by the MHRSS, which is the only private university approved in 2022 in China and the only institution approved in Liaoning Province. Other institutions approved are Beijing Jiaotong University, Tianjin University, Shandong University, etc.;
- In August 2022, Dalian University was approved by the Standardisation Administration of China for the “Non-academic Continuing Education Service Standardisation Pilot Project” (非學歷繼續教育服務標準化試點). Among the 108 pilot projects approved nationwide, only four educational standardisation pilot organisations were involved, including Tsinghua University and Dalian University. Dalian University was also the only educational standardisation pilot organisation involved among the three pilot projects approved in Liaoning Province;
- In September 2022, the Neuedu 1+X certificate was recognised by the National Credit Bank of Vocational Education;
- In December 2022, Dalian University was successfully recognised by the MOE as the “National Vocational Education “double-professionally-qualified” Teacher Training Base (Computers)” (國家級職業教育“雙師型”教師培訓基地(計算機類)).

2) *Presenting high-quality training content*

For all kinds of institutional clients, we present four categories of training products: “universal IT”, “education”, “management” and “competition and certification”, which can meet the training needs of different types of organisations; for social individual learners, we offer employment skills training and employment support services in the four main directions of Java, big front end, Python and UXD. With strong faculty, excellent training system, strong brand influence and superior training environment, our training content has been highly recognised and appraised by the learners.

In 2022, we continued to optimise and upgrade the Neuedu Online Platform, and set up more than 400 courses on the platform concerning the certification of vocational skills curricula and professional technical certificates for individual users, as well as the “Internet+” online learning platform projects for institution users; in the meantime, we have successfully launched Neuedu IT Cloud Classroom, and presented 130 course products and 10 primary industrial transformation projects on the platform.

3) *Online-offline integration to meet individual learning needs*

In face with the frequent breakthrough of Covid-19 pandemic in 2022, we relied on the online education platform to deepen the delivery system of online-offline integration, to optimise the quality and improve the efficiency of training delivery, which contributes to the further constant increasing of our market share and brand influence. Our online-offline integrated delivery has also been widely recognised by clients.

In terms of 2B training, we are serving more and more institutions with growing training programmes. In 2022, we implemented 112 training programmes for 43 institutions, serving nearly 8,000 trainees, and achieving a revenue of approximately RMB26.0 million.

In terms of 2C training, we provided skills training services to more than 14,000 students through various channels in the past year, achieving a revenue of approximately RMB49.0 million. As at the end of 2022, we have delivered tens of thousands of IT professionals to this industry, with the employment rate stable at over 90% and an annual salary of over RMB350,000 for outstanding students after they become regular employees, enabling us to establish and maintain a good reputation in the IT training industry.

3 FINANCIAL REVIEW

Revenue

Our revenue was RMB1,548.4 million for the year ended 31 December 2022, representing an increase of 13.6% as compared with the corresponding period of last year. Details of analysis are as follows:

- Revenue derived from our full-time formal higher education services was RMB1,175.3 million, representing an increase of 14.6% as compared with the corresponding period of last year, mainly due to the increase of student enrolment and average tuition fee in our three universities.
- Revenue generated from the education resources was RMB182.3 million, representing an increase of 30.1% as compared with the corresponding period of last year, mainly due to the rapid growth of revenue from joint establishment of academic majors.
- Revenue derived from our continuing education services was RMB146.5 million, representing an increase of 10.5% 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 apprenticeship program was RMB44.3 million, representing a decrease of 32.0% as compared with the corresponding period of last year, mainly due to the fact that we are gradually promoting the transformation of apprenticeship programme mode, which is, to replace the self-established apprenticeship programme training bases with those jointly established with government, and to replace the project developing and training programmes engineers directly participated in with self-developed online training project resources. During the Reporting Period, a vast majority of our revenue from the apprenticeship programme was derived from the revenue arising from the services provided by engineers. The decrease in the number of engineers resulted in the decrease in revenue from the apprenticeship programme.

Cost of revenue

Our cost of revenue was RMB881.6 million for the year ended 31 December 2022, representing an increase of 14.2% 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, (ii) the increase of depreciation and operating expenses, because the expansion projects of three universities have been completed and put into use gradually.

Gross profit

Gross profit was approximately RMB666.7 million for the year ended 31 December 2022, representing an increase of 12.7% as compared with the corresponding period of last year. Such increase was mainly due to that the increase in revenue outweighs the increase in costs.

Research and development expenses

Research and development expenses was approximately RMB41.5 million for the year ended 31 December 2022, representing a decrease of 10.0% as compared with the corresponding period of last year. Such decrease was mainly due to that several previous R&D projects have been basically completed.

Other income

Other income was approximately RMB188.7 million for the year ended 31 December 2022, representing an increase of 67.4% as compared with the corresponding period of last year, mainly due to the increase of government grants and rental income.

Other expenses

Other expenses was approximately RMB29.6 million for the year ended 31 December 2022, representing a decrease of 10.1% as compared with the corresponding period of last year, mainly due to the decrease in software system technology development expenses.

Net finance expenses

Net finance expenses was approximately RMB80.3 million for the year ended 31 December 2022, representing an increase of 19.2% as compared with the corresponding period of last year, mainly due to the increase in interest costs of bank borrowings.

Income tax expenses

Income tax expenses was approximately RMB132.1 million for the year ended 31 December 2022, representing an increase of 70.2% as compared with the corresponding period of last year, mainly due to the increase in taxable profit and the raise of average tax rate.

Profit for the year

As a result of the foregoing, for the year ended 31 December 2022, profit for the year increased by approximately 28.0% as compared with the corresponding period of last year. And the earnings per share increased by about 37.2% compared with the corresponding period of last year, mainly due to: (i) the increase in profit during the Reporting Period; and (ii) the repurchase and cancellation of 23,836,000 Shares during the Reporting Period.

Net profit attributable to owners of the Company was approximately RMB385.4 million for the year ended 31 December 2022, representing an increase of 35.6% 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 19.18% minority equity in Neusoft Ruixin by the Group on 1 June 2021. As a result, the owners of the Company possess 100% of the net profit of Neusoft Ruixin in 2022 (compared with 80.82% of the net profit of Neusoft Ruixin in the first five months and 100% of the net profit of Neusoft Ruixin in the last seven months of 2021).

Non-IFRS measures

To supplement the Group's Consolidated Financial Statements which are presented in accordance with IFRS, the Group also use "Adjusted Net Profit", "Adjusted Net Profit Attributable to Owners of the Company" and "Adjusted Net Profit Margin" as additional financial measures. The Group's Adjusted Net Profit was calculated as profit for the period/year after deducting the impact of (a) share-based compensation expenses; and (b) net exchange losses/(gains). The Adjusted Net Profit Attributable to Owners of the Company were calculated as and profit for the period/year attributable to owners of the Company after deducting the impact of (a) share-based compensation expenses; and (b) net exchange losses/(gains). The Group defines Adjusted Net Profit Margin as 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 the Adjusted Net Profit, the Adjusted Net Profit Attributable to Owners of the Company and the Adjusted Net Profit Margin as the analysis tool has significant restrictions, because it does not include all items affecting the Group's profit for the period/year and the profit attributable to owners of the Company within the period/year. The Company presents these financial measure 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 believe that such non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations of the Group in the same manner adopted by the management of the Company and in comparing financial results across accounting periods with peer companies.

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

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

	For the year ended	
	31 December	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit for the year	385,416	301,220
Adjusted items:		
Share-based compensation expenses	3,785	18,444
Exchange losses/(gains) – net	(8,593)	8,468
Adjusted Net Profit	380,608	328,132

Adjusted Net Profit was approximately RMB380.6 million for the year ended 31 December 2022, representing an increase of 16.0% as compared with the corresponding period of last year. Adjusted Net Profit Margin were 24.6% and 24.1% for the year ended 31 December 2022 and 31 December 2021 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	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit attributable to owners of the Company	385,393	284,222
Adjusted items:		
Share-based compensation expenses	3,785	16,630
Exchange losses/(gains) – net	(8,593)	8,468
Adjusted Net Profit Attributable to Owners of the Company	380,585	309,320

Adjusted Net Profit Attributable to Owners of the Company was approximately RMB380.6 million for the year ended 31 December 2022, representing an increase of 23.0% as compared with the corresponding period of last year.

Financial and Liquidity Position

Liquidity, Financial Resources and Capital Structure

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

As at 31 December 2022, the issued share capital of the Company was HK\$129,241, and the number of issued ordinary shares was 646,203,535 at a par value of HK\$0.0002 each.

As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB1,183.8 million (31 December 2021: approximately RMB1,228.5 million). As at 31 December 2022, total borrowings of the Group amounted to approximately RMB2,386.3 million (31 December 2021: approximately RMB2,167.2 million). The maturity range of loan is from one year to more than five years. Borrowings were all denominated in Renminbi and Hong Kong dollars. 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 2022, the net current liabilities amounted to RMB225.2 million (31 December 2021: RMB354.7 million), such decrease was mainly due to the gradual completion and settlement of the infrastructure projects of the three universities, resulting in the decrease in payables for infrastructure constructions.

As of 31 December 2022, the current ratio of the Group (i.e. current assets divided by current liabilities) was 0.89 (31 December 2021: 0.81).

Contingent Liabilities

As of 31 December 2022, 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 2022, 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 2022, the Group had bank borrowings of RMB1,580.6 million pledged by certain collection rights of tuition fees and boarding fees, and bank borrowings of RMB341.5 million pledged by certain equity interests.

Gearing Ratio

As at 31 December 2022, 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 139.9% (31 December 2021: 147.1%).

Capital Expenditures

The capital expenditures of the Group for the year ended 31 December 2022 amounted to approximately RMB552.5 million, which was primarily related to the upgrade and expansion of our campuses.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

For the year ended 31 December 2022, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant investments

As at 31 December 2022, 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

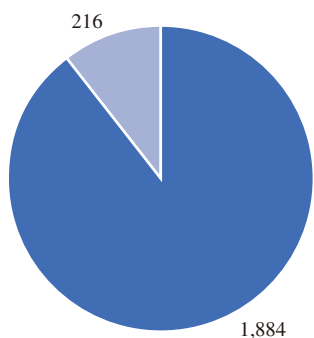
Neusoft Education Technology, (previously known as Dalian Neusoft Education Technology Group Co. Limited), a subsidiary of the Company, entered into the Cooperation Agreement (“**Cooperation Agreement**”) with Fujian Jiantou Group Co., Limited (“**Fujian Jiantou**”) on 12 April 2021. Pursuant to the Cooperation Agreement, (i) Fujian Jiantou will establish Putian Xianliang Education Technology Co. Limited (“**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 school license of the relevant college; and (iii) Fujian Jiantou agreed that Neusoft Education Technology (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, Neusoft Education Technology 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 funds (approximately RMB100 million). After the completion of the campus construction, Neusoft Education Technology 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. For details, please refer to the announcement of the Company dated 12 April 2021 and the circular dated 21 May 2021. As of 31 December 2022, Neusoft Education Technology has paid RMB50.0 million of the Earnest Money to Fujian Jiantou pursuant to the Cooperation Agreement.

Save as disclosed above and under the section headed “Future Plans and Use of Proceeds” in the Prospectus of the Company dated 17 September 2020, the Group did not have any other plans for material investments or capital assets as of 31 December 2022.

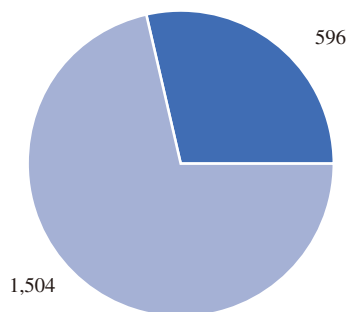
4 EMPLOYEE AND REMUNERATION POLICY

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

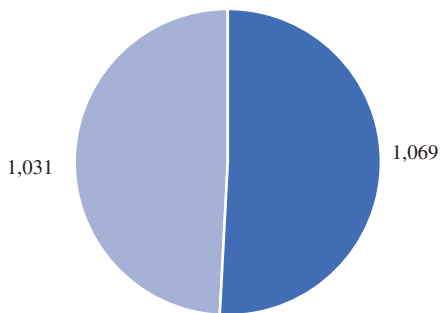
As of 31 December 2022, there were a total number of 2,100 full-time teachers and 1,214 part-time teachers in our three universities. Approximately 90% of the full-time teachers have a master degree or Ph.D. degree, approximately 28% being professors or associate professors, approximately 51% with engineering practice experience in enterprises, and 21% with overseas studies and/or work experience.



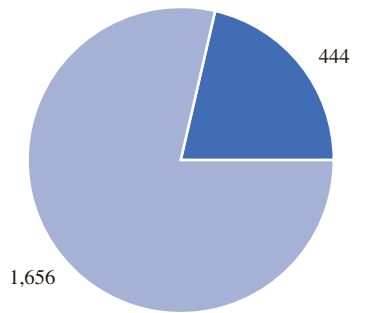
■ Master degree or Ph.D. degree ■ Bachelor degree or below



■ Professor or associate professor ■ Lecturer



■ With engineering practice experience ■ Without engineering practice experience



■ With overseas study and/or work experience ■ Without overseas experience

As of 31 December 2022, the Group has 3,350 employees, and the number of employees employed varies from time to time depending on needs. Among them, 1,398 of our employees were based in Liaoning province, and 806 of our employees were based in Sichuan province, and 821 of our employees were based in Guangdong province. The following table sets forth the total number of employees by function as of 31 December 2022:

Function	Number of employees	% of total
Full-time teachers ⁽¹⁾	2,206	65.8%
Engineers	151	4.5%
Research and development personnel	156	4.7%
Management and administrative staff	693	20.7%
Sales and marketing personnel	144	4.3%
Total	3,350	100.0%

Note:

- (1) Including 2,100 full-time teachers in our three universities and 106 full-time teachers in the training business.

The Company believes that attracting, recruiting and retaining high-quality employees are essential to the success and sustainability of the Group. The Group provides employees with a competitive remuneration package, which is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. At the same time, as required by the applicable laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including, among others, housing provident funds, pensions, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. In addition, the Group provides its employees with relevant training courses suited to their personal development, and provides them with benefits, including commercial insurance, corporate annuities, welfare medical examinations, and holiday gifts. For the year ended 31 December 2022, the total cost of employee remuneration of the Group (including Directors' fees) was RMB631.1 million (2021: RMB556.1 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. During the year ended 31 December 2022, 1,780,980 options have been cancelled, and 4,465,116 options have lapsed, together with 3,372,335 options that have been exercised under the Pre-IPO Share Incentive Scheme; and no options under the Post-IPO Share Incentive Scheme have been granted, exercised, lapsed or cancelled.

5 PRINCIPAL RISKS AND RISK MANAGEMENT

The Group is exposed to various principal risks in its business operation, which may adversely affect our prospects and future financial performance. The main risks of the Group (including but not limited to) are summarized hereby: our business and results of operations depend on our ability to maintain and raise tuition fee levels; our business and results of operations depend on whether we can increase student enrolments and whether we can increase the number of universities that cooperate with us; our business relies heavily on our brand and reputation; and we are subject to uncertainties brought by the recent developments of PRC Laws relating to private education.

To effectively deal with the above risks, the Company has established the following risk management structure and measures: The Board is responsible for evaluating risks and ensuring that the Company establishes and maintains an effective risk management and internal control system; the management is responsible for designing, implementing and monitoring the risk management and internal control system; the audit and supervision department conducts independent reviews on the adequacy and effectiveness of the risk management and internal control system.

6 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, the three universities of the Group resumed offline teaching, and adopted closed-off management of campus, carrying out part of the enrolment and employment work on line; the Company also provide online education and practical training services through the self-developed Neuedu Online.

The management has assessed and concluded that, the COVID-19 pandemic has no material effect on the operation and financial position (including working capital, liquidity positions and etc.) of the Group for the year ended 31 December 2022, nor will it have any material effect on the future performance of the Group. 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 financial impact 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.

7 FUTURE DEVELOPMENT PLANS

7.1 Development Environment

7.1.1 A series of favourable policies have been formulated to provide strong support and encouragement to the development of vocational education through industry-education integration

- In May 2022, the newly revised “Vocational Education Law of the People’s Republic of China” was officially implemented, which explicitly states that we will encourage high-quality school operation and support industry-education integration;
- In October 2022, the report made at the 20th National Congress of the CPC further proposed three major strategic measures to deepen the construction and reform of modern vocational education system, namely, “coordinating the collaborative innovation of vocational education, higher education and continuing education, promoting the integration between vocational education and general education, between industry and education, and between science and education, and better establishing vocational education as a category in the educational system”;
- In December 2022, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the “Opinions on Deepening the Construction and Reform of the Modern Vocational Education System”, which explicitly requires as follows: “constantly promoting industrial development through education, boosting education reform through industrial development, facilitating industry-education integration and industry-university cooperation, extending the education chain, serving the industrial chain, supporting the supply chain, creating the talent chain and enhancing the value chain to form a modern vocational education structure and regional layout adapting to market demand and complying with industrial structure”.

7.1.2 Grasping the development trend of the times that digital economy becomes one of China’s key development areas in the future

- In 2022, “digital economy” was mentioned in the government work report for the sixth consecutive year. Also in January of the same year, the “14th Five-Year” Plan for Digital Economy Development issued by the State Council expressly requires to: implement the national digital literacy and skills improvement plan, expand the supply of high-quality digital resources, and encourage public digital resources to be opened wider to the public; strengthen the training of talents with digital technology and skills in vocational colleges (including technical colleges), deepen the construction of new engineering and new liberal arts programmes in the field of digital economy, support enterprises and universities to jointly establish a number of modern industrial colleges, joint laboratories and internship bases, and develop diversified talent training models of the order system and modern apprenticeship system.

- In 2023, the CPC Central Committee and the State Council jointly issued the Overall Layout Plan for the Construction of Digital China, expressly pointing out that great efforts shall be made to fully empower the economic and social development. Among these efforts, we will vigorously implement the national education digitalisation strategy and improve the national smart education platform; strengthen the deep industry-university-research integration led by enterprises, and intensify the dominant position of enterprises in scientific and technological innovation; coordinate the arrangement of construction sites of disciplines and majors in the digital field, and cultivate innovative, applied and interdisciplinary talents; build a development and cultivation system for digital literacy and skills of the public in both urban and rural areas. In the meantime, colleges and universities, research institutes and enterprises are encouraged to participate in the construction of digital China.

7.1.3 The new industry, new business format and new model have created an enormous demand for digital talents

- Currently, digital economy is increasingly becoming a new engine of economic growth, which has created an urgent demand for a large pool of talents with adequate digital literacy and skills. According to relevant statistics released by the MOE, the MHRSS and the MIIT, the talent gap in China's new generation of information technology industry will reach 9.5 million by 2025, and the demand for talents in emerging technologies will continue to boom.
- Furthermore, the rapid rise of new industry, new business format and new model, together with the accelerated digital transformation of traditional industries, has created a large number of demand for interdisciplinary talent positions with digital professional skills, among which, the demand for talents in the fields of health care technology and digital media technology continues to grow, while it is difficult to make timely adjustments to the traditional training of digital talents and the mismatch between demand and supply has resulted in a structural shortage of digital talents.

Such series of policy guidelines and broad market demand have pointed out the development direction for higher education to promote digital transformation and upgrading and for vocational education to continuously deepen industry-education integration. It has also provided strong support for us to introduce first-class education products and services to numerous universities and vocational colleges through the innovative 4S characteristic service model, and to contribute to lifelong education of the public as well as education reform and innovation of our partner colleges and universities.

7.2 Development Strategy

7.2.1 The three universities insisting on quality improvement and brand influence enhancement to consolidate our leading position in the industry

We believe that as a provider of education services, the high quality of school operation is our base. Therefore, in respect to academic education, we will further consolidate our foundation and stick to our strengths, to maintain and continuously improve the quality in academic majors and courses, and comprehensive strength of our three universities, in order to consolidate our leading position in the private education industry, and realize to take the first place among private universities and colleges and take the lead among public ones. In the meantime, we plan to consider the three universities as the demonstrated universities of practicing Neuedu development concept and implementing Neuedu education resources of products and services, to thereby improve the brand influence of Neuedu. We also plan to upgraded our educational products and services based on the practice experience of our three universities, so as to lay a firm foundation and set a good example for cooperation with other universities and colleges.

7.2.2 Increasing investment in R&D to gather strength for our sustainable development and educational empowerment

We believe that developing outstanding education resource products will be the core driving force for our performance growth. Accordingly, we always adhere to the R&D strategy of “Education + Technology”, and empower intelligent education to develop in high quality with digital technology. We will proceed with increasing the R&D investment in education resource products, strengthening R&D innovation and promoting the research of education approach and key technology. We plan to upgrade the smart education platform and enrich the innovated digital products of talent cultivation, in order to build the education service provision platform that is all-round, multi-level and integrated. All of the above will contribute to the enhancement of technical content and attraction of our education resource products and thus support the development of One Fundamental Business and Two Strategic Businesses.

7.2.3 Further improving the service quality for 4S model to cultivate more digital talents for the development of digital economy

We believe that it shows great development potential in the future market to further the industry-education integration, and to provide education digitisation related services and cultivation of digital talents therewith for universities and colleges. Therefore, in the field of education resources provision, we will improve the joint construction plan of industrial colleges based on the 4S service model, which is, to promote the large-scale development of industrial colleges, to improve delivery quality and efficiency, and to establish the brand of Neuedu industrial colleges with the support of integrated platforms, specialized software, standardized content and integrated data; in the field of continuing education services, we will continue to expand our business size, improve the quality of training services, and create a characteristic continuing education model that integrates online and offline and interacts domestically and internationally.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF THE COMPANY

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

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

As of 31 December 2022, the use of proceeds from the IPO is as follows:

	% of net proceeds	Revised net proceeds from the IPO	Amount utilised during the year ended 31 December 2022	Amount utilised as at 31 December 2022	Amount unutilised as at 31 December 2022	Expected timeline for fully utilising unutilised amount
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
Upgrading our existing school facilities and expanding our campus ⁽¹⁾	51.4%	399.6	158.0	391.0	8.6	2023
Acquisition of other schools ⁽²⁾	12.9%	100.0	–	50.0	50.0	2023
Repay commercial loans	25.4%	198.0	–	198.0	–	N/A
Supplement working capital	10.3%	79.9	13.8	79.9	–	N/A
Total	100%	777.5	171.8	718.9	58.6	

Notes:

- (1) The delay of expected timeline for fully utilizing unutilised 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 unutilised amount planned for acquisition of other schools is due to the impact of the deposit schedule of cooperation projects.

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

The Directors have been granted a general mandate by the Shareholders at the annual general meeting of the Company held on 27 May 2022 to repurchase up to 66,980,753 Shares (the “**Repurchase Mandate**”) on the Stock Exchange, representing 10% of the total number of issued Shares of the Company as at the date of the annual general meeting. During the year ended 31 December 2022, the Company repurchased a total of 23,836,000 Shares on the Stock Exchange under the Repurchase Mandate at a total consideration (excluding expenses) of approximately HK\$98,910,584, which was funded by internal resources of the Company. All Shares repurchased by the Company above were cancelled on 13 July 2022, 10 August 2022, 23 September 2022, 17 October 2022, 29 November 2022 and 23 December 2022 respectively. Details of Shares repurchased by the Company during the Reporting Period are set out below:

Month of repurchase	Number of Shares repurchased	Price per share repurchased		Aggregate consideration paid (excluding expenses) (HK\$)
		Highest price (HK\$)	Lowest price (HK\$)	
June 2022	10,123,200	4.25	3.75	41,697,728
July 2022	12,360,800	4.40	3.88	52,163,592
September 2022	543,200	4.55	3.67	2,256,296
October 2022	177,600	3.42	3.15	579,320
November 2022	631,200	3.74	3.24	2,213,648
Total	<u>23,836,000</u>	<u>–</u>	<u>–</u>	<u>98,910,584</u>

The Board believes that the Company's existing financial resources are sufficient to carry out its repurchase of Shares, while keeping the continuing operation of the Company in a good financial condition. Such repurchase of Shares would reflect the Board's confidence in the Company's prospects, and benefit the Shareholders as a whole by enhancing the earnings per share of the Company, therefore in line with the best interests of the Company and its Shareholders.

Save as disclosed above, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on 30 May 2023. Notice of the annual general meeting will be published and issued to the Shareholders in due course.

FINAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend per share of HK16.5 cents for the year ended 31 December 2022 to Shareholders whose names appear on the register of members of the Company on 11 August 2023. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 30 May 2023, and if approved, it will be paid in cash on or around 25 August 2023.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend and Vote at the Annual General Meeting

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 22 May 2023 to Tuesday, 30 May 2023, both days inclusive, during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 19 May 2023.

Entitlement to the Proposed Final Dividend

For determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 9 August 2023 to Friday, 11 August 2023, both days inclusive, during which period no transfer of Shares can be registered. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 8 August 2023.

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 2022 and as of the date of this announcement, 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.

CORPORATE GOVERNANCE

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 2022, the Company has complied with the code provisions of the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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, 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 2022.

COMPLYING WITH RELEVANT LAWS AND REGULATIONS

For the year ended 31 December 2022, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

AUDIT COMMITTEE AND REVIEW OF ANNUAL FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and conducted discussions in respect of audit, internal control and financial reporting matters. The Audit Committee, together with the Board and external auditor, have reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022, and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures contained in this announcement of the Group's consolidated results for the year ended 31 December 2022 have been agreed by PricewaterhouseCoopers, the Company's auditor (the "**Auditor**"), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. The Auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Auditors in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no events of the Group that have significant influence to the Group occurred after the Reporting Period to the date of this annual results announcement.

PUBLICATIONS OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.neuedu.com/>). The annual report of the Group for the year ended 31 December 2022 will be available on the above websites of the Stock Exchange and the Company and despatched to Shareholders of the Company in due course.

DEFINITIONS

“%”	per cent
“‘3+N’ Business Model”	the Neuedu characteristic business model, especially, “3” stands for our three universities and “N” stands for other higher education institutions that enjoy our quality education resources)
“4S”	the service model of PaaS (platform as a service), SaaS (software as a service), CaaS (content as a service) and DaaS (data as a service) built by the Company
“14th Five-Year”	the 14th Five-Year of national economic and social development of the People’s Republic of China, i.e., the five-year period of 2021–2025
“20th National Congress”	the 20th National Congress of the Communist Party of China
“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
“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
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, to the persons listed in the section headed “Relationship with our Controlling Shareholders” of the Prospectus of the Company, namely Dr. J. Liu and Neusoft Holdings (together with Neusoft Holdings’ wholly-owned subsidiaries Neusoft International, Dongkong First and Dongkong Second)
“CPC”	the Communist Party of China (中國共產黨)
“Dalian 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
“Director(s)”	the director(s) of the Company
“Dongkong First”	Dongkong Education First Investment Inc. (東控教育第一投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“Dongkong Second”	Dongkong Education Second Investment Inc. (東控教育第二投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“Double High-level Construction”	the construction plan of high-level vocational schools and majors with Chinese characteristics
“Five New”	Namely, new theories, new technologies, new products, new tools, new applications
“Group”, “we”, “us”, or “our”	The Company and its subsidiaries (including our consolidated affiliated entities) from time to time or, where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time

“Guangdong University”	Neusoft Institute Guangdong (廣東東軟學院), established in 2003, and one of the higher education schools operated by our Group
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	the current lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Laws”	means all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, interpretations or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	29 September 2020, on which the Shares of the Company are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“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”
“MHRSS”	Ministry of Human Resources and Social Security of the People’s Republic of China
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as Ministry of Information Industry)
“Ministry of Education” or “MOE”	Ministry of Education of the People’s Republic of China (中華人民共和國教育部)

“Neusoft Education Technology”	Neusoft Education Technology Group Co. Limited (東軟教育科技集團有限公司) (formerly known as Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司)), a company incorporated under PRC Laws on 3 August 2018 and a wholly-owned subsidiary of the Company
“Neusoft 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 Dalian Neusoft Software Park Industry Development Co., Ltd. (大連東軟軟件園產業發展有限公司)
“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
“O2O”	online to offline, the integrated services both online and offline
“One Fundamental Business”	full-time formal higher education services, the fundamental business of the Group
“Prospectus”	the prospectus of the Company dated 17 September 2020
“R&D”	Research and development
“Reporting Period”	the year ended 31 December 2022
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each
“Shareholder(s)”	holders of our Shares or any one or more of the holders
“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
“the Stock Exchange” or “the Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TOPCARES”	our unique approach that are bestowed with eight types of capabilities/skills, which are technical knowledge and reasoning, open thinking and innovation, personal and professional skills, communication and teamwork, attitude and manner, responsibility, ethical values, social values created by application practice. TOPCARES is an acronym of these eight phrases
“Two Strategic Businesses”	education resources provision and continuing education services, the two strategic businesses of the Group

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff members of the Group for their dedication and hard work and our Shareholders for their trust and support.

By order of the Board
NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED
Dr. LIU Jiren
Chairperson and non-executive director

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises Dr. LIU Jiren as Chairperson and non-executive Director; Dr. WEN Tao as executive Director; Mr. RONG Xinjie, Dr. ZHANG Xia, Dr. ZHANG Yinghui and Mr. SUN Yinhan as non-executive Directors (aside from our Chairperson); and Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping as independent non-executive Directors.