ALLIANCE INTERNATIONAL EDUCATION LEASING HOLDINGS LIMITED
友聯國際教育租賃控股有限公司

(formerly known as International Alliance Financial Leasing Co., Ltd.)

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1563

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CORPORATE INFORMATION

COMPANY NAME

Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.)

STOCK CODE

1563

BOARD OF DIRECTORS

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LIU Zhenjiang
Mr. LUO Zhenming (appointed on 18 August 2022)
Mr. QIAO Renjie (appointed on 18 August 2022)
Mr. YUEN Kin Shan (appointed on 9 January 2023)

Non-Executive Directors

Mr. SONG Jianbo *(Chairman of the Board)* (appointed on 9 January 2023)
Mr. JIAO Jianbin

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian
Mr. SHEK Lai Him Abraham
Ms. XING Li (appointed on 9 January 2023)

AUDIT COMMITTEE

Mr. LIU Xuewei *(Chairman)*
Mr. LIU Changxiang
Mr. JIAO Jian

REMUNERATION COMMITTEE

Mr. LIU Changxiang *(Chairman)*
Mr. LIU Xuewei
Mr. JIAO Jian

NOMINATION COMMITTEE

Mr. LIU Xuewei *(Chairman)*
Mr. LIU Changxiang
Mr. JIAO Jian

STRATEGIC INVESTMENT COMMITTEE

Mr. SONG Jianbo *(Chairman)*
Mr. JIAO Jianbin
Mr. YUEN Kin Shan

COMPANY SECRETARY

Mr. YUEN Kin Shan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2602, 26th Floor, One Hennessy,
No.1 Hennessy Road
Wan Chai
Hong Kong

COMPANY WEBSITE

www.aiel-holdings.com

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

HONG KONG LEGAL ADVISOR

Stevenson, Wong & Co. in association with AllBright Law Offices
Solicitors, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Industrial Bank Co., Ltd, Longkou Branch
Shanghai Pudong Development Bank Co., Ltd. Tianjin Branch
Bank of China

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.) (the "**Company**"), I hereby present to the shareholders of the Company (the "**Shareholders**") the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**").

The overall business environment and economic activities in China have been improved since the last quarter of 2022. The relaxation of pandemic controls and the fully-resumed cross-border traffic contributed to the continuous rise in China's economic aggregate and development quality. Since the completion of the acquisition of 70% equity interests in Yantai Nanshan University (煙台南山學院) ("**Yantai Nanshan University**") on 18 August 2022, the Company is in a favourable position to capture the overall growth of the domestic economy through its dual-track strategy, namely operating in both the higher education and finance leasing business segments, which are complementary to each other.

In line with the direction of national policy development, where enterprises are encouraged to participate in the establishment of private schools for vocational education, Yantai Nanshan University collaborates closely with enterprises in various industries to promote and adhere to "Integration of industry and education; Cooperation of school and enterprise (產學融合、校企合作)". In addition, based on the strategic cooperation agreement entered into between the Company and Nanshan Yulong Petrochemical Co., Ltd.* (南山裕龍石化有限公司), Yantai Nanshan University expects to offer more choices to college-aged population and graduates, and more service talents to enterprises. It is also worth mentioning that in 2022, the Company only consolidated four months of financial results of Yantai Nanshan University, while in 2023 it will consolidate a full financial year of financial results of Yantai Nanshan University.

The finance leasing industry has entered the key period of transformation and development. Various policies have clarified the regulation of finance leasing, the path ahead of the future development for finance leasing companies which truly serves the economy has become more lucid. Supervision indicators also led companies to pay more attention to compliance management and the improvement in the risk management capabilities. In 2022, business environment in the PRC remained stable, therefore certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments, hence during the Reporting Period, the Group was not required to make significant net impairment provision on finance lease receivables and hence continued its profitable trend and scale from previous year.

Finally, on behalf of the Board, I would like to express our sincere gratitude towards the Shareholders, business partners, customers and all staff of the Group for their continuous support. The Company will endeavour to improve the Group's performance, expand its business scope and create greater value for the Shareholders and all stakeholders in the society.

Song Jianbo
Chairman
Alliance International Education Leasing Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW/REVIEW

In 2022, despite the recurring COVID-19 pandemic (the "**Pandemic**") during the first half of the year, China witnessed an expansion in its economic aggregate and a steady improvement of its development quality throughout the year. Since the last quarter of 2022, China has gradually relaxed its COVID-19 controls, and cross-border traffic was fully resumed in February 2023, leading to a better overall business environment, and a generally improved economic operation. According to the National Bureau of Statistics of the People's Republic of China (the "**PRC**"), China's annual GDP reached RMB121.0 trillion, representing a year-on-year increase of 3%. The Company is in a favourable position to capture the overall growth of the domestic economy through its dual-track strategy, namely operating in both the higher education and finance leasing business segments, which are complementary to each other.

Higher Education

The Group completed the transaction in relation to the acquisition of 70% equity interests in Yantai Nanshan University on 18 August 2022. The financial income and financial position of Yantai Nanshan University have been consolidated in the consolidated financial statements of the Company since the same date according to the 1st set of the Structured Contracts (as defined in the circular of the Company dated 3 August 2022). For details, please refer to the circular of the Company dated 3 August 2022 and the announcement of the Company dated 18 August 2022.

According to the National Bureau of Statistics and the Ministry of Education of the PRC, China's total revenue of higher education industry increased from RMB997.3 billion in 2016 to RMB1,382.7 billion in 2020, representing a compound annual growth rate (CAGR) of approximately 8.5%. It is expected that the total revenue of higher education industry in China will continue to grow in the future. As the school-age population of age 18 to 21 in higher education start to recover in 2023, the enrollment of higher education is also expected to increase steadily. Compared with the data in 2020, the enrollment rate of higher education in China lagged behind that of major developed countries. Only approximately 54.4% of the college-aged population in China are enrolled in higher education institutions, compared to an average of approximately 65.6% and 88.8% in France and United States of America respectively for the same period, which all pointed to the huge potential of the higher education industry in China.

In terms of policy, on 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), which became effective on 1 September 2021, to further promote the development of private education and encourage enterprises to establish or participate in the establishment of private schools for vocational education in accordance with the law by means of sole proprietorship, joint venture and cooperation. In addition, private schools may enjoy the preferential tax policies as stipulated by the PRC government, and local governments may provide lands through various means. These policies have provided the private higher education industry with a definite direction of encouragement and soil for development, and further confirmed the strategic foresight of the Group's management.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Yantai Nanshan University, located in Longkou City, Shandong Province, the PRC (中國山東省龍口市), is a private institution of higher education that provides undergraduate and junior college diploma programmes approved by the Ministry of Education of the PRC. In 2018, Yantai Nanshan University was recognised as one of the Model Colleges of Experimental Innovation and Entrepreneurship in Shandong Province (山東省創新創業典型經驗高校) by the Department of Human Resources and Social Security of the Shandong Province (山東省人力資源和社會保障廳). Yantai Nanshan University, as an application-oriented higher education institution, collaborates closely with enterprises in various industries to promote and adhere to "Integration of industry and education; Cooperation of school and enterprise (產學融合、校企合作)", offers 49 undergraduate programmes and 40 junior college diploma programmes with a total of 30 faculties, and strives to improve students' practical training and career prospects.

In particular, Yantai Nanshan University actively conducts long-term cooperation with its partners, accumulates education resources on design of majors, curriculum formulation and off-campus internship, etc. via close communication, and updates and consolidates majors and curriculums contents to create an education environment that combines practical training with academic studies which include, but not limited to, internships, workplace simulation training and participation at external practical training bases that Yantai Nanshan University has set up with its school-enterprise collaboration partners. This provides practical training opportunities for the students to get prepared with solid grasp on the applicable skills, and prepares its students for future development after graduation. For instance, Yantai Nanshan University established Nanshan Aluminium Industrial College* (南山鋁業產業學院) and Nanshan Culture and Tourism Industrial College* (南山文旅產業學院) in October 2020 to enhance the integration of industry and education and enhance its innovation of talent training model. In addition, based on the strategic cooperation agreement entered into between the Company and Nanshan Yulong Petrochemical Co., Ltd.* (南山裕龍石化有限公司) in April 2021, Yantai Nanshan University expects to offer more choices to college-aged population and graduates, and more service talents to enterprises.

In the past few school years, the number of student admission of Yantai Nanshan University maintained a stable growth and the total number of student enrollments has been on a rising trend. The total number of student enrollments of the school years 2021/2022, 2022/2023 and 2023/2024 was 29,047, 33,809 and 34,958, respectively. As compared with the school years mentioned above, the range of listed tuition fees of undergraduate programmes has increased from upwards of RMB12,800 to upwards of RMB15,800 and that of junior college diploma programmes have also increased from upwards of RMB8,200 to upwards of RMB9,800.

As mentioned above, the financial results of Yantai Nanshan University has been consolidated into the consolidated financial statements of the Company since 18 August 2022. To demonstrate the scale of operation of Yantai Nanshan University, its full-year results are as follows:

	Statement of profit or loss (for the year ended 31 December 2022) *RMB' million*	Statement of profit or loss (for the period between 18 August 2022 and 31 December 2022) *RMB' million*
Revenue	450.051	159.934
Profit before tax	90.133	39.112

MANAGEMENT DISCUSSION AND ANALYSIS

Along with the continuous economic development, demand for higher education is expected to continue to increase, as supported by the focus on pursuing higher levels of academic qualifications based on the society's overall social, economic, and technological development along with the people's increasing income and wealth and increasing spending on education in China, which, together with the long-term competitive strength of Yantai Nanshan University, the Group's higher education business segment will provide a stable source of income for the growth and will be beneficial for its future financial position.

Finance Leasing

Since 2022, the finance leasing industry has entered the key period of transformation and development. With the issuance of various policies, the regulation of finance leasing has become clearer, and with the clean-up of the finance leasing industry in China and consolidation of finance leasing companies in various provinces and municipalities, the path ahead of the future development for finance leasing companies which truly serves the economy has become more lucid.

Since the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) issued the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (《融資租賃公司監督管理暫行辦法》) in 2020, industry supervision became more stringent. In 2021, various regions in the PRC have successively issued their regional implementation rules, which carefully took into account the actual situation of the regions to ensure and safeguard sustainable development of the industry. The regulatory requirements cover the issues and risks of finance leasing companies, focusing on due diligence, management of leased assets and capital investment. Such developments provided more certain supervision indicators, and led finance leasing companies to pay more attention to compliance management and the improvement in the risk management capabilities, which are beneficial for a healthier and more sustainable development in the industry as a whole.

In the first half of 2022, the Pandemic still fluctuated in the PRC, and the recovery of the domestic economic environment still faced severe challenges. However, since the last quarter of 2022, China has gradually relaxed its COVID-19 controls, and cross-border traffic has been fully resumed since February 2023, which is expected to lead to a better overall business environment.

In terms of data, as at the end of June 2022, the national balance of finance leasing contracts amounted to approximately RMB6.03 trillion, representing a continuous decrease from RMB6.21 trillion as at the end of 2021, RMB6.50 trillion as at the end of 2020 and RMB6.65 trillion as at the end of 2019. However, as of the end of June 2022, the total number of finance leasing companies in China was slightly increased, and reached approximately 11,603 (end of 2021: 11,180). Hence, the competition in the finance leasing industry has further intensified.

The customers served by the Group are mostly in healthcare industry and aviation industry. In 2022, business environment in the PRC remained stable, therefore certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments, hence the Group was not required to make significant net impairment provision on finance lease receivables during the Reporting Period.

Consistent with the practices in 2022, the Group's management has been proactively deploying various means to recover the Group's finance lease receivables, including but not limited to instituting legal proceedings, in order to protect its rights and entitlements under the relevant finance lease agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

Maintaining the profitable trend and scale from previous year, the Group's finance lease business recorded revenue of approximately RMB208.86 million during 2022, with profit before tax of approximately RMB137.86 million.

2022 was the second year of the "14th Five-Year Plan". China's manufacturing industry is undergoing transformation and equipment upgrading, and evolution from traditional manufacturing to digital and intelligent manufacturing. It is expected to promote a new round of rapid growth in the future. As such, the demand for financing will remain strong. While the development in the healthcare and energy sectors continues, the investments in the transportation and infrastructure segments are also picking up. Finance leasing is one of the common medium- and long-term financing tools in the manufacturing industry, therefore, the Group will continue to cultivate relationship with potential customers in such key industries. In addition, the overall penetration rate of leasing in the Chinese market is still far lower than that of European and American markets, demonstrating a relatively large potential for industry development. Overall, the Board is of the view that the increase in demand for finance leasing continues to provide financial flexibility for various investment and business operation during the Reporting Period. The finance leasing industry has a huge potential and a very bright prospect. Thus, the Board intends to further expand the Group's finance leasing and related businesses in sectors including healthcare, transportation, energy and infrastructure.

The Group will continue to pay close attention to the market changes in the finance leasing industry, adjust its business strategies in a timely manner, expand and diversify its business scope, actively adjust the speed of business development, give priority to risk prevention and control at appropriate times, and strengthen the project approval committee's role in project selection. The Group is committed to improving and enhancing the level of asset management, diversifying customer and project categories, improving the quality of its cashflows, reducing overall asset risk, and developing its business by adhering to the principle of "quality over quantity", making steady progress and actively seeking opportunities amid changes.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly derived from income generated from higher education and finance leasing. Revenue generated from the Group's higher education was mainly from (i) tuition fees; (ii) boarding fees; and (iii) other education service fees, and all of such revenue was generated in the PRC. The Group's finance leasing services included sale-leaseback and direct finance leasing.

Revenue of the Group increased by approximately 59.1% from approximately RMB231.8 million for the year ended 31 December 2021 to approximately RMB368.8 million for the year ended 31 December 2022. The significant increase in revenue was mainly due to the increase in the Group's overall revenue as a result of the acquisition of the business of Yantai Nanshan University during the Reporting Period. During the Reporting Period, revenue of tuition fees, boarding fees and other education services fees included in the Group's revenue (during the period from 18 August 2022 to 31 December 2022) amounted to approximately RMB159.9 million.

Costs of services

The Group's costs of services amounted to approximately RMB112.8 million for the year ended 31 December 2022 (2021: nil), which were mainly derived from the operations of Yantai Nanshan University.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB256.0 million for the year ended 31 December 2022 with approximately 69.4% of gross profit margin, as compared to the gross profit of approximately RMB231.8 million for the year ended 31 December 2021, representing an increase of approximately 10.4%.

Other income, gains or losses

Other income, gains or losses of the Group, which primarily derived from (i) government grants; (ii) investment and interest income; (iii) loss on the disposal of plant and equipment, increased from approximately RMB16.3 million for the year ended 31 December 2021 to approximately RMB28.2 million for the year ended 31 December 2022.

Specifically, government grants, which are mainly subject to change in the tax payment every year, decreased from approximately RMB10.9 million for the year ended 31 December 2021 to approximately RMB7.6 million for the year ended 31 December 2022; investment and interest income increased from approximately RMB5.3 million for the year ended 31 December 2021 to approximately RMB8.4 million for the year ended 31 December 2022. In addition, the business of Yantai Nanshan University during the Reporting Period contributed to an increase in rental income and income from the sale of teaching materials of approximately RMB4.3 million and RMB3.7 million, respectively.

Administrative expenses

Administrative expenses of the Group primarily included staff costs, rental expenses, legal and professional fees and daily office expenses. For the year ended 31 December 2022, the administrative expenses amounted to approximately RMB52.8 million (2021: approximately RMB38.6 million), representing approximately 14.3% of the total revenue of the Group (2021: approximately 16.6%).

Finance costs

Finance costs of the Group primarily derived from borrowings, imputed interest on deposits from finance lease customers and consideration payable. The finance costs decreased by approximately 14.3% from approximately RMB89.8 million for the year ended 31 December 2021 to approximately RMB77.0 million for the year ended 31 December 2022. The decrease in finance costs was mainly a result of the decrease in borrowing costs by approximately 48.1% from approximately RMB68.6 million for the year ended 31 December 2021 to approximately RMB35.6 million for the year ended 31 December 2022.

Gain on bargain purchase

The Group continuously seeks potential opportunities. A one-off gain on bargain purchase of approximately RMB270.5 million for the year ended 31 December 2022 was recognised as a result of the completion of the acquisition of Yantai Nanshan University. Details of the acquisition are set out in the section headed “ACQUISITION OF A SUBSIDIARY” in note 36 to the consolidated financial statements of the Company in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

The net profit of the Group for the year ended 31 December 2022 amounted to approximately RMB372.1 million, as compared to approximately RMB78.9 million for the year ended 31 December 2021, representing a significant increase of approximately 4.7 times. The main reason was that while the net profit of the Group's finance leasing business remained stable, upon the completion of acquisition of Yantai Nanshan University, the net profit (during the period from 18 August 2022 to 31 December 2022) of Yantai Nanshan University was consolidated into the Group's profit, with the recognition of one-off gain on bargain purchase (RMB270.5 million) in connection with the acquisition.

Dividend

The Board did not recommend payment of any final dividend to shareholders for the year ended 31 December 2022 (2021: nil).

Liquidity, financial resources and capital resources

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB125.8 million (2021: approximately RMB141.8 million). Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB563.6 million (2021: approximately RMB983.9 million) and approximately RMB2,598.0 million (2021: approximately RMB1,273.5 million), respectively.

As at 31 December 2022, the balance of borrowings of the Group amounted to approximately RMB329.3 million (2021: RMB795.9 million). As at 31 December 2022, the Group's borrowings due within one year amounted to approximately RMB308.5 million (31 December 2021: approximately RMB169.9 million) and the Group's borrowings due after one year amounted to approximately RMB20.8 million (31 December 2021: approximately RMB626.0 million). For further details, including the structure, maturity profile and effective interest rates, please refer to note 27 to the consolidated financial statement of the Company in this report.

As at 31 December 2022, the gearing ratio of the Group (dividing the total indebtedness by total equity and indebtedness as at the end of the period) was approximately 11.3% (2021: approximately 38.5%). Such decrease was mainly due to the decrease in the borrowings as compared with the scale of the Group's business.

Finance lease receivables

Finance lease receivables of the Group comprises mainly (i) gross amount of finance lease receivables; offset by (ii) unearned finance income; and (iii) allowance for impairment losses. As at 31 December 2022, the respective carrying amounts of such components of the finance lease receivables amounted to (i) approximately RMB2,668.6 million; (ii) approximately RMB266.8 million; and (iii) approximately RMB259.2 million (as at 31 December 2021, the respective carrying amounts of such components of the finance lease receivables amounted to (i) approximately RMB2,590.6 million; (ii) approximately RMB310.2 million; and (iii) approximately RMB260.5 million).

The finance lease receivables of the Group slightly increased by approximately 6.1% from RMB2,020.0 million for the year ended 31 December 2021 to RMB2,142.6 million for the year ended 31 December 2022.

The allowances for impairment losses of the Group slightly decreased by approximately 0.5% from approximately RMB260.5 million as at 31 December 2021 to approximately RMB259.2 million as at 31 December 2022.

Background information of the lessees which was relevant to the impairment recorded during the Reporting Period

Nine customers (eight of which were in the healthcare industry and one of which was in the aviation industry) (2021: one customer, which was in the aviation industry), were unable to repay the relevant rental fees for the financial year ended 31 December 2022. Accordingly, the Group made provision for impairment under International Financial Reporting Standard ("**IFRS**") 9 — Financial Instruments to reflect the outstanding sum during the Reporting Period.

The factors, events and circumstances leading to the reversal of impairment loss

Consistent with practices in previous financial years, in the financial year ended 31 December 2022, the Group has assessed the general ageing of finance lease receivables and took prudent measures to recover the outstanding rental fee. Such measures included demanding repayments by telephone calls and physical visits, as well as instituting legal proceedings, etc.

With the improving business environment in the PRC, the lessees, particularly those in the healthcare industry, are facilitated to make timely repayments, which led to a net reversal in impairment losses on finance lease receivables for the year ended 31 December 2022.

The Board is of the view that the reversal of impairment losses for the year ended 31 December 2022 is fair and reasonable because (a) it is in line with the relevant accounting policies under the IFRSs; and (b) it is in conformity with the market situation and reflecting the Company's situation.

The methods and basis used in determining the amount of the impairment

The Group's main business entity is a finance leasing company, which adopts a three-stage model to measure expected credit losses in accordance with the requirements of the new financial instrument standards. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since the initial recognition. The Group calculates the provision of loss based on 12-month expected credit loss, unless the credit risk has increased significantly since the initial recognition, the Group recognises the existence of expected credit loss. The assessment of whether the expected credit loss of the duration should be recognised is based on the substantial increase in the probability or risk of default since the initial recognition. The expected credit loss model and the estimation or calculation formula of relevant parameters for finance lease receivables are as follows:

ECL (Expected Credit Loss) = EAD x PD x LGD x DF

EAD (Exposure at Default): Exposure at Default is the present value of minimum lease payment receivable minus security deposit

PD (Probability of Default): Probability of Default refers to the possibility that the borrower cannot repay the principal and interest of the financial lease or perform relevant obligations according to the contract requirements within a certain period of time in the future. The probability of default is the base for calculating the expected loss of finance lease receivables. The Group will base on the measurement method of its internal credit rating historical data and consider the rating of the companies according to the credit rating historical data accumulated over a long period of time, including past repayment records, current and previous financial data and leased property value, etc, by taking the average value of historical probability of default as the corresponding default probability of such companies under different credit ratings.

LGD (Loss Given Default): Loss Given Default is an estimate of loss arising on default, which is obtained by mapping the main scale of external rating. The regulatory reference value and peer practice under the primary credit risk method are adjusted in combination with the Company's business characteristics. The LGD in the Group's impairment model is set based on the regulatory reference value, the LGD of peers, and the fact that the Company's collection strength will be lower than that of banks and financial institutions in combination with expert experience.

DF (Discount Factor): $1/(1+EIR)^{t-1}$, where EIR is the effective interest rate of the contract, and t is the remaining term.

Based on the IFRS, the Group made a relatively reasonable estimation on the recovery of future funds from a prudent perspective, and provided an appropriate amount of impairment losses allowance.

In case that certain lessees failed to repay on time, the Group adopted actions, like active on-site collection or legal actions to minimise the chance of making impairment allowance. Further, the Group deployed different means to recover impaired finance lease receivables. Please refer to the Company's announcement dated 27 May 2020 in relation to, among others, the audited annual results for the financial year ended 31 December 2019 and the paragraph headed "The Company's measures of recovering the impaired finance lease receivables" below for further details. With the measures taken by the Group and the timely repayment of certain lessees due to the improving business environment, particularly those in healthcare industry, no significant allowances for impairment losses for the year ended 31 December 2022 was required.

The Company's measures of recovering the impaired finance lease receivables

The Company classifies the overdue repayment cases into three categories and deploys different means (subject to the travel restrictions imposed due to the COVID-19) to recover the impaired finance lease receivables accordingly, details of which are summarised as follows:

1. category 1: 30 days or less past due — the Company demands repayment by telephone and physically visiting the customers, to negotiate a deadline for the customers to repay all overdue amount;

2. category 2: 30 to 90 days past due — the Company enhances the recovery method by demanding repayment by telephone and physically visiting the customers frequently, as well as issuing pre-action letter to the customer to recover overdue amount; and

3. category 3: 90 days or more past due — the Company will issue pre-action letter and institute legal proceedings against the relevant customers to recover outstanding sums as well as penalty, liquidated damages and other expenses as permitted under the laws of PRC. The Company may also negotiate a new repayment schedule with the relevant customers to recover the outstanding sums abovementioned, and even dispose of the leased assets and demand the difference between the sale proceeds and the outstanding sums from the relevant customers.

Finance lease commitments

As at 31 December 2022, the Group had no finance lease commitments (31 December 2021: nil).

Employees and remuneration policy

As at 31 December 2022, the Group employed 1,965 employees (full-time: 1,692 and part-time: 273) (31 December 2021: full-time: 32) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB79.1 million for the year ended 31 December 2022 (2021: approximately RMB11.1 million).

The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of the employees and the prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided to employees. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Please refer to the paragraph headed "Share Option Scheme" in this report for details.

Charges on group assets

Save as disclosed in note 18(iii) and note 23 to the consolidated financial statement of the Company in this report, none of the Group's assets were charged as security for any liabilities as at 31 December 2022.

Significant investments

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the year ended 31 December 2022.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2022, the Group acquired 70% of the equity interest of Yantai Nanshan University at a consideration of RMB566,000,000. Further details are set out in note 36 to the consolidated financial statements of the Company in this report.

Save for those disclosed in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this report, there were no material investments or additions of capital assets authorised by the Board at the date of this report of the Company.

Foreign exchange risk

The Group receives majority of payments from customers in Renminbi and majority of the Group's revenue and costs are also denominated in Renminbi. The Group may need to convert and remit Renminbi into foreign currencies for the payment of dividends, if any, to holders of shares of the Company (the "**Shares**"). The Group assets and liabilities are mainly denominated in Renminbi, United States dollar and Hong Kong dollar.

The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

RISK MANAGEMENT

As a company operating in the higher education business and in the finance leasing business, serving different industries, the Group assumes various risks in its business operations, including credit, liquidity, marketing, compliance, legal, operational and reputational risks, among which the main risks faced by the higher education business include human resources, enrollment and market risks; while its finance leasing business is primarily exposed to credit risk.

To properly manage these risks faced by its higher education business, Yantai Nanshan University (as defined as the "**College**" in this paragraph) has established the following risk management structures and measures:

— The board of the College is generally responsible for making strategic decisions about the budget, investments, acquisitions and future development of the College. It is also responsible for reviewing and approving any significant business decisions that involve material risks, such as the expansion of the College into new areas, the increase of tuition fees and boarding fees, the construction of the college and the decision to establish significant business partnerships with third parties to develop new educational programmes;

— The principal is the person who makes decisions for the College. Under the instruction of the board of the College, the principal, assisted by and together with the vice principals and the head of the different departments, are responsible for the continuous risk management of the College. The principal shall make decisions on remedial measures for serious incidents or behaviour that violates the College's internal control policies reported to it. The materials in relation to such incidents shall be filed for record, which include incident reports, records of detection and inspection, inspection report, inspection advice, inspection decisions and their materials. The College will also learn from the experience of the incidents to find its deficiencies and refer to such materials for the guidance of its future work; and

— The College maintains insurance coverage, which the College believes that is in line with customary practice in the education industry of the PRC, including the public liability insurance.

With respect to the credit risk faced by its finance leasing business, the Group has developed a comprehensive risk management system and controls risks through measures including due diligence on customers, independent information review and a multi-level approval process.

The Group strives to balance business development, risk management and operation efficiency. The Group has established comprehensive risk management and internal control processes to deal with various risks relating to its finance leasing business. Its risk management processes are tailored to the characteristics of its business operations, with a focus on managing risks through comprehensive customer due diligence, independent information review and multi-level approval process. Its risk management processes also include a continuous review process after a finance leasing project is approved. The asset management team reviews the leased assets on a regular basis, including performing on-site visits to inspect the status of the leased asset. This continuous review process enables the Group to identify any potential default of its customers and take remedial actions to enhance the security of its assets at an early stage.

The Group measures and monitors the asset quality of its finance lease receivables by voluntarily adopting a five-category classification with reference to guidelines promulgated by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) relating to asset quality for financial institutions under its regulation as follows:

- Pass. There is no sufficient reason to doubt that the lease payments will not be paid by the lessee in full on a timely basis. Pass asset has certain characteristics, for example, the lease payments have always been repaid in full on a timely manner or overdue for less than or equal to 90 days.

- Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are some factors that could adversely affect its ability to pay, such as that the financial position of the lessee has worsened or its net cash flow has become negative, but there are sufficient guarantees or collaterals underlying the finance lease agreement. Special Mention asset has certain characteristics, for example, the payments have been overdue for more than 90 days but less than or equal to 150 days.

- Substandard. The lessee's ability to pay is in obvious question as it is unable to make its payments in full with its operating revenue, and the Group is likely to incur losses notwithstanding the enforcement of any guarantees or collaterals underlying the finance lease agreement. Substandard asset has certain characteristics, for example, the lease payments have been overdue for more than 150 days but less than or equal to 210 days.

- Doubtful. The lessee's ability to pay is in absolute question as it is unable to make lease payments in full, and the Group is likely to incur significant losses notwithstanding the enforcement of any guarantees or collaterals underlying the finance lease agreement. Doubtful asset has certain characteristics, for example, the lease payments have been overdue for more than 210 days but less than or equal to 270 days.

- Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. Loss asset has certain characteristics, for example, the lease payments have been overdue for more than 270 days.

At the same time, the Group assesses its provisions using an appropriate expected credit loss model based on the relevant requirements of IFRS and its internal provision procedures and guidelines upon consideration of factors such as the nature and characteristics of its industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies, the value of the assets underlying the leases and the availability of collateral or guarantees. The Group will regularly assess the expected credit loss model in accordance to actual loss of financial assets and adjust when necessary.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: nil).

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

References are made to the announcements of the Company dated 30 November 2022 (the "**Placing Announcements**") and 14 December 2022, respectively. Unless otherwise defined herein, capitalised terms in this section shall have the same meanings as those defined in the Placing Announcements.

On 14 December 2022, the Company completed the placing of new shares of the Company and the subscription of new shares of the Company. An aggregate of 47,160,000 Placing Shares have been successfully placed at the Placing Price of HK$3.52 per Placing Share to not less than six Placees pursuant to the terms and conditions of the Placing Agreement. An aggregate of 143,754,000 Subscription Shares have been allotted and issued to the Subscribers at the Subscription Price of HK$3.52 per Subscription Share pursuant to the terms and conditions of the each of the Subscription Agreements. The Placing Price is the same as the Subscription Price being HK$3.52 per Placing Share or Subscription Share and representing: (i) a discount of approximately 19.82% to the closing price of HK$4.39 per Share as quoted on the Stock Exchange on the date of the Placing Agreement and the Subscription Agreements; and (ii) a discount of approximately 16.19% to the average closing prices of HK$4.20 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement and the Subscription Agreements. The net proceeds from the Placing and the Subscription would be used on the Group's finance leasing business. Net proceeds from the Placing and Subscription (net of commissions payable to the Placing Agent and other costs, expenses and expenses arising from the Placing and Subscription) amounted to HK$669.6 million, of which, HK$417.0 million (US$53.5 million) have been utilised as intended as at 31 December 2022.

For the avoidance of doubt, no net proceeds from the Placing and the Subscription would be applied as consideration for the acquisition of Yantai Nanshan University.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 20 February 2019 which became effective on 15 March 2019. A summary of the principal terms of the Share Option Scheme was set out in paragraph headed "Report of the Directors — Share Option Scheme" in this report.

EVENTS AFTER THE REPORTING PERIOD

Renewal of continuing connected transaction and major transaction — finance leasing framework agreement for 2023 to 2025

As the existing finance leasing framework agreement of continuing connected transaction had been expired on 31 December 2022. On 4 November 2022, the Company entered into the finance leasing framework agreement with Nanshan Group Co., Ltd.* (南山集團有限公司) ("**Nanshan Group**"), pursuant to which the Group agreed to provide finance leasing service to Nanshan Group. The finance leasing framework agreement shall be effective for three years from 1 January 2023, subject to the independent shareholders' approval at the extraordinary general meeting of the Company on 6 January 2023 (the "**EGM**").

The leased assets under the said finance leasing framework agreement include healthcare equipment, engineering vehicles or equipment, equipment used in power stations as well as carriers such as aircraft and vessels for transport of goods and/or passengers. Also, the annual caps under the said finance leasing framework agreement are RMB2,135.18 million, RMB2,437.91 million and RMB2,649.85 million for the years ending 31 December 2023, 2024 and 2025, respectively.

The Company passed an ordinary resolution relating to the renewal of continuing connected transaction and major transaction of the said finance leasing framework agreement at the EGM. For details, please refer to the Company's announcements dated 4 November 2022, 14 December 2022 and 6 January 2023 and the Company's circular dated 16 December 2022.

Appointments of (i) the chairman of the Board and non-executive Director, (ii) executive Director and (iii) independent non-executive Director

With effect from 9 January 2023, Mr. Song Jianbo has been appointed as the chairman of the Board and a non-executive Director; Mr. Yuen Kin Shan has been appointed as an executive Director; and Ms. Xing Li has been appointed as an independent non-executive Director ("**INED**"). For further details of Mr. Song Jianbo, Mr. Yuen Kin Shan and Ms. Xing Li, please refer to the announcement of the Company dated 9 January 2023.

Change in board lot size

The board lot size for trading of the Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been changed from 3,000 Shares each to 1,000 Shares each with effect from 9:00 a.m. on Tuesday, 7 February 2023. For details, please refer to the announcement of the Company dated 12 January 2023.

Establishment of strategic investment committee and appointment of members of the strategic investment committee

In order to enhance the investment decision-making procedures, the Company established a strategic investment committee (the "**Strategic Investment Committee**"), with effect from 16 January 2023. The Strategic Investment Committee is responsible for, among other things, the Company's investment strategy, monitoring the implementation and reporting the same to the Board. Mr. Song Jianbo, Mr. Jiao Jianbin and Mr. Yuen Kin Shan have been appointed as members of the Strategic Investment Committee and Mr. Song Jianbo has been appointed as the chairman of the Strategic Investment Committee.

For details on the Strategic Investment Committee and its terms of reference, please refer to the announcement of the Company dated 16 January 2023 and rules of procedures of the Strategic Investment Committee published on the same date.

Change of company name and amendments to the amended and restated memorandum and articles of association

With the completion of the Acquisition of Yantai Nanshan University in August 2022, the Group has expanded its business scope to higher education. Accordingly, the Board considered to refresh the corporate image of the Company, and better reflect the current status of the Group and the direction of its future business development, the Board proposed to change (i) the English name of the Company from "International Alliance Financial Leasing Co., Ltd." to "Alliance International Education Leasing Holdings Limited" and (ii) the dual foreign name in Chinese of the Company from "国际友联融资租赁有限公司" to "友聯國際教育租賃控股有限公司" ("**Proposed Change of Company Name**").

In addition, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") amended with effect from 1 January 2022 streamlined the requirements for overseas issuers with a single set of shareholder protection standards applicable to all issuers as set out in Appendix 3 of the Listing Rules (the "**Core Standards**") to ensure that consistent protection is provided to all investors. Accordingly, the Board proposed to amend and restate the existing amended and restated memorandum and articles of association of the Company (the "**Existing M&A**"), among others, to (i) conform with the Core Standards and other latest legal and regulatory requirements under the Listing Rules and applicable laws of the Cayman Islands; and (ii) incorporate certain housekeeping amendments (the "**Proposed Amendments**"). The Board also proposed to adopt the second amended and restated memorandum and articles of association which incorporates the Proposed Amendments in substitution for, and to the exclusion of, the Existing M&A.

The Company held an extraordinary general meeting on 14 February 2023 (the "**EGM**") and passed special resolutions of the Company relating to the Proposed Change of Company Name, as well as amendment of the Existing M&A. Subsequent to the approval of the Shareholders by passing a special resolution in relation to the Proposed Change of Company Name at the EGM and the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name by way of the issue of the certificate of incorporation on change of name, the Proposed Change of Company Name has taken effect from 14 February 2023, being the date on which the certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands. The proposed adoption of the second amended and restated memorandum and articles of association of the Company has also taken effect upon the Proposed Change of Company Name becoming effective on 14 February 2023.

For details, please refer to the Company's announcements dated 22 December 2022, 4 January 2023, 17 January 2023 and 1 March 2023 and the Company's circular dated 26 January 2023.

OUTLOOK AND PLANS

Looking forward to 2023, the Board estimates that the economy that in the PRC will gradually improve. The Company's higher education and finance leasing businesses are well-positioned to capture the overall growth in the domestic economy. Please refer to the section headed "Business Overview/Review" in this report for further details.

Yantai Nanshan University has a long-term competitive advantage of "Integration of industry and education; Cooperation of school and enterprise (產學融合、校企合作)" and belongs to an industry encouraged by the PRC government policy. In addition, there is a strong demand for the higher education industry, and the relevant business is expected to maintain a stable development. The Company will deepen its existing partnership, continue to organise and design more advanced applied disciplines, as well as develop cooperations between upstream, downstream and other new enterprises.

Furthermore, with the gradual relaxation of the COVID-19 controls, the further improvement of the business environment, and the upgrading equipment brought by the continuous digitalisation and intelligence in the manufacturing industry, all of them continue to bring opportunities to the finance leasing industry, and industry supervision has provided a more favourable business environment for the overall health and sustainable development of the industry. The Group's finance lease business will adapt to market changes, seize opportunities in the market and its business by adhering to the principle of "quality over quantity", and make steady progress in its expansion.

The Group will continue to explore domestic or overseas expansion of its existing businesses and locate suitable acquisition targets (including overseas vocational education and higher education), particularly those businesses or projects that offer excellent potential, provide stable cash flow or natural hedges of financial liquidity or other advantages or synergies, to enrich the Group's existing higher education and finance lease business.

Leveraging on the experience of provision of vocational programmes of different natures of Yantai Nanshan University, the Group will further explore cooperation opportunities in respect of overseas higher education institutions and enhance and develop its existing educational business and extend its higher education business presence in a successful way to other countries outside China.

The Group will continue to focus on its internal control and risk management based on the principles of risk prevention and asset monitoring reinforcement, strengthening internal management and improving various systems, while continuing to steadily promote its business development, expansion and diversification.

The Board will strive for new breakthroughs in terms of industry and geographic coverage by improving the corporate governance mechanism; and on the condition of compliance with the Listing Rules, strengthening its internal control, enhancing asset management capability, further forging a professional and high-quality talent team to seize development opportunities and actively explore new customers (including expanding to new industries outside of the existing customer base of the Group). Meanwhile, the Group will also endeavour to maintain the long-term relationship with existing customers and explore opportunities to deepen cooperation with quality customers, in order to achieve steady and long-term development of the Group's higher education and finance leasing businesses.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. LI Luqiang (李璐強), aged 54, is an executive Director and the chief executive officer of the Company. He was appointed to the Board as a Director on 13 January 2016 and was designated as an executive Director on 20 June 2018. He is primarily responsible for strategic planning and overall management of the Group, overseeing the business operations, finance and human resources. Mr. Li Luqiang has been a director and general manager of Nanshan Financial Leasing (Tianjin) Co., Ltd.* (南山融資租賃(天津)有限公司) ("**Nanshan Leasing**") since January 2014.

Mr. Li Luqiang has over 20 years of experience in the finance leasing industry. From July 1995 to July 2001, Mr. Li Luqiang worked at the business department of International Union Leasing Co., Ltd. (友聯國際租賃有限公司), where he was responsible for financial analysis, risk management, business development and collection of lease payments. Between February 2004 and May 2007, Mr. Li Luqiang worked for Guangcai Investment Group* (光彩事業投資集團) (now known as Fanhai Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)), an investment and asset management company, as the vice president of Investment Department, responsible for investor relationship and corporate governance. Mr. Li Luqiang served as executive president in Fenghui Leasing Co., Ltd. (豐匯租賃有限公司) from December 2008 to December 2009. At that time, he was mainly responsible for management of leasing business. Prior to joining the Group, he worked for Chengtong Financial Leasing Company Limited (誠通融資租賃有限公司), and served as the leasing business director from January 2010 to March 2013. At that time, he was primarily responsible for financing and leasing business.

In July 1991, Mr. Li Luqiang obtained a bachelor degree of Engineering in Mechanical Design and Manufacturing from Beijing Union University (北京聯合大學) in Beijing, PRC. He obtained a master of commerce degree in international professional accounting and a master of commerce degree in finance from the University of New South Wales in Sydney, Australia, in October 2001 and October 2002, respectively. He was admitted as an associate of CPA Australia in October 2001 and became a certified practising accountant of CPA Australia in August 2006.

Mr. LIU Zhenjiang (劉鎮江), aged 39, is an executive Director. He was appointed to the Board on 6 September 2021.

Mr. LIU Zhenjiang has been the Director of Risk Management of the Group since April 2019, mainly responsible for the legal compliance and risk management of proposed projects, drafting and review of transaction documents, and overseeing the Group's internal controls and compliance. He is also the supervisor of several subsidiaries of the Company, namely International Alliance Financial Leasing (Shenzhen) Co., Ltd.* (友聯國際融資租賃(深圳)有限公司), Nanshan Leasing, Beijing Nanshan Jinchuang Information Consulting Co., Ltd. (北京南山金創信息諮詢有限公司) and Tianjin Rongjin Enterprise Management & Consulting Co., Ltd. (天津融金企業管理諮詢有限公司). Mr. Liu Zhenjiang has over ten years of experience in the legal profession and worked as in-house legal counsels of a few private companies in the PRC before joining the Group.

Mr. Liu Zhenjiang obtained a bachelor's degree of Laws from Peking University in September 2007, and was granted his legal professional qualification issued by the Ministry of Justice of the PRC in March 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. LUO Zhenming (羅振明), aged 54, is an executive Director and was appointed to the Board as a Director on 18 August 2022. He is a vice-principal and a supervisor of Yantai Nanshan University. He has been the school's vice-principal since he joined Nanshan Vocational College* (南山職業專修學院), the predecessor of the Yantai Nanshan University in July 1996. Mr. Luo Zhenming is responsible for human resources and integration of teaching and research. Mr. Luo Zhenming has over 25 years of experience in education. Mr. Luo Zhenming was honoured as the National Model Teacher* (全國模範教師) by Ministry of Education of Human Resources of the PRC in September 2004. Mr. Luo Zhenming graduated from Yantai Education College* (煙台師範學院) (now known as Ludong University) in Shandong, PRC, in July 1996 with a diploma study in Mathematics through correspondence learning.

Mr. QIAO Renjie (喬仁潔), aged 43, is an executive Director and was appointed to the Board as a Director on 18 August 2022. He is a vice-principal and a director of the Yantai Nanshan University since March 2016 and April 2022, respectively, and is responsible for ideological and political education and party affairs. Mr. Qiao Renjie joined the Yantai Nanshan University in May 2008 as a division chief of the Academic Affairs Office and has over 13 years of experience in education. Mr. Qiao Renjie graduated from Qufu Normal University in Shandong, PRC with a bachelor's degree in Management of Public Affairs (Education) in July 2003 and with a master's degree in Andragogy in June 2008. Mr. Qiao Renjie obtained the teaching qualification for higher education* (高等學校教師資格) granted by the Education Authority in June 2009.

Mr. YUEN Kin Shan (袁建山), aged 41, is an executive Director and was appointed to the Board as a Director on 9 January 2023. He joined the Company as chief financial officer in September 2020. He was then appointed as the company secretary and an authorised representative of the Company in December 2020. Mr. Yuen Kin Shan is also a director of Hong Kong Alliance Financial Leasing Co., Limited, a wholly-owned subsidiary of the Company.

Mr. Yuen Kin Shan has over 10 years of experience in auditing, accounting, financial management and corporate finance. Mr. Yuen Kin Shan has obtained a bachelor of commerce degree in finance and accounting from the University of New South Wales in Australia in October 2003 and a master degree of business administration from The Hong Kong University of Science and Technology in August 2017. He is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. SONG Jianbo (宋建波), aged 52, is the chairman and a non-executive Director. He was appointed to the Board as a Director on 9 January 2023. He has held various positions of a number of companies established in the People's Republic of China over the years. For instance, he is a chairman of the board of directors of Nanshan Group since February 2015. In March 1993, he joined Shandong Nanshan Aluminium Co., Ltd.* (山東南山鋁業股份有限公司) ("**Nanshan Aluminium**"), which is listed on the Shanghai Stock Exchange (stock code: 600219). During his tenure at Nanshan Aluminium, Mr. Song Jianbo had been a director, the vice chairman of the board of directors, the general manager and the chairman of the board of directors. For the last three years, Mr. Song Jianbo had been a director of Nanshan Aluminium until November 2021.

Mr. Song Jianbo graduated from Beijing International Studies University (北京第二外國語學院) majoring in English in June 1990 and completed a tertiary college online course on economic management of Jilin University (吉林大學) in January 2015.

Mr. Song Jianbo is the spouse of Ms. Sui Yongqing, one of the controlling shareholders of the Company ("**Controlling Shareholders**").

Mr. JIAO Jianbin (焦建斌), aged 27, is a non-executive Director. He was appointed to the Board as a Director on 16 September 2020 and was designated as a non-executive Director on the same day.

Prior to joining the Group, Mr. Jiao Jianbin worked at Hongkong Hongke Development Co., Limited (香港宏科發展有限公司) and Xinjin Investment Holding Limited (信金投資控股有限公司), and was involved in different areas of work including foreign and domestic trade and sales, research on overseas investment projects, industry analysis and market forecasts. In April 2020, Mr. Jiao Jianbin is appointed as a director of TC Concord Securities Limited (天宸康合證券有限公司), principally responsible for business operation of the company.

Mr. Jiao Jianbin joined the Group on 5 August 2020 and has been the chairman of board of directors and legal representative of Youlian International Financial Leasing (Shenzhen) Co., Ltd.* (友聯國際融資租賃(深圳)有限公司) since August 2020. He is responsible for providing supervision on direction of its business development, cross-border finances, financial reviews, providing suggestions on the overall improvement on its services and management, and scrutinising its compliance with reference to the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (融資租賃公司監督管理暫行辦法), which was newly issued by The China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) in mid-2020. Mr. Jiao Jianbin also made recommendations on the operations and management of the Group from the legal and compliance perspectives. He also reviewed the progress and performance of the Group's management. Further, he reviewed and provided advices on the current mechanisms and helped develop strategies in the areas of expansion plan in business type and source of revenue.

Mr. Jiao Jianbin obtained a degree of Bachelor of Science from the New York University Leonard N. Stern School of Business in January 2020 with a Business major and Mathematics and Computer Science minor.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Changxiang (劉長祥), aged 68, is an INED. He was appointed to the Board on 20 February 2019. Mr. Liu Changxiang is mainly responsible for providing independent advice to the Group.

Mr. Liu Changxiang has over 20 years of experience in the banking and finance leasing industry. Mr. Liu Changxiang served as a representative and chief representative of the Tokyo representative office of China Construction Bank from December 1993 to December 1999, responsible for liaising with various government departments and financial institution in Japan and conducting industry research. For the period from April 2000 to April 2015, Mr. Liu Changxiang worked for JIC Leasing Company Limited (中建投租賃股份有限公司), formerly known as International Union Leasing Co. Ltd (友聯國際租賃有限公司), under the assignment of China Construction Bank and was assumed the role of deputy general manager and director one after the other. From April 2015 to April 2017, he worked in JIC Leasing (Shanghai) Co., Limited (中建投租賃（上海）有限責任公司), a subsidiary of JIC Leasing Company Limited, and was responsible for the general management and daily operations of the company.

In January 1982, Mr. Liu Changxiang graduated from the Beijing Normal University in Beijing, PRC with a bachelor degree of Arts in Japanese.

Mr. LIU Xuewei (劉學偉), aged 52, is an INED. He was appointed to the Board on 20 February 2019. Mr. Liu Xuewei is mainly responsible for providing independent advice to the Group.

Mr. Liu Xuewei is a certified public accountant and certified public valuer in China. He has over 20 years of experience in accounting. Mr. Liu Xuewei served as the operation manager of Yantai office of Shandong Huide Certified Public Accountants* (山東匯德會計師事務所有限公司) from January 2004 to March 2013. Mr. Liu Xuewei has been a partner of Hexin Certified Public Accountants LLP in Shandong (和信會計師事務所（特殊普通合夥）) and the head of its Zhifu branch in Yantai, Shandong since April 2013, responsible for the management and operations of its Zhifu branch.

In July 1992, Mr. Liu Xuewei graduated from Jiangxi College of Finance and Economics (江西財經學院) (now Jiangxi University of Finance and Economics (江西財經大學)) in Nanchang, PRC with a bachelor degree of Economics in Finance.

Mr. JIAO Jian (焦健), aged 49, is an INED. He was appointed to the Board on 20 February 2019. Mr. Jiao Jian is mainly responsible for providing independent advice to the Group.

Mr. Jiao Jian worked for Inner Mongolia Jian Zhong Law Firm (內蒙古建中律師事務所) from September 1996 to December 2006, where he had been a partner of the firm since October 2000. Mr. Jiao Jian has been a partner of Beijing Zhongzhou Law Firm (北京市中洲律師事務所) since December 2006, and is primarily responsible for corporate, securities and finance-related projects.

In July 1996, Mr. Jiao Jian graduated from China University of Political Science and Law (中國政法大學) in Beijing, PRC with a bachelor degree of law. He was accredited as a PRC lawyer by the Ministry of Justice of China in June 1998.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. SHEK Lai Him Abraham (石禮謙) (alias Abraham Razack) ("**Mr. Shek**"), aged 77, is an INED. He was appointed to the Board on 28 July 2021. Mr. Shek is mainly responsible for providing independent advice to the Group.

Mr. Shek is an independent non-executive director of China Resources Cement Holdings Limited (stock code: 1313), Chuang's China Investments Limited (stock code: 298), Chuang's Consortium International Limited (stock code: 367), Cosmopolitan International Holdings Limited (stock code: 120), Country Garden Holdings Company Limited (stock code: 2007), CSI Properties Limited (stock code: 497), Everbright Grand China Assets Limited (stock code: 3699), Far East Consortium International Limited (stock code: 35), ITC Properties Group Limited (stock code: 199), Lai Fung Holdings Limited (stock code: 1125), Shin Hwa World Limited (formerly know as Landing International Development Limited) (stock code: 582), NWS Holdings Limited (stock code: 659), Paliburg Holdings Limited (stock code: 617) and Hao Tian International Construction Investment Group Limited (stock code: 1341), and the Chairman and an executive Director of Goldin Financial Holdings Limited (stock code: 530), all of which are companies listed on the Stock Exchange. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust (stock code: 2778)) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust (stock code: 1881)), both trusts are listed on the Stock Exchange.

During the last three years from the date of this report, Mr. Shek was an independent non-executive director of Hop Hing Group Holdings Limited (stock code: 47) (retired on 2 June 2020), and SJM Holdings Limited (stock code: 880) (retired on 28 May 2021), Lifestyle International Holdings Limited (stock code:1212) (privatised on 20 December 2022), all of which are listed companies in Hong Kong.

Mr. Shek graduated from the University of Sydney and obtained a Bachelor of Arts Degree in May 1969, a Diploma in Education in March 1970 and a Juris Doctor degree at City University of Hong Kong in June 2022. He was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the government of the Hong Kong Special Administrative Region (the "HKSAR") in 2007 and 2013, respectively. Mr. Shek served as a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency for the period between October 2000 and December 2021. Up until 31 December 2022, Mr. Shek was also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Mr. Shek is currently a member of the Court and Council of The University of Hong Kong, a honorary member of Court of The Hong Kong University of Science & Technology and a member of the Court of City University of Hong Kong.

Taking into consideration the abovementioned positions held by Mr. Shek, the Board is of the view that Mr. Shek will be able to devote sufficient time to the Company due to his ample knowledge and experience of serving as an independent non-executive director. Furthermore, except for Mr. Shek's appointment in Goldin Financial Holdings Limited (stock code: 530), Mr. Shek's appointment in the positions held by him in all the abovementioned listed companies are non-executive in nature, and do not require his participation in their day-to-day operation and management.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. XING Li (邢莉), aged 32, is an INED and was appointed to the Board on 9 January 2023. She is an executive director of HY International Holdings Limited since April 2021, a responsible officer of Huayu Securities Limited since September 2021 and a director of New Asia Ferrell Asset Management Limited since October 2021. Both Huayu Securities Limited (with licences of Type 1 — Dealing in Securities and Type 4 — Advising on Securities regulated activities) and New Asia Ferrell Asset Management Limited (with licences of Type 4 — Advising on Securities and Type 9 — Asset Management regulated activities) are corporations regulated by the Securities and Futures Commission. Ms. Xing Li worked as an investment consultant at the Wealth Management Department of China Merchants Securities Co., Ltd, which is listed on the Hong Kong Stock Exchange (stock code: 6099), from July 2011 to July 2013. She was then an associate of China Investment Securities (Hong Kong) Financial Holdings Ltd. from July 2014 to August 2017. Thereafter, she had been a vice president of CRIC Securities Company Limited from April 2018 to April 2021.

Ms. Xing Li obtained the degree of Bachelor of Economics in Finance from Southwestern University of Finance & Economics in July 2011 and Master of Science in Corporate Governance and Directorship from Hong Kong Baptist University in July 2014.

GENERAL

Save as disclosed in this report, none of the Directors:

(i) held any other positions in the Company or other members of the Group as at the date of this report;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or controlling shareholders of the Company as at the date of this report;

(iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the date of this report; and

(iv) have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "**SFO**") or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that needs to be brought to the attention of shareholders of the Company and there was no information relating to the Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the date of this report.

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the period from 1 January 2022 to 31 December 2022 (i.e. the Reporting Period).

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. For the Reporting Period, the Board has performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company under the Listing Rules. The Company was in compliance with the CG Code during the Reporting Period. In addition, the Board has established mechanism to ensure independent views and input are available to the Board and the implementation and effectiveness of such mechanism on an annual basis.

CORPORATE CULTURE

Vision

The Company strives to become an industry-leading international and professional multi-business company with distinctive features, and bears the mission of fulfilling social responsibilities, creating value for shareholders, providing a platform for employees and assisting industrial development.

Culture

The Board establishes the Company's purpose, values and strategy and satisfies itself that these and the Company's culture are aligned. In particular, the Board and the management create the culture of the Company in the following aspects:

- Assisting through financing; mutual benefit through cooperation — Finance leasing achieves the purpose of "financing 'through' financing the object". The Company aims to broaden and provide new financing channels for enterprises. The Company gathers domestic and overseas high-quality resources, meeting customers' personalised financing needs, optimising capital structure and striving to create value for customers.

- Integration of industry and education; education with synergy — Take full advantage of advanced enterprises in running education, and absorb excellent corporate culture and promote better development of education.

- People-oriented — With rich industry experience and professionalism, build a complete management system with customers, investors and employees to achieve convenient, fast, smooth and effective information communication.

- Give back to society — Build a harmonious investment relationship, promote the development of the industrial economy through value sharing, closely follow the national strategy, and serve the people's livelihood with integrity. Strive to realise the harmonious development of the company, society and environment.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

The composition of the Board and its changes during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LIU Zhenjiang
Mr. LUO Zhenming (appointed on 18 August 2022)
Mr. QIAO Renjie (appointed on 18 August 2022)
Mr. YUEN Kin Shan (appointed on 9 January 2023)

Non-Executive Directors

Mr. SONG Jianbo *(Chairman of the Board)* (appointed on 9 January 2023)
Mr. JIAO Jianbin

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian
Mr. SHEK Lai Him Abraham
Ms. XING Li (appointed on 9 January 2023)

Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the articles of association of the Company. The biographies of the Directors are set out on pages 18 to 23 of this report under the section headed "Biographical Details of Directors".

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Impacted by the COVID-19 epidemic and the travel restrictions, the selection and interviewing process for the Chairman of the Board was affected. Hence, since the passing of Mr. Song Jianpeng, the late non-executive Director and Chairman of the Board on 9 October 2019 and up to 9 January 2023, the Company has not yet appointed any Chairman of the Board. The duties and responsibilities of the Chairman of the Board, including but not limited to management and operations of the Board, are collectively shared among the members of the Board during the Reporting Period and up to 9 January 2023. On the other hand, Mr. Li Luqiang, the executive Director and the chief executive officer of the Company, is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally.

Accordingly, the Board considers that despite the absence of Chairman of the Board from 9 October 2019 to 9 January 2023, the balance of power and authority between the Board and the management of the Company is not impaired and that power is not concentrated in any one individual. On 9 January 2023, Mr. Song Jianbo was appointed as Chairman of the Board.

NON-EXECUTIVE DIRECTOR

Mr. Jiao Jianbin, the non-executive Director, renewed the letter of appointment with the Company for a term of three years commencing from 16 September 2021, subject to termination by either party giving one month's written notice and retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association and the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that its INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company will maintain an updated list of its Directors identifying their roles and functions on websites of the Company and the Stock Exchange. INEDs are identified in all corporate communications that disclose the names of Directors.

Each of the INEDs has entered into a letter of appointment for a term of three years, which is subject to termination by either party giving one month's written notice and retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association and the Listing Rules.

Each of Mr. Liu Changxiang, Mr. Liu Xuewei and Mr. Jiao Jian, has entered into a letter of appointment with the Company for a renewed term of three years commencing from 15 February 2022, and Mr. Shek Lai Him Abraham entered into a letter of appointment with the Company for an initial term of three years commencing from 28 July 2021. All of the said appointments are subject to termination by either party giving one month's written notice and retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association and the Listing Rules.

APPOINTMENT AND ROTATION OF DIRECTORS

Pursuant to articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

BOARD MEETINGS, GENERAL MEETINGS AND ATTENDANCE

In accordance with Code Provision C.5.1 of the CG Code, at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the Reporting Period, four Board meetings and two general meetings were held and the attendance record of each Director is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. LI Luqiang	4/4	2/2
Mr. LIU Zhenjiang	4/4	2/2
Mr. LUO Zhenming (appointed on 18 August 2022)	1/1	N/A
Mr. QIAO Renjie (appointed on 18 August 2022)	1/1	N/A
Mr. JIAO Jianbin	4/4	2/2
Mr. LIU Changxiang	4/4	2/2
Mr. LIU Xuewei	4/4	2/2
Mr. JIAO Jian	4/4	2/2
Mr. SHEK Lai Him Abraham	4/4	2/2

ROLE AND RESPONSIBILITIES OF THE DIRECTORS AND DELEGATION TO MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The INEDs are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors, including non-executive Directors and INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. As such, the Board considered the Company has established the mechanism to ensure independent views and input are available to the Board, and the implementation and effectiveness of the mechanism is effective throughout the year.

In addition, with effect from 9 January 2023, an additional INED, Ms. Xing Li, has been appointed to the Board, who will bring further independent experience and input to the Board.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has adopted a memorandum on respective functions of the board of directors and the management and corporate governance function of the board of directors, which set out delegation of functions to management, including management and day-to-day operation of the Group. The delegated functions and responsibilities will be reviewed by the Board from time to time. Approval has to be obtained from the Board prior to enter into any notifiable transaction or connected transaction for the Company under the Listing Rules.

BOARD COMMITTEES

The Company has established the following committees under the Board: the strategic investment committee (the "**Strategic Investment Committee**"), the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company. The committees operate in accordance with the terms of reference established by the Board. The terms of reference of the Strategic Investment Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

Strategic Investment Committee

The Strategic Investment Committee has three members, namely Mr. SONG Jianbo (宋建波) (Chairman and non-executive Director), Mr. JIAO Jianbin (焦建斌) (non-executive Director) and Mr. YUEN Kin Shan (袁建山) (executive Director). The Strategic Investment Committee is responsible for the Company's investment strategy, monitoring the implementation and reporting the same to the Board.

The Strategic Investment Committee has been set up since 16 January 2023. Therefore, no meetings of the Strategic Investment Committee has been held during the Reporting Period.

Audit Committee

The Audit Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥), all of whom are INEDs. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statement and supervise the financial reporting process, internal control system and risk management system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Company has held three meetings of Audit Committee and all three members of the Audit Committee attended all meetings. The Audit Committee has reviewed with the external auditors the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, interim and annual results of the Group of the Reporting Period and proposed adoption of the same by the Directors. The Audit Committee also reviewed the risk management, internal control design and effectiveness of the internal audit function of the Company during the Reporting Period. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and risk management and other matters. The Board has adopted the recommendation from the Audit Committee.

Remuneration Committee

The Remuneration Committee has three members, namely Mr. LIU Changxiang (劉長祥) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Xuewei (劉學偉), all of whom are INEDs. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and the remuneration packages of the executive Directors and the senior management, review the terms of service contracts of executive Directors and review matters related to the Share Option Scheme.

During the Reporting Period, the Company has held two meetings of Remuneration Committee and all three members of the Remuneration Committee attended all meetings. The Remuneration Committee had reviewed the current remuneration of all of the Directors and made recommendations to the Board. The Board has adopted the recommendations from the Remuneration Committee.

Nomination Committee

The Nomination Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥), all of whom are INEDs. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointments of the Directors, assess the independence of the INEDs, take up references and consider related matters.

During the Reporting Period, the Company has held two meetings of Nomination Committee and all three members of the Nomination committee attended all meetings. During the Reporting Period, the Nomination Committee had reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the Directors with reference to the nomination principles and criteria set out in the Company's board diversity policy and nomination policy (including but not limited to selecting and recommending candidates for directorship based on the gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service of candidates), as well as made recommendations to the Board on appointment, re-election and succession planning of Directors.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

SECURITIES DEALING CODE

The Company has adopted a securities dealing code (the "**Securities Dealing Code**") regarding securities transactions by Directors and employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules. The Company will periodically issue notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the Reporting Period.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors should keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group are provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Company provided training to the Directors. Particulars of Directors' attendance at the said training course and their participation in continuous professional development activities during the Reporting Period are summarised as follows:

Name of Director	Reading materials on the topics related to regulations	Attending training courses on the topics related to regulations in September 2022
Executive Directors		
Mr. LI Luqiang	✔	✔
Mr. LIU Zhenjiang	✔	✔
Mr. LUO Zhenming (appointed on 18 August 2022)	✔	✔
Mr. QIAO Renjie (appointed on 18 August 2022)	✔	✔
Non-Executive Director		
Mr. JIAO Jianbin	✔	✔
Independent Non-Executive Directors		
Mr. LIU Changxiang	✔	✔
Mr. LIU Xuewei	✔	✔
Mr. JIAO Jian	✔	✔
Mr. SHEK Lai Him Abraham	✔	✔

All Directors are also encouraged to attend relevant training courses at the Company's expense. During the Reporting Period, all Directors have been required to provide the Company with their training records.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The aggregated remuneration paid to and/or entitled by the Directors for the year ended 31 December 2022 was RMB4.0 million. For further details (including but not limited to the remuneration of each of the Directors), please refer to note 14(a) to the consolidated financial statements of the Company in this report.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT'S REMUNERATION

Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2022 within the band of below HK$1,000,000 comprises one individual and the band between HK$1,000,000 to HK$1,500,000 comprises one individual. For further details, please refer to note 14(b) to the consolidated financial statements.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The performance and remuneration of the external auditors of the Company, SHINEWING (HK) CPA Limited ("**SHINEWING**" or the "**Auditor**"), have been reviewed by the Audit Committee. The remuneration paid/payable to SHINEWING during the Reporting Period is set out as follows:

Amount of Fees

	2022 RMB'000
Audit services	2,655
Non-audit services	
— agreed-upon procedures on the interim financial statements for the six months ended 30 June 2022	120
— comfort letter on the Group's indebtedness	550
— Reporting engagement in relation a possible acquisition	2,620

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the Company's consolidated financial statements are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition through implementation of a set of internal control procedures. Internal control procedures are intended to manage significant risks in the Group's business activities and bring them to an acceptable level.

1. Board of Directors' Responsibilities

The Board recognises its responsibility for the risk management and internal control systems and reviewing their adequacy and effectiveness. The Board conducts annual review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions.

2. Risk Management Process

The risk management process is cascaded throughout the Group, from the Board level to management level.

Project approval committee ("**PAC**") was established in March 2014 and it directly reports to the Board. The primary duties of the PAC are to formulate and monitor the implementation of the Group's major risk management policies and systems. It is in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects.

Senior management and department heads are required to identify, evaluate and manage risks associated with business operations on an on-going basis with defined parameters, and record these in the risk registers. For each risk identified, management assesses their root causes, consequences and mitigating controls. Such assessment takes into account of (i) probability of the risk occurrence and (ii) degree of potential loss. The result of the assessment is summarised on a risk register and is reviewed by the Board. It is mandatory for this process to be conducted at least once a year.

Apart from the risk management process, the legal department monitors compliance with relevant laws and regulations which govern the Group's businesses.

3. Corporate Governance Function

The Board and senior management are responsible for performing duties on corporate governance and compliance functions as set out below:

i) developing and reviewing the Group's policies and practices on corporate governance;

ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

iv) developing, reviewing and monitoring the code of conduct applicable to employees and directors; and

v) reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Group had provided Directors with trainings, development programs and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group. For further details, please refer to paragraph headed "Corporate Governance Report — Continuous professional development of Directors" above.

4. Internal Audit Function

The Board conducts a review on the Group's internal control system on an annual basis. During the Reporting Period, the Group engaged an outsourced internal control consultant to review the Group's internal control system for the year ended 31 December 2022 and no significant risk and control deficiencies were identified.

The internal control review covered the following areas:

i) Risk management process

ii) Risk assessment process

iii) Compliance on the Appendix 14 of the Listing Rules, including without limitation to:

A. Directors

— Board
— Chairman and Chief Executive
— Composition of Board
— Appointment, re-election and removal
— Nomination committee
— Directors' responsibilities
— Provision and use of information

B. Directors and Senior Management Remuneration

— Remuneration, disclosure and composition

C. Accountability and Audit

— Financial reporting
— Risk management and internal control
— Audit committee

D. Delegation by the Board

- Management function
- Board Committees
- Corporate governance function

E. Shareholders' communication

- Effective communication
- Decision making by voting

F. Company Secretary

5. Confirmation from the Board and the Audit Committee on the Group's Risk Management and Internal Control

The Board and the Audit Committee have conducted a review on and are satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the year ended 31 December 2022. The review covers, among others, the nature and extent of significant risks (including ESG risks) and the scope and quality of management's ongoing monitoring of risks (including ESG risks). From the review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

The Group will continue to strengthen its internal control system in order to maintain proper corporate governance and safeguard the interest of its shareholders.

NOMINATION POLICY

The Company has also adopted the director nomination policy (the "**Director Nomination Policy**").

The Director Nomination Policy sets out the nomination criteria of a proposed candidate, including without limitation to the following: (i) qualifications including professional qualifications, skills, knowledge and experience, requirements of INED; (ii) character and integrity; (iii) diversity in all aspects, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service; (iv) commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company; (v) independence of the proposed INEDs in accordance with the Listing Rules; and (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Director Nomination Policy also sets out the following nomination procedure:

i) If the Nomination Committee determines that an additional or replacement Director is required, the secretary of the Nomination Committee shall convene a meeting, and invite nominations from the Board members (if any) prior to the meeting, and the Nomination Committee may also put forward candidates who are not nominated by the Board members. The Nomination Committee shall take such measures that it considers appropriate in connection with its identification and/or evaluation of a candidate.

ii) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall submit the candidate's personal profile and a proposal to the Board for its consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or be accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

iii) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

iv) In the context of shareholders' nomination of any proposed candidate for election as a Director, the Nomination Committee shall refer to the "Procedures for a shareholder to propose a person for election as a director", which is available on the Company's website.

v) The Board shall have the final decision on all matters relating to its recommendations of candidates to stand for election at a general meeting, the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board.

During the Reporting Period, the Nomination Committee has performed the following major tasks:

i) Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;

ii) Recommendation of the re-appointment of those Directors standing for re-election at the annual general meeting; and

iii) Assessment of the independence of all the INEDs.

For further details, please refer to the paragraph headed "Corporate Governance Report — Board committee — Nomination Committee" above.

WHISTLEBLOWING POLICY

The Company has established a Policy and Procedures for Employees Raising Possible Improprieties which are dedicated to establishing a proper channel for employees to voice out their concerns, in particular, those related to possible improprieties in financial reporting, internal control, risk management and other matters. Employees of all ranks can report any inappropriate or unethical behaviour to the responsible manager by phone, email or letter while the identity of whistle-blowers will be kept confidential.

The Group will take all necessary steps and reasonable remedial measures once the reported conduct is verified. The policy stipulates that a committee involving independent non-executive Directors be formed to investigate any concerns raised by the employees, monitor the investigation progress and determine the follow-up actions. During the Reporting Period, the Group arranged an anti-corruption training for directors and senior management. The training topic involved around the code of business conduct, bribery and the directors' code on gifts and hospitality, in order to enhance the ethical and integrity awareness of the directors and senior management.

ANTI-CORRUPTION POLICY

The Company has in place Anti-fraud Management Measures to provide guidance and regulations to all employees including Directors, senior management, middle management and other employees. The Anti-fraud Management Measures promote clean, diligent and fair work ethics and prevent any misconduct that may damage the Group's economic interests.

The Anti-fraud Management Measures support the compliance of the Company with anti-corruption related laws and regulations, including but not limited to the Criminal Law of the PRC, Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong), any form of corruption such as bribery, extortion and embezzlement of public funds are prohibited.

ASSESSMENT OF BOARD INDEPENDENCE

The Company has established a mechanism to ensure independent views and input are available to the Board. INEDs may express their views through formal or informal channel in an open and candid manner as well as in a confidential manner. The implementation and effectiveness of such mechanism will be reviewed on an annual basis.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity at Board level and has commitment to diversity at all levels through consideration of a number of factors, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service and any other factors that the Board may consider relevant and applicable from time to time. The Board adopted a board diversity policy on 20 February 2019. The Board will review this policy at least on an annual basis to ensure its effectiveness.

During the Reporting Period, the Nomination Committee reviewed the board diversity policy of the Company, as well as the composition and the diversity of the Board. The Nomination Committee considers that the Board has achieved Board diversity in most aspects other than gender diversity. The Board is also aware of the composition as at 31 December 2022 and the benefits of achieving an appropriate balance of gender diversity at the Board level by making reference to stakeholders' expectations and international and local recommended best practices. Accordingly, the Board set a measurable objective of appointing at least one female director by 31 December 2024. In fact, Ms. Xing Li, a female Director, had been appointed as an INED on 9 January 2023.

In addition to the Board level, the Company promotes gender diversity in all levels of its employees. 1,059 of its 1,692 full-time employees (including senior management) as at 31 December 2022 are female, which represented 63% of total number of employees. Accordingly, the Board considered the Company has achieved gender diversity in respect of the Board and across the workforce.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends, including the proposal of declaration and/or payment of dividend and determination of the dividend amount. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out below, interim and/or special dividends may be proposed and/or declared by the Board in its sole and absolute discretion during a financial year and any final dividends for a financial year will be subject to the shareholders' approval.

In considering the payment of dividends, there shall be a balance between maintaining sufficient capital to grow the Group's business and rewarding the shareholders of the Company. The Board shall take into account the following factors, among other factors:

(a) the Group's overall results of operation, financial position, liquidity position, capital requirements, cash flow and future prospects;

(b) the amount of distributable reserves of the Company;

(c) the expected capital requirements and future expansion plans of the Group;

(d) the general business and regulatory conditions, the business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the statutory and regulatory restrictions;

(f) the contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries of the Company to the Company;

(g) the Shareholders' interests; and

(h) other factors that the Board deems relevant.

COMPANY SECRETARY

Mr. Yuen Kin Shan (Mr. Yuen) has been appointed as the company secretary of the Company on 30 December 2020. During the Reporting Period, Mr. Yuen has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of Stock Exchange after each general meeting.

The Company engages with its shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews its implementation and effectiveness regularly each year. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements, interim and annual financial reports, and/or circulars as required under the Listing Rules; (iii) constitutional documents of the Company and Board committee; and (iv) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at http://www.aiel-holdings.com. Through aforementioned means of communication, especially the timely updates and other additional information of the Group's business as publicly accessible, the Board considered the Shareholders' Communication Policy of the Company to be effective.

Shareholders and investors are welcomed to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the section headed "Corporate Information" of this report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the articles of association of the Company and the Listing Rules and shareholders are encouraged to attend and participate in general meetings. The chairman of the Board and the chairman of the Board committees, or their delegates and the external auditors will attend the annual general meeting to answer any questions from shareholders. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, will be sent to all shareholders not less than 21 clear days and not less than 20 clear business days prior to the date of the meeting.

Procedures for shareholders to convene extraordinary general meetings

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholder(s) holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (the "**Requisition**").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@aiel-holdings.com.

If the Board does not within 21 days from the date of deposit of the Requisition proceed to convene the meeting to be held within two months after the deposit of Requisition, the requisitionist(s) themselves, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@aiel-holdings.com not less than fourteen days and not less than ten clear business days prior to the date of the general meeting.

Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address:	Unit 2602, 26th Floor, One Hennessy, No.1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary
Email:	IR@aiel-holdings.com

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

The amended and restated memorandum and articles of association of the Company (i.e. the Existing M&A) was adopted on 20 February 2019 and took effect from 15 March 2019. There was no significant change in the Existing M&A during the Reporting Period.

The second amended and restated memorandum and articles of association (the "**New M&A**"), which (i) conforms with the Core Standards and other latest legal and regulatory requirements under the Listing Rules and applicable laws of the Cayman Islands; and (ii) incorporate certain housekeeping amendments has taken effect on 14 February 2023. A copy of the New M&A is available on both the websites of the Company at http://www.aiel-holdings.com and the Stock Exchange at www.hkexnews.hk. For further details, please refer to the paragraph headed "Management Discussion and Analysis — Change of company name and amendments to the amended and restated memorandum and articles of association" in this report.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in offering private higher education and finance lease services. Details of the principal activities and other particulars of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income in this report. The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 nor there is any arrangement under which a shareholder has waived or agreed to waive any dividends.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, are set out on page 168. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

On 14 December 2022, the Company completed the placing of new Shares and the subscription of new Shares. Net proceeds from the Placing and Subscription were approximately HK$669.6 million (after deducting placing commission and other estimated expenses payable by the Company in connection with the Placing and Subscription). Please refer to the paragraph headed "Management Discussion and Analysis — Use of proceeds from Issue of Equity Securities" in this report for more details regarding the use of proceeds.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the Group's five largest customers accounted for approximately 38.18% (2021: approximately 41.21%) of the Group's total revenue and the largest customer accounted for approximately 10.91% (2021: approximately 11.87%) of total revenue.

Due to the nature of the business, the Group does not have any significant contribution from major suppliers during the normal course of business. However, the Group relied substantially on interest-bearing borrowings and asset-backed securities to operate business and has established strong relationships with various financial institutions.

Save as disclosed under the paragraph headed "Report of the Directors — Connected Transactions" in this report, as far as the Directors are aware, none of the Directors or any of their close associates, or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for the year ended 31 December 2022.

REPORT OF THE DIRECTORS

PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property and equipment are set out in note 15 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2022 are set out in note 27 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2022 are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for the year ended 31 December 2022 are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act (As Revised) of the Cayman Islands, the share premium account may be applied by the Company to pay distribution or dividends to shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2022, the Company's reserves available for distribution amounted to approximately RMB1,803.6 million (2021: RMB1,204.1 million). Such amount includes the Company's share premium.

PRE-EMPTIVE RIGHTS

The Shares are not subject to any pre-emptive or similar rights under Companies Act (As Revised) of the Cayman Islands or pursuant to the articles of association of the Company.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors from 1 January 2022 and up to the date of this report were:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LIU Zhenjiang
Mr. LUO Zhenming (appointed on 18 August 2022)
Mr. QIAO Renjie (appointed on 18 August 2022)
Mr. YUEN Kin Shan (appointed on 9 January 2023)

Non-Executive Directors

Mr. SONG Jianbo *(Chairman of the Board)* (appointed on 9 January 2023)
Mr. JIAO Jianbin

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian
Mr. SHEK Lai Him Abraham
Ms. XING Li (appointed on 9 January 2023)

Pursuant to Articles 84(1) and (2) of articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 18 to 23 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2022 are set out in note 14 to the consolidated financial statements.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil).

MANAGEMENT CONTRACTS

As at 31 December 2022, other than any contract of service with Directors or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company has also adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme is set out in the paragraph headed "Report of the Directors — Share Option Scheme" in this report.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

DEED OF NON-COMPETITION

As disclosed in the prospectus of the Company dated 28 February 2019, each of Ms. Sui Yongqing and Union Capital Pte. Ltd., the Controlling Shareholders, had entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of the Company (for itself and as trustee of its subsidiaries), pursuant to which each of the Controlling Shareholders would not, and would procure her/its close associates and/or the companies controlled by her/it (other than members of the Group) not to, directly or indirectly, either on her/its own account or in conjunction with or on behalf of any person, firm or company, partnership, joint venture, or other contractual arrangement, among other things, whether directly or indirectly, for profit or not, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or provide any form of assistance to any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time, including but not limited to the provision of finance leasing and related advisory services.

Each of the Controlling Shareholders had provided a written declaration (the "**Declaration**") to the Company confirming that she/it had duly complied with the terms of the Deed of Non-competition during the Reporting Period.

The INEDs had received and reviewed the Declaration. In determining whether the terms of the Deed of Non-competition were duly complied with by and enforceable against the Controlling Shareholders during the Reporting Period, the INEDs had reviewed and observed the following:

(a) each of the Controlling Shareholders had made the Declaration declaring that she/it had fully complied with the Deed of Non-competition during the Reporting Period;

(b) no competing business was reported by the Controlling Shareholders during the Reporting Period; and

(c) there was no particular situation rendering the full compliance and enforcement of the Deed of Non-competition being questionable.

In view of the above, the INEDs were satisfied that the terms of the Deed of Non-competition were duly complied with by and enforceable against each of the Controlling Shareholders during the Reporting Period.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests or short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to Securities Dealing Code, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, were as follows:

Long positions in shares/underlying shares of the Company

Name of Director/ chief executive	Capacity/ nature of interest	Number and class of Shares(1)	Percentage of interest in the Company
Mr. Li Luqiang (李璐強)	Interested in controlled corporation(2)	7,881,797 Shares (L)	0.47%
	Beneficial Owner	621,000 Shares (L)	0.04%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) The Company is owned as to approximately 0.47% by RongJin Enterprise Management & Consulting Co., Ltd. ("**RongJin**"). RongJin is wholly-owned by Mr. Li Luqiang. Mr. Li Luqiang is therefore deemed to be interested in the Shares in which RongJin is interested pursuant to the SFO.

Save as disclosed above, as at the 31 December 2022, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the following parties (other than the Directors and chief executive of the Company as disclosed above) had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares/underlying Shares

Name of substantial shareholders	Capacity/ nature of interest	Number and class of Shares[1]	Percentage of interest in the Company
Union Capital Pte. Ltd. ("**Union Capital**")	Beneficial owner	768,475,221 Shares (L)	45.45%
Ms. Sui Yongqing[2]	Interest in controlled corporation	768,475,221 Shares (L)	45.45%
Mr. Song Jianbo[3]	Interest of spouse	768,475,221 Shares (L)	45.45%
PA Investment Funds SPC ("**PA Investor**")[4]	Beneficial owner	135,001,120 Shares (L)	7.98%
Ping An of China Securities (Hong Kong) Company Limited[4]	Interest in controlled corporation	135,001,120 Shares (L)	7.98%
Ping An Securities Co., Ltd.[4]	Interest in controlled corporation	135,001,120 Shares (L)	7.98%
China Ping An Trust Co., Ltd.[4]	Interest in controlled corporation	135,001,120 Shares (L)	7.98%
Ping An Insurance (Group) Company of China, Ltd.[4]	Interest in controlled corporation	135,001,120 Shares (L)	7.98%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) Union Capital is wholly-owned by Ms. Sui Yongqing. Ms. Sui Yongqing is therefore deemed to be interested in the Shares in which Union Capital is interested pursuant to the SFO.

(3) Mr. Song Jianbo is the spouse of Ms. Sui Yongqing. Mr. Song Jianbo is therefore deemed to be interested in the Shares in which Ms. Sui Yongqing is interested pursuant to the SFO.

(4) PA Investor was established as a segregated portfolio company and 100% of the management shares in PA Investor are owned by Ping An of China Securities (Hong Kong) Company Limited which was, in turn wholly-owned by Ping An Securities Co., Ltd.* (平安證券股份有限公司), which was then owned by Ping An Insurance as to approximately 40.96% and owned by China Ping An Trust Co., Ltd. (平安信託有限責任公司) as to approximately 55.7%, which was owned by Ping An Insurance as to approximately 99.9%. Ping An, Ping An Securities Co., Ltd., China Ping An Trust Co., Ltd. and Ping An Insurance are therefore be deemed, or taken to be interested in the Shares in which PA Investor is interested pursuant to the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the Shares or underlying Shares as at 31 December 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected persons

Nanshan Group is owned as to 51% by village member committee of the Nanshan Village, Dongjiang Street, Longkou City, Shandong Province, PRC* (龍口市東江街道南山村民委員會) and 49% by Mr. Song Jianbo, a Director and the husband of Ms. Sui Yongqing (隋永清) ("**Ms. Sui**"), a Controlling Shareholder. For the purpose of the connected transaction rules, the Directors considered Nanshan Group to be deemed connected persons under Rule 14A.21 of the Listing Rules.

Continuing Connected Transactions under the Finance Leasing Framework Agreement

On 20 September 2019, the Group entered into a finance leasing framework agreement (the "**Finance Leasing Framework Agreement**") with Nanshan Group in relation to provision of sale-leaseback service and direct finance leasing service by the Group to Nanshan Group (the "**Transaction**"). The Finance Leasing Framework Agreement is effective for three (3) years from 17 December 2019.

The leased assets under the Finance Leasing Framework Agreement include healthcare equipment, engineering vehicles or equipment, equipment used in power stations as well as carriers such as aircraft and vessels for transport of goods and/or passengers. Also, the annual caps under the Finance Leasing Framework Agreement are RMB381 million, RMB855 million, RMB855 million and RMB977 million for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

Nanshan Group will enter into separate individual agreement with its relevant members of Nanshan Group in each Transaction pursuant to the Finance Leasing Framework Agreement. Further details of the Finance Leasing Framework Agreement were set out in the circular of the Company dated 29 November 2019.

As one or more of the applicable percentage ratios in respect of the annual caps under the Finance Leasing Framework Agreement are more than 5%, the transactions contemplated thereunder are subject to announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transaction under the Acquisition Agreement in relation to the Acquisition of 70% Interests in Yantai Nanshan University

References are made to the announcements of the Company dated 6 July 2022 and 18 August 2022 (the "**Announcements**") and the circular of the Company dated 2 August 2022 (the "**Circular**"). Unless otherwise defined herein, capitalised terms in this section shall have the same meanings as those defined in the Announcements and Circular.

On 6 July 2022 (after trading hours), the Company and Longkou Cheer Manor Education Consulting Service Co., Ltd.* (龍口智民教育諮詢服務有限公司) (an indirect wholly-owned subsidiary of the Company) ("**Longkou Zhimin**") entered into the acquisition agreement (the "**Acquisition Agreement**") with Mr. Song Zuowen (宋作文) ("**Mr. Song**"), Nanshan Group and Yantai Nanshan University, pursuant to which Longkou Zhimin, as the purchaser, had conditionally agreed to acquire, and Mr. Song and Nanshan Group as the vendors, had conditionally agreed to sell, the control of Yantai Nanshan University and 70.0% equity interest in the Designated School Sponsor at a total consideration of RMB566.0 million (equivalent to approximately HK$660.4 million).

The Acquisition Agreement relates to the acquisition of Yantai Nanshan University and the transactions contemplated under the Acquisition Agreement for the purpose of allowing the Company to gain effective control over Yantai Nanshan University and enjoy 70.0% of the economic benefits generated by Yantai Nanshan University, such that the financial results of Yantai Nanshan University could be consolidated to the consolidated financial statements of the Group (the "**Acquisition**").

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. In addition, the Listing Committee has resolved that the Acquisition is an extreme transaction under Rule 14.06C of the Listing Rules and the reverse takeover rules do not apply. As such, the Acquisition was subject to the reporting, announcement, circular and independent shareholders' approval requirement as set out in Chapter 14 and Chapter 14A of the Listing Rules. Further, Ms. Sui is one of the Controlling Shareholders, the daughter-in-law of Mr. Song and the wife of Mr. Song Jianbo, who is the legal representative, chairman and general manager of Nanshan Group. Mr. Song is the father-in-law of Ms. Sui and is therefore a connected person of the Company. On the other hand, Nanshan Group is a connected person of the Company. As such, the Acquisition contemplated under the Acquisition Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements as set out in Chapter 14 and Chapter 14A of the Listing Rules. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard and Zhongtai International Capital Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Acquisition. The Acquisition Agreement, and the Acquisition have been approved by the independent shareholders of the Company on 18 August 2022. All the completion conditions as set out in the Acquisition Agreement have been fulfilled and completion took place on 18 August 2022.

Continuing Connected Transactions in relation to the contractual arrangements ("Contractual Arrangements") contemplated under the Structured Contracts (comprising the 1st set of Structured Contracts and the 2nd set of Structured Contract) ("Structured Contracts")

In relation to the interpretation of "Sino-foreign cooperation" under the Regulation on Sino-Foreign Cooperation in Operating Schools (中外合作辦學條例) and its implementation rules, the foreign investor in a Sino-foreign joint venture private school which provides higher education mainly for PRC students (a "**Sino-Foreign Joint Venture Private School**") must be a foreign educational institution with relevant qualification that provides high quality education (the "**Qualification Requirement**"). As at the date of this report, the PRC legal advisers of the Company have advised that there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws. Since there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for the Group to seek to apply to reorganise education institutions of Yantai Nanshan University as a Sino-Foreign Joint Venture Private School.

Notwithstanding that there are no implementing measure or specific guidance on the Qualification Requirement and that the Education Authority will not approve Yantai Nanshan University to be a Sino-Foreign Joint Venture Private School with a legal person status as discussed above, as at the date of this report, the Group has taken the following steps to demonstrate the commitment to working toward the compliance with the Qualification Requirement:

- On cooperation between Yantai Nanshan University and overseas higher education institutions, Mr. Yang Guoqiang (楊國強), a teaching staff from the Faculty of Humanities established academic cooperations with Japanese European-Asian financial groups under the project name of "Reviewing the Status Quo of the Asian Community from a Global Perspective"; and

- In 2022, 11 students participated in overseas exchanges, one of which was an exchange student at the undergraduate degree level, and three of which were at the associate degree level, other three of which were students promoted from the associate degree level to the undergraduate degree level and four of which were students promoted from the undergraduate degree level to the master's degree level.

In order to maintain Yantai Nanshan University's business operations while complying with the PRC laws and regulations, pursuant to the Acquisition Agreement: (i) prior to completion of the Acquisition ("**Completion**"), Longkou Zhimin shall enter into the 1st set of Structured Contracts (as detailed below); and (ii) after (a) the establishment of the Designated School Sponsor and (b) approval having been obtained for the Designated School Sponsor to become the sole school sponsor of Yantai Nanshan University after Completion, Longkou Zhimin shall enter into the 2nd set of Structured Contracts (as detailed below). As part of the Acquisition arrangement, Longkou Zhimin entered into the Structured Contracts in order for the Group to gain effective control over Yantai Nanshan University and enjoy 70.0% of the economic benefits generated by Yantai Nanshan University through the Contractual Arrangements, such that the financial results of Yantai Nanshan University could be consolidated to the consolidated financial statements of the Company.

For the details of the Structured Contracts, please refer to the announcement of the Company dated 6 July 2022 and the circular of the Company dated 2 August 2022.

Given that Mr. Song and Nanshan Group are connected persons of the Company, the Contractual Arrangements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company applied for a waiver from strict compliance with (i) the requirement of fixing the term of the Contractual Arrangements and having a term not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) the requirement of setting an annual cap for the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange.

Continuing Connected Transactions in relation to the Framework Agreements

The Framework Agreements comprise the Framework Supply Agreements and the Framework Procurement Agreements.

The principal terms of the Framework Supply Agreements are set out as follows:

Date: 6 July 2022 (after trading hours)

Parties:

(1) For the Framework Supply Agreement I, the parties are Yantai Nanshan University and Nanshan Group;

(2) For the Framework Supply Agreement II, the parties are Yantai Nanshan University and Longkou Nanshan (new) Investment Development Co., Ltd.* (龍口新南山投資發展有限公司) ("**Longkou Nanshan**");

(3) For the Framework Supply Agreement III, the parties are Yantai Nanshan University and Longkou Nanshan (new) Enterprise Management Co., Ltd.* (龍口新南山企業管理有限公司) ("**Longkou Management**"); and

(4) For the Framework Supply Agreement IV, the parties are Yantai Nanshan University and Shandong Nanshan Construction Development Co., Ltd.* (山東南山建設發展股份有限公司) ("**Nanshan Development**").

Subject matter: Pursuant to the Framework Supply Agreements, Yantai Nanshan University agrees to provide the services including staff training services, venue rental services, catering services, and other types of services to be agreed by the relevant parties in writing from time to time to Nanshan Group, Longkou Nanshan, Longkou Management and Nanshan Development and their respective subsidiaries and/or associates during the term of the Framework Supply Agreements.

Term: The Framework Supply Agreements are effective upon fulfilment of the following conditions precedent: (i) approval(s) by the Board having been obtained for the transactions contemplated under the Framework Supply Agreements; and (ii) the Completion taking place. Subject to the fulfilment of the above conditions precedent, the Framework Supply Agreements shall be effective upon Completion and shall expire on 31 December 2024.

The principal terms of the Framework Procurement Agreements are set out as follows:

Date: 6 July 2022 (after trading hours)

Parties:

(i) For the Framework Procurement Agreement I, the parties are Yantai Nanshan University and Nanshan Group;

(ii) For the Framework Procurement Agreement II, the parties are Yantai Nanshan University and Longkou Nanshan; and

(iii) For the Framework Procurement Agreement III, the parties are Yantai Nanshan University and Nanshan Development.

Subject matter: Pursuant to the Framework Procurement Agreements, Yantai Nanshan University will procure the (a) goods including clothes such as staff uniforms, furniture and fixtures, gifts and souvenirs, gasoline, petrol and diesel and other products; and (b) services including repairing and maintenance services, campus sanitary and cleaning services, gardening services, venue rental services, laboratory testing services, catering services and accommodation services and other types of goods and services to be agreed by the relevant parties in writing from time to time from Nanshan Group, Longkou Nanshan and Nanshan Development and their respective subsidiaries and/or associates during the term of the Framework Procurement Agreements.

Term: The Framework Procurement Agreements are effective upon fulfilment of the following conditions precedent: (i) approval(s) by the Board having been obtained for the transactions contemplated under the Framework Procurement Agreements; (ii) approval(s) by the Independent Shareholders having been obtained for the transactions contemplated under the Framework Procurement Agreements; and (iii) the Completion taking place. Subject to the fulfilment of the above conditions precedent, the Framework Procurement Agreements shall be effective upon Completion and shall expire on 31 December 2024.

Annual Caps for the Framework Agreements

The proposed annual caps for the Framework Agreements for the five months ending 31 December 2022 and the years ending 31 December 2023 and 2024 are set out below:

Category	For the five months ending 31 December 2022(Note) (RMB'000)	For the year ending 31 December 2023 (RMB'000)	2024 (RMB'000)
Framework Supply Agreements	3,000	4,350	4,800
Framework Procurement Agreements	18,500	33,000	37,000

Note: The proposed annual caps for the five months ending 31 December 2022 are for illustrative purpose only, assuming Completion will take place on 1 August 2022. Pursuant to the terms of the Framework Agreements, the commencement date of the Framework Agreements shall be the date of Completion, i.e. 18 August 2022.

Reasons and benefits of entering into the Framework Agreements

The transactions contemplated under the Framework Agreements will be conducted in the ordinary and usual course of business of Yantai Nanshan University. In view of the long-standing and amicable business relationship between Yantai Nanshan University and Nanshan Group, Nanshan Development, Longkou Nanshan and Longkou Management (collectively, the "**Connected Transaction Counterparties**"), the Connected Transaction Counterparties are reliable business partners and future business cooperation between Yantai Nanshan University and the Connected Transactions Counterparties will be beneficial to the operations of Yantai Nanshan University.

Listing Rules Implications

Nanshan Group is a connected person of the Company. Further, as at the date of this report, (i) Longkou Nanshan is owned as to approximately 83.3% by Mr. Song, and 16.7% by Ms. Lv Shuling (呂淑玲) ("**Ms. Lv**"), the mother-in-law of Ms. Sui and the spouse of Mr. Song, (ii) Nanshan Development is owned as to approximately 63.7% by Mr. Song, and (iii) Longkou Management is owned as to 70.0% by Mr. Song and 30.0% by Ms. Lv. As such, Longkou Nanshan, Nanshan Development and Longkou Management are associates of Mr. Song pursuant to the Listing Rules and are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Framework Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

Given (i) the relationship between Mr. Song and Mr. Song Jianbo and their respective interests in the Connected Transaction Counterparties, (ii) the similar nature of the Framework Supply Agreements, and (iii) the Framework Supply Agreements were all entered into within a 12-month period, the transactions under the Framework Supply Agreements form a series of transactions which should be treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. On the same token, the transactions under the Framework Procurement Agreements also form a series of transactions and should be treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps under the Framework Procurement Agreements is more than 5.0%, and the aggregate annual consideration payable under the Framework Procurement Agreements, on an annual basis, is more than HK$10,000,000, the entering into of the Framework Procurement Agreements is subject to the reporting, announcement, circular and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

With respect to the Framework Supply Agreements, as one or more of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps thereunder is more than 1.0% but all the applicable percentage ratios (other than the profit ratio) are less than 5.0%, and that the aggregate annual consideration payable under the Framework Supply Agreements, on an annual basis, exceeds HK$3,000,000, the entering into of the Framework Supply Agreements is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Auditor to report on the Group's continuing connected transactions and the Auditor has confirmed that the Group's continuing connected transactions are in accordance with Rule 14A.56 of the Listing Rules and has issued an assurance report containing their findings and conclusions accordingly.

The INEDs have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the INEDs have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions and continuing connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in note 33 to the consolidated financial statements. Except for those described in this paragraph of "Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

The Auditor has confirmed that each of the Group's continuing connected transactions contemplated under the Finance Leasing Framework Agreement is in accordance with Rule 14A.56 of the Listing Rules where nothing has come to its attention that causes it to believe that the said continued connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the caps as stipulated in the relevant agreements governing the transactions.

The Auditor has issued an assurance report of each of the said transactions containing their findings and conclusions accordingly.

RELATED PARTY TRANSACTIONS

Related party transactions during the Reporting Period were disclosed in note 33 to the consolidated financial statements. They include the following connected transactions under the Listing Rules:

(i) Regarding the finance lease income generated from Nanshan Group and its subsidiaries, together with the finance lease receivables from Nanshan Group and its subsidiaries, the corresponding transactions were within the scope of the Finance Leasing Framework Agreement that had been approved by the independent shareholders of the Company, as well as reviewed annually by the INEDs and auditors according to Chapter 14A of the Listing Rules;

(ii) Regarding the services received from and provided to Longkou Nanshan, Nanshan Development and their subsidiaries, the corresponding transactions were within the scope of the Framework Supply Agreements and Framework Procurement Agreements that had been approved by the independent shareholders of the Company, as well as reviewed annually by the INEDs and auditors according to Chapter 14A of the Listing rules; and

(iii) Regarding the remuneration of key management personnel of the Group, the corresponding transactions were exempted from the connected transaction requirement according to Rule 14.95 of the Listing Rules.

SHARE OPTION SCHEME

On 20 February 2019, the Company conditionally approved and adopted the Share Option Scheme in accordance with the provision of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

The basis of eligibility of any participant to the grant of any share option (the "**Option**") shall be determined by the Board (or as the case may be, including, where required under the Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of Options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of Option to any participant as the Board may determine. The number of shares which may be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme is 150,000,000 in total which is not exceeding 10% of all the shares in issue as at the Listing Date on 15 March 2019.

The total number of shares issued and to be issued upon exercise of Options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an Option is HK$1.00.

The exercise price shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is offered to a Participant (the "**Offer Date**"), which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and (iii) the nominal value of a share on the date of grant of the Option, provided that in the event of fractional prices, the exercise price per share shall be rounded upwards to the nearest whole cent.

There were no share options outstanding under the Share Option Scheme nor were any Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the period from the date of Listing up to the date of this report.

The Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but Option granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

PENSION SCHEMES

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong) ("**MPF Scheme**") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

DONATIONS

No charitable and other donations were made by the Group during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year ended 31 December 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2022 and up to the date of this report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group recognises the importance of environmental protection and adopts stringent measures for environmental protection in order to ensure the compliance to the prevailing environmental protection laws and regulations.

Given the nature of operations of the Group, the Group believe the Group is not subject to material environmental liability risk or compliance costs.

The details of environmental, social and governance policies and performance of the Group will be disclosed in the "Environmental, Social and Governance Report", which are set out on pages 57 to 80 of this report, in accordance with Appendix 27 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Regarding the material events subsequent to 31 December 2022 and up to the date of this report, please refer to the paragraph headed "Management Discussion and Analysis — Events after the Reporting Period" in this report for more details.

LITIGATION

Lawsuit against The People's Hospital of Ne He (訥河市人民醫院) ("Ne He Hospital") and Nehe City Investment Co., Ltd. ("Ne He Investment")

As disclosed in the voluntary announcement of the Company dated 4 September 2019, Nanshan Leasing, as plaintiff, has filed a lawsuit against Ne He Hospital at No. 3 Intermediate People's Court of Tianjin (i.e. the Court) for a total sum of RMB78,896,862.82, and Nehe City Investment Co., Ltd. for holding joint liability for the above outstanding total sum, being, among others, the unpaid rental fee owed by Ne He Hospital, the outstanding rental fee for the remaining term and other expenses incurred by Nanshan Leasing under the relevant finance leasing agreement (the "**Agreement with Ne He Hospital**") and the relevant guarantee agreement entered into between Nanshan Leasing and Ne He Investment.

Subsequently, the Court issued a civil judgment (民事判決書) dated 6 December 2019. Pursuant to the judgment:

1. Ne He Hospital shall pay Nanshan Leasing a sum of RMB61,181,375, being all unpaid rental fee and retention purchase price, within ten (10) days from the date of the judgement;

2. Ne He Hospital shall pay Nanshan Leasing an overdue fine of RMB1,374,456.08 as at 24 October 2019 within ten (10) days from the date of the judgment, and pay the overdue fine accrued from 25 October 2019 up to the actual payment date (based on RMB10,636,255, calculated at an annual interest rate of 24%), the deposit in the sum of RMB105,416.47 after offsetting the case management fee; will be applied towards payment of the aforesaid overdue fine; and

3. Ne He Investment held jointly and severally responsible for the aforesaid payment responsibility of Ne He Hospital. After Ne He Investment has assumed the payment liability, it shall have the right to recover the same from the Ne He Hospital.

Verdict handed down by the Court on 20 October 2020 where the Court will seize assets of guarantor, including bank accounts and assets. During 2021, the Court has been in the process of valuing certain seized assets. To the best knowledge, information and belief of the Directors after making reasonable enquiries, as at the date of this report, valuation has been arranged by the Court and is still underway. After auction, proceeds from auction will be paid to Company as settlement.

During the Reporting Period, Nanshan Leasing, Ne He Hospital and Ne He Investment entered into a settlement agreement. Subsequently, Nanshan Leasing received approximately RMB25,000,000 in accordance with the settlement agreement.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its subsidiaries or its holding companies was a party or were parties and in which a Director or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the Reporting Period, there was no contract of significance between the Company or its holding company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries.

During the Reporting Period, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling shareholders or any of its subsidiaries.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

BUSINESS REVIEW

Detailed business review and outlook and plans are set out in the section of "Management Discussion and Analysis" in this report from pages 4 to 17. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" from pages 24 to 39 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 were audited by SHINEWING and they have issued an unqualified opinion. SHINEWING shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution to reappoint SHINEWING as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the forthcoming annual general meeting.

By Order of the Board
Alliance International Education Leasing Holdings Limited
Song Jianbo
Chairman

Hong Kong, 3 March 2023

ABOUT THE REPORT

Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.) (the "**Company**") and its subsidiaries (collectively known as the "**Group**" or "**We**") gratefully publish the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") covering the period from 1 January 2022 to 31 December 2022 (the "**Year**"). The ESG Report summarises the Group's status in practicing the concept of sustainability comprehensively and performing corporate citizenship responsibilities. The ESG Report also details the Group's effort in embodying the principle of sustainable development and the performance of social governance during the Year.

Scope of the Report

The ESG Report details the Group's overall environmental and social policies relating to its business (namely the provision of financial leasing and related advisory services, together with higher education services) in the People's Republic of China (the"**PRC**"). The ESG Report and its social key performance indicators ("**KPIs**") covered the performance of the Group's offices in Beijing, Tianjin, Shenzhen and the Hong Kong Special Administrative Region ("**Hong Kong**") of the PRC during the Year, as well as the performance of Nanshan campus and Donghai campus of Yantai Nanshan University (煙台南山學院) (the "**University**") as the Group acquired the University during the Year[1]. The scope is determined based on whether the Group has operational control over the entity, and whether the entity has a material influence on the Group's performance or assets.

Reporting Standard

The ESG Report is prepared and disclosed by the Group in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guidelines**") as set out in Appendix 27 of Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and in compliance with the mandatory disclosure requirements and "comply or explain" provisions thereof.

Reporting Principles

In preparing this report, we meet the three reporting principles stipulated in the Guide — "materiality", "quantitative" and "consistency".

Materiality:

This report follows the Guidelines to carry out materiality assessment work. Our working procedures include: (i) identifying relevant ESG issues, (ii) assessing the materiality of the issues, and (iii) reviewing and confirming the assessment process and results by the Board of Directors (the "**Board**").

We report ESG matters based on the materiality assessment results. For details on materiality assessment work, please refer to the subsection "Materiality Analysis" below.

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1 The Group acquired the University on 18 August 2022. Hence, to ensure the disclosed data truly reflects the Group's operations, we have collected the environmental and social data of the University from 1 September 2022 to 31 December 2022, and included the same in the scope of the report.

Quantitative:

This report follows the Guidelines and refers to applicable quantitative standards and conventions, and adopts quantitative methods to measure and disclose applicable key performance indicators. The measurement standards, methods, assumptions and/or calculation tools of the key performance indicators in this report, as well as the sources of the conversion factors used have been explained in the corresponding places (if applicable), and the relevant environmental objectives are disclosed in the "Environment Protection" section.

Consistency:

The preparation method of this year's Environmental, Social and Governance Report is consistent with that of previous years, and any changes that may affect meaningful comparison with previous reports have been explained in the corresponding positions.

Opinions and Feedbacks

The Group values your opinions on this report. Should you have any advice or suggestion, please feel free to email us at IR@aiel-holdings.com.

ESG GOVERNANCE

Board Statement

The Group believes that establishing sound ESG principles and practices will help to increase the investment value of an enterprise and provide long-term returns to its stakeholders. The Board directly shoulders the responsibilities for the supervision and oversight of execution of ESG and climate-related matter and ESG performance. To maintain effective ESG risk management measures and internal control systems, the Board of Directors (the "**Directors**") of the Company is responsible for monitoring and reviewing whether the ESG-related matters have been in compliance with the applicable laws and regulations, reviewing ESG-related information annually, as well as assessing ESG work progress and the content and quality of ESG Report.

During the Year, the Group has commissioned a third-party consultancy firm to assist in identifying potential and significant ESG issues for the business and its stakeholders and providing suggestions for the ESG performance of the Group. The said consultancy firm assisted in collecting and analysing the comments on ESG matters from the Group's stakeholders and conducting materiality assessment. The Board reviews and approves the ESG policies and conclusion from the Consultant. The Board has reviewed the assessment results and confirmed the material ESG matters (including risks to the Company's business) as set out in the ESG Report. The Board is also responsible for regularly reviewing the channels for stakeholder communication in order to ensure that the Company maintains effective communication with stakeholders.

The Board is well informed regarding the results of the evaluation on ESG related risks, the results of the review of the existing strategy, targets, and policies, and the materiality assessment. Supervised by the Board, the Group actively identifies and monitors the environmental, social and climate-related risks and opportunities over the short, medium and long term and it seeks to incorporate such issues into its businesses, strategy and financial planning. For example, the Group continuously strive to reduce energy consumption and reduce greenhouse gas emissions through energy-saving transformation.

With the aim of effectively overseeing and promoting the ESG development of the Group, the Board continuously monitors ESG-related work and keeps track of the latest regulations regarding ESG disclosure issued by the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), as well as ensures close co-operation between departments, to achieve the goals of both compliant operations and social responsibilities. The Group has set environmental targets, details of which are set out in the section "Environmental Protection". Based on the goals formulated by the Group, the Board regularly reviews the relevant systems and policies and the status of execution, as well as monitors the coordination and management of ESG matters.

Stakeholder Engagement

The Group believes that the stakeholder engagement and their continuous support are important for the long-term development of an enterprise. The Group has communicated with the stakeholders for the purpose of improving its sustainable development strategy and achieving various sustainable development goals. Therefore, we have adopted a variety of communication methods to allow stakeholders from different sectors to express their opinions and suggestions. We have also responded to the stakeholders' expectations and concerns via different channels to improve our ESG performance and the future development strategies.

Stakeholder	Requirement and Expectation	Communication and Response
Governments and Regulatory Bodies	• Compliance with national policies, laws and regulations • Supporting local economic growth • Driving local employment • Tax payment in full and on time	• Regular reporting • Examinations and inspections
Shareholders	• Returns • Compliant operations • Rise in company value • Transparent information and efficient communication	• General meetings • Company announcements • Emails, telephone contacts and company website
Partners	• Operations with integrity • Fair competition • Performance of contracts • Mutual benefits and win-win results	• Reviews and appraisal meetings • Business communication • Exchange and discussion • Engagement and co-operation
Customers	• Outstanding services • Health and safety • Performance of contracts • Operations with integrity	• Customers meetings
Environment	• Compliance with emission standards • Energy conservation and reduction of emissions • Ecological protection • Reasonable water usage	• Report submission
Industry	• Promotion of industry development	• Communicate with local labour department • Participation in industry forum • Field visits and reciprocal visits
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares	• Employee communication meetings • Training and workshops • Employee activities
Society and the Public	• Open and transparent information	• Company website • Company announcements

Materiality Assessment

The Group had engaged independent third-party consultants to assist in conducting the materiality assessment for the Year in a just manner. The materiality assessment was carried out in the following three main phases:

(i) Identifying potential ESG material topics that might affect the Group's business or stakeholders' interest as follows:

Environment and Resources	Employment and Labour Practices	Operating Practices	Community Investment
1. Environmental Compliance	8. Employment Compliance	15. Operational Compliance	26. Charity
2. Greenhouse Gas Emission	9. Remuneration and Benefits	16. Managing Environmental Risks of Supply Chain	27. Promotion of Community Development
3. Waste Management	10. Working Hour and Rest Period	17. Managing Social Risks of Supply Chain	28. Poverty Alleviation
4. Energy Consumption	11. Diversity and Equal Opportunity	18. Procurement Practices	
5. Use of Water Resource	12. Occupational Health and Safety	19. Quality Management	
6. Green Office	13. Training and Development	20. Responsible Sales and Marketing	
7. Responding to Climate Change	14. Prevention of Child Labour and Forced Labour	21. Customers Service Management	
		22. Intellectual Property Protection	
		23. Information Security	
		24. Customer Privacy Protection	
		25. Anti-corruption	

(ii) Conducting a survey by way of questionnaires to understand the views and expectations of the stakeholders on the Group's response to and disclosure of ESG issues; and

(iii) Prioritising potential material topics based on the collected questionnaires. After the analysis of the survey results and exercise of judgment by the management, the Group identifies the material topics and highlights them in the ESG Report.

By analysing the results of survey with consideration to the actual business operation, the Group has identified five material topics which are disclosed in detail in the ESG Report.

Material Topics		Corresponding Sections
15.	Employment Compliance	Labour Practice
16.	Employees' Remuneration and Benefits	Labour Practice
17.	Employees' Working Hours and Rest Period	Labour Practice
18.	Diversity and Equal Opportunity	Labour Practice
19.	Occupational Health and Safety	Labour Practice

In the future, the Group will continue to promote the engagement of different stakeholders in a bid to collect their valuable and constructive opinions and suggestions on the Group's development policy. The Group will also improve its ESG performance and strengthen its management of ESG risks in the process of business development.

ENVIRONMENTAL PROTECTION

The Group's operating facilities are mainly based in the PRC. Therefore, we strictly comply with relevant local environmental laws and regulations including but not limited to the Environmental Protection Law of the PRC, Law of the PRC on Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, and Law of the PRC on Prevention of Environmental Pollution Caused by Solid Waste. The Group closely monitors activities that have a potential impact on the environment during its business operations, and assesses the impacts on the surrounding environment to fulfil the responsibilities and obligations of environmental protection.

During the Year, the Group has not been involved in and has not discovered any violations of environment-related laws and regulations.

Emissions Management

The Group has always been committed to protecting the environment and reducing emissions and waste during the operation process through controlling and managing resource consumption. The Group has acquired the University this year and the greenhouse gas emission directly generated by its business are mainly from the fuel combustion of vehicles. We are currently using electric and hybrid vehicles, with regular maintenance and provide low-carbon driving training for drivers to reduce air pollution in order to reduce air pollution. In addition, the Group's indirect greenhouse gas emissions can be mainly divided into three categories, including energy indirect emissions from purchased electricity, purchased heating and purchased steam. Other indirect emissions cover other indirect greenhouse gas emissions that occur outside the Group including methane gas generation at landfill due to disposal of paper waste, electricity for water treatment and outbound business trips by employees. Since our greenhouse gas emissions are mainly from other indirect emissions, we encourage employees who frequently participate in overseas meetings to use telephone or video conferences to avoid unnecessary overseas business trips, while choosing direct flight for unavoidable business travels, so as to reduce carbon footprint and achieve the goal of maintaining and even reducing greenhouse gas emissions as much as possible.

The Group's greenhouse gas emissions data are as follows:

Greenhouse Gas Emissions	Unit	Higher education		Finance leasing		Total	
		2022	2021	**2022**	2021	**2022**	2021
Total Greenhouse Gas Emissions	tCO_2e	**8,298.55**	N/A	**44.33**	112.74	**8,342.88**	112.74
Scope 1 — Direct Emissions *(Note (1))*	tCO_2e	**58.07**	N/A	**0**	0	**58.07**	0
Scope 2 — Energy Indirect Emissions *(Note (2))*	tCO_2e	**8,073.51**	N/A	**6.14**	27.15	**8,079.65**	27.15
Scope 3 — Other Indirect Emissions *(Note (3))*	tCO_2e	**166.97**	N/A	**38.19**	85.58	**205.16**	85.58
Intensity of Greenhouse Gas Emissions	tCO_2e/employee *(Note (4))*	**5.00**	N/A	**1.34**	3.64	**4.93**	3.64

Notes:

(1) Scope 1 — direct emissions refer to the direct greenhouse gas emissions generated from operations that are owned or controlled by the Group. The Group has added higher education business during the year, and has started disclosing greenhouse gases emitted from fuel combustion of vehicles. The emission factors for different types of vehicles are provided by the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" issued by the National Development and Reform Commission ("**NDRC**") of the PRC.

(2) Scope 2 — energy indirect emissions refer to the indirect greenhouse gas emissions generated by the Group's purchased or acquired energy. The Group's energy indirect greenhouse gas emission is from purchased electricity, purchased heating and purchased steam. The calculation of electricity is based on the "2011 and 2012 Average Carbon Dioxide Emission Factors for Regional Power Grids in China" issued by the National Development and Reform Commission of the PRC. The calculation of heating is based on the "Greenhouse Gas Emissions Accounting and Reporting Guide (Trial) of Public Buildings in Operation" issued by the National Development and Reform Commission of the PRC. The calculation of steam is based on the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission ("**NDRC**") of the PRC

(3) Scope 3 — other indirect emissions include other indirect emissions that occurs outside the Company, including (i) methane gas generation at landfill due to disposal of paper waste; (ii) electricity for water treatment and; (iii) outbound business trips by employees. The calculation of methane gas generation at landfill due to disposal of paper waste is based on Appendix II "Reporting Guidance on Environmental KPIs" ("**Appendix II**") provided by The Stock Exchange of Hong Kong ("**HKEX**"). The calculation of electricity for water treatment is based on the standard of the Water Supplier Department and the Drainage Services Department of Hong Kong. The calculation of outbound business trips by employees is based on the Carbon Emissions Calculator provided by International Civil Aviation Organization (ICAO).

(4) The number of total full-time employees of the Group was used as to calculate the density for each environmental indicator. The total number of full-time employees of the Group during the year was 1,692.

Waste Management

The non-hazardous waste of the Group is mainly daily office waste, such as general garbage, paper waste and deliverables packaging. We use waste recycling bins to collect wastepaper, which is then handled collectively and processed by the office's property management service provider company. We also reuse envelops and other stationary, such as using replacement refills to reuse the barrel of the pen to avoid discarding the entire pen. Hazardous waste generated by the Group will be collected and treated properly. For example, batteries will be placed in designated recycling bins and handled by the office's property management service provider, toner cartridges will be collected and recycled by printer service providers; and used computers will be handled over to electronic waste recycling companies and electronic companies for recycling or reuse. We also try to use recyclable toner cartridges to replace non-recyclable ones as far as possible. Our goal is to reduce the environmental impact of waste through proper collection and disposal of waste. The Group will continue to improve existing waste management measures, encourage employees to carry out waste classification and reduce the production of unnecessary waste.

The statistics of the non-hazardous waste and hazardous waste generated during business operations of the Group are as follows:

Waste	Unit	2022	2021
Non-hazardous waste *(Note (1))*			
Total Non-hazardous Waste Generated	ton	**65.36**	53.50
Intensity of Non-hazardous Waste Generated	ton/employee	**0.04**	1.73
Hazardous waste *(Note (2))*			
Total Hazardous Waste Generated	kg	**1,635.61**	220.43
Intensity of Hazardous Waste Generated	kg/employee	**0.97**	7.11

Notes:

(1) The non-hazardous waste generated by the Group is calculated based on the office general waste daily estimated amount and volume-to-weight conversion factors provided by the United States Environmental Protection Agency and the "Research on Solutions to Domestic Solid Waste in Cities of China" issued by the Beijing Environmental Sanitation Administration.

(2) The hazardous waste generated by the Group is calculated based on actual weight. Apart from ink cartridges, waste computers and batteries, light tubes and chemical waste are also added to the hazardous waste generated by the Group during the Year. Thus the total hazardous waste generated in the Year increased significantly compared with that of last year.

Sewage Management

The Group strictly adheres to policies and laws such as "Water Pollution Prevention and Control Law of the People's Republic of China" and "Environmental Protection Law of the People's Republic of China" in handling domestic sewage produced by the offices and campuses of the Group. Domestic sewages from offices are discharged into the city's sewage network for treatment, and domestic sewages from campuses are sent to waste treatment plants for filtration. This ensures that the discharge of waste water by the Group complies with standard rules of GB 18918–2002 "Pollutant Discharge Standards for Urban Sewage Treatment Plants".

Use of Resources

The Group recognises the importance of effective resource utilisation and has been committed to improving operational efficiency with a view to optimising resource utilisation and striving to save energy and reduce consumption. We actively promote the importance of environmental protection to employees so as to raise their awareness of environmental protection, and implement the philosophies of energy conservation and consumption reduction, waste reduction at the source, effective use of resources and maintaining a green office.

The resource consumption of the Group is mainly from the use of electricity, water and paper for its daily office operation. Due to the nature of the Group's business, no packaging materials are involved.

Energy Conservation

The Group is committed to continually optimising its operating processes and implementing power-saving measures in its offices with the objectives of energy saving. The Group will remind employees to turn off all electrical appliances including lights and air conditioning equipment before leaving the offices. Such practice is also reinforced in the Group's Employees' Codes of Conduct. For air conditioning systems, we adopt water-cooled air-conditioning systems and split type air conditioners with Grade 1 energy efficiency label, and set the minimum temperature of the air conditioning systems as 25.5 degrees Celsius, regularly check and clean the filters and coil fans, avoid installing air conditioners under direct sunlight in order to ensure normal operation of the air conditioning system and reduce the possibility of refrigerant leakage. Our employees are allowed to wear casual clothing on Fridays instead of full suits to reduce the use of air conditioning. For lighting systems, the Group sets up light switches that can be controlled independently and adopts highly efficient light fixtures in different areas of the office, saving energy as much as possible. In addition, we also adopt energy-efficient lamps (such as T5 fluorescent lamps and LEDs) and keep lighting fixtures and lamps clean in order to maximise their energy efficiency. Moreover, computers are set to automatic stand by or sleeping mode while idling to avoid waste of energy.

The data of energy consumption of the Group are as follows:

Energy Consumption	Unit	2022	2021
Total Energy Consumption *(Note (1) (2))*	MWh	**17,924.46**	66.27
Direct Energy Usage	MWh	**213.29**	n/a
Indirect Energy Usage	MWh	**17,693.17**	66.27
Intensity of Energy Consumption	MWh/employee	**10.59**	2.14

Notes:

(1) The increases in direct energy usage of the Group are due to the use of vehicles in universities. The energy consumed by the combustion of fossil fuels in vehicles is calculated according to "Environmental KPI Reporting Guidelines" released by Hong Kong Stock Exchange. The emission factors for different types of vehicles are provided by the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" issued by the National Development and Reform Commission ("**NDRC**") of the PRC.

(2) Total energy consumption includes indirect energy consumption from purchased electricity, steam and heating usage. The purchased electricity is based on the Group's actual electricity usage. The calculation of steam is based on the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission ("**NDRC**") of the PRC, while the purchased heating is calculated based on the CJJ34–2010 "Design Code for City Heating Network" issued by the Ministry of Housing and Urban-Rural Development of the PRC.

Water Conservation

Water is a precious resource, and the Group understands the importance of treasuring water. As the Group only operated in commercials buildings in 2022, the water consumption and sewage discharge were under the sole control of the property management service provider, and the Group could not obtain data of water usage of offices in 2022.In the Year, the Group acquired the University, thereby was able to measure the water usages of the campuses of the University during the Year. Therefore, the total water usage and water usage density of the University will be disclosed starting from this year.

The Group aims to conserve water as much as possible and consistently promoted the preservation of water resources in office and campuses. If a leakage is found in any of the water supply facilities, we will inform the property management company immediately for arranging maintenance and inspections. The Group recognises that raising employees' awareness on water preservation is essential to water conservation. As such, the Group continues to promote water preservation awareness and practises to reduce water wastage, for instance, turning off running taps when not in use, posting water conservation reminders in each restroom. We will also install rainwater harvesting devices and use rainwater for planting in order to reduce water waste.

The data of water consumption of the Group are as follows:

Water resources used	Units	2022	2021
Total volume *(Note (1))*	cubic meter	**352,459**	n/a
Water usage density	cubic meter/employee	**208.31**	n/a

Note:

(1) Total water usage and water usage density from the Group's newly added higher education business operations will be disclosed starting from the Year.

Green Operations

While actively developing its business, the Group has been mindful of the importance of green operations and the promotion of concepts of reducing paper consumption and waste at the source to its employee. Therefore, we have adopted different measures to integrate environmental protection concepts into our daily operations and build a comprehensive enterprise that takes economic, environmental and social aspects into account.

The Group attaches great importance to saving paper and reducing unnecessary waste. Through internal communication, the Group encourages employees to use email systems to disseminate information internally as far as possible, so as to reduce the use of fax and photocopying documents. In order to reduce paper usage, we use electronic office system to replace the office administration system which mainly uses paper for record, and encourage employees to copy and print on both sides, reuse paper that has been printed on one side and use waste paper for note-taking. Except for paper with confidential information, all waste paper will be sent to paper recycling company for recycling. Regular paper consumption statistics will be conducted to monitor paper consumption and appropriate improvement measures will be taken. We avoid using disposable and non-recyclable products as far as possible, and replace all disposable cups and wooden chopsticks with reusable items, such as ceramic cups and reusable plastic utensils. We also reuse envelopes, binders, file cards and other stationery supplies. When there is a need to procure materials, we will evaluate the material usage to avoid overstocking and incurring unnecessary waste. We will also give priority to purchasing environmentally friendly materials, such as printing paper, toilet paper and paper towels containing recycled materials. In addition to waste generation, greenhouse gas emissions are another major concern of the Group. The Group is committed to reducing its carbon footprint by taking various measures with respect to different sources of emissions. For example, we encourage employees to take public transportation when going to work and organise events at venues with easy access to public transportation as far as possible in order to reduce carbon emissions. The Group will continue to implement and strengthen measures to reduce greenhouse gas emissions to make a significant contribution to greening the environment and fighting climate change.

Responding to Climate Change

Climate change and carbon emissions are the most imminent global environmental issues. The issues are attributable to different sectors of the community. Although the Group has not found any significant climate change related risks which are relevant to its business, we have always adhered to the policy of prevention and preparedness at all times. The Group also understands the severity of global warming, and has formulated corresponding response management measures for preventing and reducing losses that may occur under extreme weather brought by climate change, such as typhoons and flooding. Based on the response management measures, the Group will establish an emergency leading group when necessary. The leading group will be responsible for coordinating various departments in carrying out emergency work and delivering early alerts to employees through coordination and communication mechanisms as soon as possible in a bid to ensure the safety of employees. For example, the Group will adopt special working arrangements in anticipation of extreme weather conditions. We will allow the employees to take leave and stay home. For safety reasons, employees in offices can also leave earlier for safety. The Group also regularly conducts fire evacuation drills and reviews the current evacuation plans. In the future, the Group will continue to review policies, regulatory updates, technological developments and market trends in global and business operating areas, so as to identify the climate-related risks which may possibly affect the Group’s finance and business, and responses with corresponding measures.

CORPORATE SOCIAL RESPONSIBILITY

Employment and Labour Practices

The Group always values employees as precious assets, strives to provide a safe and comfortable working environment for employees, facilitates their professional development, and protects their interests. We strictly comply with applicable laws and regulations related to employment, including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC and Employment Ordinance (Cap. 57 of the laws of Hong Kong). We provide equal opportunities and create a harmonious working environment, to ensure that potential candidates or incumbent employees are not discriminated against or deprived of opportunities on the basis of gender, ethnic, religion, age, marital status, physical conditions, pregnancy, political connection and sexual orientation. We strive to be a responsible employer and are committed to implementing better employment practices, and advocating ethics and human rights at the workplace.

During the Year, the Group had a total of 1,965 employees (2021: 32). The composition of the Group's employees is as follows:

Environment Indicators (Note (1))	**2022 Number of employees (Percentage)**	2021 Number of employees (Percentage)
By Gender		
Female	**1,059 (63%)**	13 (41%)
Male	**633 (37%)**	19 (59%)
By Employee Category		
Senior Management	**297 (18%)**	4 (13%)
Middle Management	**535 (32%)**	8 (25%)
Frontline and Other Employees	**418 (24%)**	20 (63%)
Other	**442 (26%)**	0 (0%)
By Geographical Region		
Mainland China	**1,687 (99%)**	29 (91%)
Hong Kong and other regions	**5 (1%)**	3 (9%)
By Age Group		
Aged 18–25	**84 (5%)**	3 (9%)
Aged 26–35	**699 (42%)**	11 (34%)
Aged 36–45	**458 (27%)**	16 (50%)
Aged 46–55	**211 (12%)**	2 (6%)
Aged 56 or above	**240 (14%)**	0 (0%)

Note:

(1) Data only includes full-time employees (1,692 employees). The Group has hired 273 part-time employees during the year.

Practices on Recruitment Process

The Group is an equal opportunity employer that recruits employees from the open market. During the recruitment, the Group focuses on an individual's professional skills, work experience and suitability for relevant job requirements and prohibits any form of discrimination. The Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the Provisions on the Prohibition of Using Child Labour of the PRC and the Employment of Children Regulations (Cap. 57B of the laws of Hong Kong). The applicants' identification documents, relevant certificates and work experience would be checked and reviewed during the recruitment process to verify their age. If child labour is found, we will stop his work immediately and carry out an investigation to identify the loophole, then implement remedial measures to prevent such incident from happening again. If an employee is found to have committed fraud during his employment, we will dismiss him immediately. Before the formal entry of employees, the Group will enter into employment contracts with employees, which explicitly specify the terms such as working hours, rest period, remuneration, insurance and benefits of employees, for their wellbeing and to safeguard the interests of employees and prevent forced labour. The Group has also formulated an Employee Withdrawal Management System listing proper resignation, termination and dismissal procedures. When an employee submits a resignation, the responsible personnel of the human resources department will meet with the employee and ascertain the reasons for resignation. During the Year, the Group was not involved in and has not discovered any material violation of employment and labour practices, prevention of child labour and forced labour related laws and regulations.

During the Year, a total of 125 employees left the Group (turnover rate: 7%). They are employees from the PRC and other regions (2021: a total of 11 full-time PRC employees; turnover rate: 34%). The employee turnover rate of the Group by different categories is as follows:

Turnover Rate Indicators	2022	2021
By Gender		
Female	**8%**	23%
Male	**7%**	42%
By Age Group		
Aged 18–25	**21%**	100%
Aged 26–35	**11%**	36%
Aged 36–45	**4%**	13%
Aged 46–55	**5%**	100%
Aged 56 or above	**1%**	0%
By Geographical Region		
Mainland China	**7%**	38%
Hong Kong and other regions	**20%**	0%

Practices on Remuneration and Promotion

The Group offers a clear career pathway and competitive salary for employees to attract and retain talents. For the aspects of career promotion, internal transfer and career development, the Group has established the Management System for Job Positions to provide a clear perspective and direction regarding the career progression of employees, as well as optimising human resources. We conduct staff assessment regularly, evaluating employees' work performance, execution ability, communication and coordination, and teamwork ability. The Group arranges promotion and demotion based on employees' assessment performance, occupational development planning, position vacancies, professional integrity and other factors. The Group gives priority to internal promotion, then consider external recruitment, providing a broader development path for employees. In terms of remuneration, the Group has established a remuneration management system and will conduct an annual review of the remuneration structure. Competitive compensation package based on internal and external reference standards to motivate employees' work efficiency and make continuous contributions to the Company.

Interests and Benefits of Employees

For the employees' wellbeing and to stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. The Group strictly complies with laws and regulations in both the PRC and Hong Kong, including but not limited to the Labour Law of the PRC and the Social Insurance Law of the PRC, the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong) and the Minimum Wage Ordinance (Cap. 608 of the laws of Hong Kong) to ensure that its employees' working hours, wages and benefits meet local requirements. The Group also provides endowment insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance, and housing provident fund, namely the "five social insurance and one housing fund (五險一金)" and makes mandatory provident fund contribution to the PRC and Hong Kong employees respectively in accordance with corresponding regulations in the PRC and Hong Kong. The Group determines the working hours of employees in accordance with relevant regulations and adopts a five-day workweek arrangement to ensure that employees have sufficient rest time. By reviewing the working hours of employees, we strictly control overtime work of employees, prevent forced labour from occurring in business operations, and avoid overtime work as far as possible. If overtime work is required, we will compensate employees in accordance with relevant regulations. Employees are also entitled to statutory holidays, annual leave, maternity leave, paternity leave, bereavement leave, and marriage leave. The Group values employees' wellbeing by organising team building activities, and providing annual medical check, birthday gift, and daily meals and transportation allowances.

Vocational Training and Development

In order to promote the sustainable development and efficient operations of the Group, the Group firmly believes that enhancing the working ability of employees is the key to business development and is therefore committed to nurturing talent. The Group has formulated and organised internal training projects annually to enhance the professional skills and working ability of the employees. The training topics of the Year include financial leasing law, business processes and related systems. Moreover, the Group has in place the Management Measures on New Employee's Training to help new employees better understand their job responsibilities, tasks and goals, as well as familiarising themselves with the Group's standard operational procedures. We offer training to newly joined employees which includes an introduction to the Company, attendance and performance management measures, code of conduct, the document writing system, finance and risk control systems. The Group will arrange additional training for employees according to business needs and encourage them to participate in symposiums and sharing sessions organised and hosted by external organisations, and provide education subsidies and tuition reimbursement to employee in order to encourage them to enhance their skill development and enrich their professional knowledge. We also conduct performance reviews according to the employees' positions to unearth their potentials and provide promotion opportunities to employees with excellent performance.

During the Year, 1,692 employees had been trained for a total of 15,314 hours (2021: 11 employees were trained for 55 hours in total). The training-related data of the Group are as follows:

Training	2022 Average Training Hours per Employee (Hour)	2022 Percentage of Trained Employee (%)	2021 Average Training Hours per Employee (Hour)	2021 Percentage of Trained Employee (%)
By Gender				
Male	**9.20**	**100**	1.3	26
Female	**8.96**	**100**	2.3	46
By Employee Category				
Senior Management	**8.93**	**100**	1.3	25
Middle Management	**9.00**	**100**	1.9	38
Frontline and Other Employees	**9.63**	**100**	1.8	35
Other	**8.65**	**100**	n/a	n/a

Health and Safety

As a responsible employer, the Group strictly complies with laws and regulations related to occupational health and safety, including but not limited to the Law of the PRC on Work Safety, the Law of the PRC on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong), in order to provide a safe working environment for incumbent employees. The Group has relevant internal policies that emphasize the importance of a safe and healthy working environment, and ensures that the office and working environment comply with the requirements of relevant laws. We also establish safety protection measures for work identified as higher risk, and provide employees with the necessary protective equipment and set security goals that include all personnel. In addition, the Group has prepared emergency management measures in accordance with relevant regulations, which set out the procedures and measures in case of emergency so that the respective responsible persons would be able to respond to emergencies in a timely manner. The Group also ensures that employees participate in fire drills organised by the office property management and prohibits employees from lighting cigarettes in workplace, in order to raise their awareness of fire safety. The Group will respond to all reports of unsafe and unhealthy working conditions and will impose penalties on employees who endanger themselves or others.

The Group continues to maintain work-related injury insurance for all employees in accordance with the Social Insurance Law of the PRC. In view of the recurring COVID-19 pandemic, the Group has formulated an office prevention and control plan and adopted a series of prevention and control measures, such as regular disinfection of the office, body temperature check of employees entering the office and reducing the number of on-site meetings. During the Year, the Group is not aware of any material breach of the laws and regulations related to safe working environment, and there were no work-related fatal accidents or injuries.

Health and Safety	2022	2021	2020
Work Related Fatality (case)	**0**	0	0
Work Injury Cases >3 Days (case)	**4**	0	0
Work Injury Cases ≤3 Days (case)	**0**	0	0
Lost Days due to Work Injury (day)	**208**	0	0

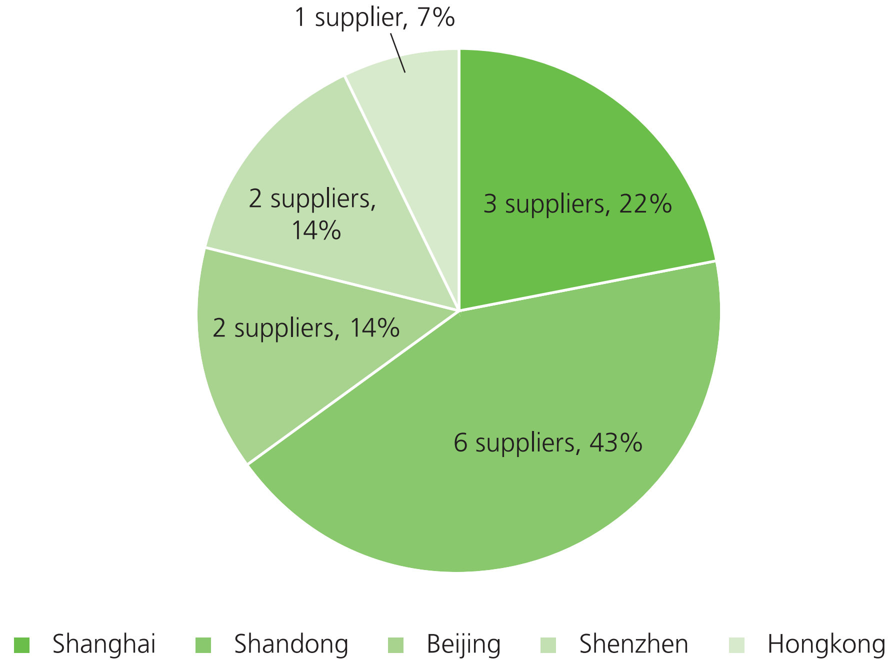
OPERATING PRACTICES

Supply Chain Management

The Group has established relevant procurement management requirements in strict accordance with the relevant laws and regulations such as the Contract Law of the PRC and the Bidding Law of the PRC, following the principles of openness, fairness, impartiality, honesty and credibility, and scientific selection by merits to implement procurement policies and control procedures. We require that the procurement plans must include at least two suppliers' quotations and proposals for a comprehensive and objective comparison and centralised assessment. The assessment results and opinions for comparison analysis will undergo multiple reviews and approvals before procurement can be formally implemented. The Group's supply chain mainly involves services related to transportation and administration. Although the environmental and social risks involved in the supply chain are relatively low, the Group will strictly review the service suppliers' environmental performance, health and safety performance, reputation, cost, service scope and service quality during the selection process. The selected suppliers must comply with all local and international laws prohibiting bribery, corruption and other unethical business practices. We give priority to suppliers with internationally recognised standards certifications for environmental and social risk management, as well as give priority to local suppliers or suppliers who locate in closer geographical locations or have access to more convenient transportation to reduce carbon footprint. We also require suppliers to provide samples for review to verify that their service quality meets the requirements. For entrusted service suppliers, we will track and monitor their performance and progress. When the supplier's behaviour is found to be inconsistent with our policies, we will suspend their service until the situation improves to ensure that the service quality meets the requirements, thereby optimising the supply chain management. During the Year, the Group has 14 suppliers for our finance leasing business and higher education business, which are Shanghai, Shandong, Beijing, Shenzhen and Hong Kong, respectively (2021: 3 suppliers).

The number of supplier by geographical location is shown in the graph below:

The number of supplier by geographical location



Meal providers are one of the important suppliers for our higher education business. We pay great attention to food safety, and strictly adhere to the applicable laws and regulations, such as the "Food Safety Law of the People's Republic of China" and "School Canteen Food Safety Management Measures" of Sichuan Province, and were evaluated as a "Food Hygiene Grade A Unit". We have also set up a "Catering service food safety operation standard food safety management system", and have used it as the working standards and guidelines for meal providers in canteens. We require meal providers to operate the meal service areas, facilities, equipment and tool cleaning methods with chemical disinfection and usage precautions accordingly, so as to maintain a high degree of cleanliness and hygiene in kitchens and food storages. Simultaneously, they are also required to follow the "Precautions for Food Poisoning Prevention in Catering Services" and operating practicalities, confirm high risk food types and processing procedures, implement key prevention and control of food safety risks, the use of specified biologically-hazardous related foods of the F&B industry and control policies, in order to avoid food poisoning and other food safety problems.

Service Quality

In the pursuit of excellence in service quality, the Group makes every effort to strive for the provision of comprehensive financial leasing and advisory services in accordance with customers' needs and expectations. We have operated in compliance with related laws and regulations in the industry, including but not limited to the Interim Measures for the Supervision and Administration of Financial Leasing Companies (融資租賃公司監督管理暫行辦法). The Group has established a policy for our finance leasing business, which standardises the operating procedures, minimises operational risk, improves product and service quality and consistency, and particularises the responsibility, rights and interests involved in its business operations. During the Year, the Group did not discover any major incidents that violated relevant industry laws and regulations.

To provide high-quality courses for the University, the Group strictly adheres to the civilian education laws and regulations, including but not limited to the "Education Law of the People's Republic of China", "Higher Education Law of the People's Republic of China", "Private Education Promotion Law of the People's Republic of China", "Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China" and other normative documents, formulated "Teaching Management Work Regulations" to raise teaching quality. We actively carry out reforms on the teaching methods, fully utilising advanced teaching methods and measures coupled with multi-media, virtual, web work teaching. Besides, we cooperated with famous enterprises to provide broad-based training to students in order to raise their competitiveness. To add on, we also provide overseas exchange and competition opportunities, so as to broaden their horizons. We understand students may endure different levels of stress from academic and non-academic activities. As such, we pay close attention to the physical and mental health of students, by implementing the "National Student Physical Health Standards" measures and carrying out physical health checks for students annually. We actively promote the development of sports among students to raise their physical health standards. We also provide arts & sports facilities such as various sports ground, opera hall, and university activity centres for student to enrich their campus life and reduce stress.

Satisfactory teaching experience is also an essential aspect in providing high quality education services. Aside from College Teacher Qualification Certificate, in-class teachers are required to follow the training plan "Implementation Measures for Teachers' Classroom Teaching Access" we formulated. Teachers are allowed to teach only after passing the measure tests and receiving the training qualification. For monitoring and regulating the performance of teachers, the teachers have to adhere to applicable laws and regulations such as "Teaching Law of the People's Republic of China", and "Code of Professional Ethics for Teachers in Colleges and Universities". We have also formulated the "teacher teaching job specification" to guide teachers in their daily teaching activities. We carry out regular performance evaluation on the performance of full-time teachers, with the use of student feedback and teaching research results as standards. Assessments are carried out by the director, students and colleagues, ensuring that teachers adhere to our guidelines and standards. Should severe teaching problems arises, we will strictly follow to related procedures under "Identification and Handling of Teaching Accidents" to start an investigation and a formulation of solutions.

Customers First

The Group is committed to provide efficient and customised finance leasing services to our customers. Through establishing a diversified customer base and strong customer relationships as well as deepening our industry knowledge within each targeted industry, we are more attentive to our customers' needs and are able to tailor-make our finance leasing services based on their financing conditions to better serve our current and potential customers. In addition, through providing advisory services, we study and analyse the respective business and financial management models of the customers, as well as the overview and prospects of the industries in which our customers operate to provide tailor-made solutions to satisfy their business needs and enhance customers' satisfaction. Clients' feedback on service quality is also collected for continuously improving our services. In order to handle client complaints in a timely manner, the Group will analyse its clients' feedback and carry out remedial and preventive actions promptly, as well as investigating the root causes thoroughly and carry out evaluation.

The Group is dedicated in providing high quality education services to students. To improve executive management and raise teaching qualities, and to ensure student rights, we have formulated an "Implementation Measures for Letters and Visits" policy. Under the said policy, multiple complaint channels, such as phones, letters, personal visits, mails and school webpage, will be set up, all complaints will be recorded, and investigated with a fair and objective manner.

During the reporting period, the Group has not received any complaints from related financial leasing services (2021: 0 cases) and 21 cases of complaints from related educational services, all complaints has already been processes and resolved by related systems. For instance, responding to requests by phone, opening up information channels, and disclosing school-related matters in a timely manner for students and parents to avoid misunderstanding.

Advertisement management

The Group strictly adheres to applicable laws and regulations by the education department and Shandong province, such the "Education Law of the People's Republic of China", "Advertising Law of the People's Republic of China", "Higher Education Law of the People's Republic of China". The Admissions and Employment department is responsible for the work of producing advertisements for admission, formulation of admission plans and admission agenda. We advertise and promote our courses and services to high school students via different channels such as the means offered by the admission department of each provinces, the school's admission leaflets and the school's admission webpage. Admission agenda must be evaluated and approved by the education authorities to ensure that inaccurate information are not included and avoid misleading students.

Respect for Intellectual Property and Privacy Protection

The Group understands the importance of protecting and enforcing our intellectual property rights. Being respectful of others and protecting our intellectual property rights, the Group strictly abides by the laws and regulations relating to intellectual property rights, including but not limited to the Trademark Law of the PRC and the Trade Marks Ordinance (Cap. 559 of the laws of Hong Kong). To safeguard the Group's intellectual property rights, we require our employees to keep all information relating to the transactions, operation, management, technology and skills confidential during their employment and after their departure. In addition, prior approval shall be obtained from the Group before any third parties use our trademarks, so as to avoid any infringement of the Group's exclusive right. The Group also specifies that its computer system must use authorised software and does not allow employees to install computer software without permission to ensure that it does not infringe the intellectual property rights of others.

With regard to information security and confidentiality, in the process of providing financial leasing services, the Group needs to collect and store customers' personal data and therefore the protection of customer privacy is highly emphasised. Employees of the Group must abide by relevant industry laws and regulations, including but not limited to the Regulations of the PRC on Protecting the Safety of Computer Information Systems and Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong). The Group has informed the employees about the issues related to handling of customer information. Employees must obtain customer information with sufficient reason. Moreover, employees must strictly abide by the internal confidentiality policy and adhere to professional ethics at all times. All undisclosed business information, financial information, personnel information, investment financing information, contracts and agreements, customer information, research and statistical information, technical documents, planning and marketing plans, management documents and other materials of the Group are trade secrets that all employees have the obligation to keep as strictly confidential. The Group has also established an independent data system management department to ensure network security and proper data maintenance for daily operations. Personnel with software operation authority must abide by his work ethics and must not disclose any names and passwords to internal or external personnel of the Group. In addition, the Group has formulated an information security management policy by which employees must strictly abide. For example, employees must use designated anti-virus software and must not use unauthorised software or hardware. Furthermore, they must not take any of the Group's data away from the workplace to ensure information security and to protect customers' privacy and data. During the Year, the Group has not been involved in or discovered any violations of laws and regulations related to intellectual property rights and privacy.

Anti-corruption

Conducting business with integrity is one of the core values underlying the Group's business operations. The Group believes an effective anti-corruption mechanism is a cornerstone for its sustainable growth. The Group has been in strict compliance with anti-corruption related laws and regulations, including but not limited to the Criminal Law of the PRC, Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong), any form of corruption such as bribery, extortion and embezzlement of public funds are prohibited. Anti-fraud Management Measures are in place to provide guidance and regulations to all employees including Directors, senior management, middle management and other employees. The Anti-fraud Management Measures promote clean, diligent and fair work ethics and prevent any misconduct that may damage the Group's economic interests.

Moreover, the Group has developed a Policy and Procedures for Employees Raising Possible Improprieties which are dedicated to establishing a proper channel for employees to voice out their concerns, in particular, those related to possible improprieties in financial reporting, internal control, risk management and other matters. Employees of all ranks can report any inappropriate or unethical behaviour to the responsible manager by phone, email or letter while the identity of whistle-blowers will be kept confidential. The Group will take all necessary steps and reasonable remedial measures once the reported conduct is verified. The policy stipulates that a committee involving independent non-executive Directors be formed to investigate any concerns raised by the employees, monitor the investigation progress and determine the follow-up actions. During the Year, the Group arranged an anti-corruption training for directors and senior management. The training topic involved around the code of business conduct, bribery and the directors' code on gifts and hospitality, in order to enhance the ethical and integrity awareness of the directors and senior management.

During the Year, the Group was not involved in and did not notice any incident of violation of anti-bribery or anti-corruption related laws and regulations and there is no concluded legal cases regarding corrupt practices brought against the Group or its employees.

COMMUNITY INVESTMENT

The Group attaches great importance to corporate social responsibility and regards the prosperity and stability of society as a cornerstone of its development. To this end, the Group actively supports charitable projects and public welfare activities. We also encourage employees to participate in volunteer activities and make charitable donations to support the community, while comprehensively enhancing employees' sense of social responsibility, such as regularly visiting those in need, arranging outdoor activities for the disabled and Blood Donation Day. In addition, we actively promote the provision of job opportunities for the disabled, and give priority to suppliers hire people with disabilities or participate in related support programs. The Group will strive its best to fulfil its responsibility and mission as a corporate citizen and give back to society.

CONTENT INDEX OF ESG REPORTING GUIDE

ESG Indicators	Summary	Sections	Page/Explanation
Environmental			
A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions Management Waste Management Sewage Management Use of Resources Responding to Climate Change	61–66
A1.1	The types of emissions and respective emissions data.	Emissions Management	61–62
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Emissions Management	62
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A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Management	62
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	63
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General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	64
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Conservation	64–65
A2.2	Water consumption in total and intensity.	Water Conservation	65
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation	64
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A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable	The Group's operations do not involve any use of packaging materials

ESG Indicators	Summary	Sections	Page/Explanation
A3: The Environment and Natural Resources			
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A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Responding to Climate Change	66
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to Climate Change	66
Social			
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B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Practices	67
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ESG Indicators	Summary	Sections	Page/Explanation
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	70
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B2.2	Lost days due to work injury.	Health and Safety	70
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	70
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Vocational Training and Development	69
B3.1	The percentage of employees trained by gender and employee category.	Vocational Training and Development	70
B3.2	The average training hours completed per employee by gender and employee category.	Vocational Training and Development	70
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Practices on Recruitment Process	68
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B4.2	Description of steps taken to eliminate such practices when discovered.	Practices on Recruitment Process	68

ESG Indicators	Summary	Sections	Page/Explanation
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B5.1	Number of suppliers by geographical region.	Supply Chain Management	71
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B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	71–72
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	71–72
B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service Quality Customers First Respect for Intellectual Property and Privacy Protection	72–74
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	The Group's operations do not involve products
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B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Respect for Intellectual Property and Privacy Protection	74

ESG Indicators	Summary	Sections	Page/Explanation
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B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	75
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	75
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B8.1	Focus areas of contribution.	Not applicable	Not a material topic in the materiality assessment
B8.2	Resources contributed to the focus area.	Not applicable	Not a material topic in the materiality assessment

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF ALLIANCE INTERNATIONAL EDUCATION LEASING HOLDINGS LIMITED
(FORMERLY KNOWN AS INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD)
友聯國際教育租賃控股有限公司 (前稱国际友联融资租赁有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 87 to 167, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Expected credit loss provision of finance lease receivables

Refer to accounting policy on pages 110 to 113 and notes 4, 18 and 32 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified the expected credit loss ("ECL") provision of finance lease receivables as a key audit matter as finance lease receivables are material to the Group, and the management of the Group exercises significant judgements on whether credit risk of a finance lease receivable has increased significantly since initial recognition, whether a finance lease receivable is credit-impaired, and estimation in key inputs used for measuring ECL, which including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). As at 31 December 2022, the carrying amount of finance lease receivables, net of ECL provision, was approximately RMB2,142,576,000. The Group adopted IFRS 9 Financial Instruments and recognised accumulated impairment losses on finance lease receivables of approximately RMB259,225,000 on the basis of ECL as at 31 December 2022.	Our procedures in relation to ECL provision of finance lease receivables included: • Understanding the ECL model used by the Group; • Evaluating the reasonableness of critical assumptions and methods applied in the ECL model; • Performing credit review of finance lease receivables to determine if for a finance lease receivable, its credit risk has increased significantly since initial recognition or is credit-impaired, and reasonableness of expected future cash flows from the lessees, guarantors, or disposal of underlying assets to determine LGD; • Testing subsequent settlements of credit- impaired finance lease receivables, by inspecting supporting documents in relation to cash receipt from lessees subsequent to the end of the current reporting period; and • Evaluating the disclosures regarding the impairment assessment of finance lease receivables in the consolidated financial statements.

Accounting for business combination

Refer to accounting policy on pages 96 to 97 and note 36 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
On 18 August 2022, the Group's acquisition of Yantai Nanshan University was approved by the shareholders of the Company, and the Group obtained control of the Yantai Nanshan University on the same date. The Yantai Nanshan University is principally engaged in offering private higher education services in Mainland China. Management engaged an external valuation firm to determine the fair values of the identifiable assets acquired and liabilities assumed for the above acquisition. The Group acquired Yantai Nanshan University during the year ended 31 December 2022. The Group has recognised gain on bargain purchase of approximately RMB270,483,000 as at the date of acquisition. We identified the accounting for the business combination as a key audit matter because of the complexity and significant degree of management judgment involved in the identification and valuation of assets of the acquired business at the acquisition date.	Our audit procedures to assess the accounting for the business combination included the following: • inspecting the sale and purchase agreement and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards; • assessing the external valuation firm's qualifications, experience and expertise and considering their objectivity and independence; • reading the valuation report prepared by the external valuation firm engaged by the Group on which the directors' assessment of the fair values of the identifiable assets acquired and liabilities assumed was based; • assessing the nature of intangible assets identified and the valuation methodology adopted by the external valuation firm with reference to the guidance of the prevailing accounting standards and challenging the key assumptions adopted in the valuation of identifiable intangible assets acquired, including growth rates of revenue by comparing the key assumptions with budgets approved by management and market; and • assessing the valuation methodology adopted by the external valuation firm with reference to the guidance of the prevailing accounting standards and challenging the key assumptions adopted in the valuation of identifiable assets acquired and liabilities assumed.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguard applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
3 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Revenue	6	**368,796**	231,843
Cost of services		**(112,816)**	—
Gross profit		**255,980**	231,843
Other income, gains or losses	7	**28,216**	16,262
Gain on bargain purchase	36	**270,483**	—
Selling and distribution expenses		**(6,370)**	—
Administrative expenses		**(52,806)**	(38,559)
Finance costs	8	**(76,984)**	(89,793)
Impairment losses (recognised) reversed on financial assets	9	**(3,500)**	3,103
Profit before tax	10	**415,019**	122,856
Income tax expense	11	**(42,899)**	(43,957)
Profit for the year		**372,120**	78,899
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**5,884**	(875)
Total comprehensive income for the year		**378,004**	78,024
Profit for the year attributable to:			
Owners of the Company		**360,386**	78,899
Non-controlling interests		**11,734**	—
		372,120	78,899
Total comprehensive income for the year			
Owners of the Company		**366,270**	78,024
Non-controlling interests		**11,734**	—
		378,004	78,024
Earnings per share			
(Expressed in RMB Yuan per share)			
Basic and diluted	13	**0.2388**	0.0526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property and equipment	15	**824,078**	453
Right-of-use assets	16	**460,780**	763
Intangible assets	17	**48,636**	1,442
Finance lease receivables	18	**916,068**	994,471
Other receivables	19	**471**	—
Deferred tax assets	20	**91,454**	94,964
		2,341,487	1,092,093
Current assets			
Inventories	21	**2,013**	—
Finance lease receivables	18	**1,226,508**	1,025,489
Financial asset at fair value through profit or loss	22	**83,000**	48,000
Trade and other receivables	19	**295,806**	29,130
Bank balances	23	**225,832**	241,822
		1,833,159	1,344,441
Current liabilities			
Trade, bills and other payables	24	**535,378**	101,934
Deposits from finance lease customers	18	**96,181**	57,709
Lease liabilities	16	**4,869**	678
Contract liabilities	25	**292,238**	—
Income tax payables		**17,026**	17,219
Deferred income	26	**15,352**	13,040
Borrowings	27	**308,475**	169,920
		1,269,519	360,500
Net current assets		**563,640**	983,941
Total assets less current liabilities		**2,905,127**	2,076,034
Capital and reserves			
Share capital	29	**11**	10
Reserves		**2,239,225**	1,273,464
Equity attributable to owners of the Company		**2,239,236**	1,273,474
Non-controlling interests		**358,724**	—
Total equity		**2,597,960**	1,273,474
Non-current liabilities			
Deposits from finance lease customers	18	**75,046**	162,196
Lease liabilities	16	**33,000**	—
Other payables	24	**152,647**	—
Deferred income	26	**23,227**	14,404
Borrowings	27	**20,850**	625,960
Deferred tax liabilities	20	**2,397**	—
		307,167	802,560
		2,905,127	2,076,034

The consolidated financial statements on pages 87 to 167 were approved and authorised for issue by the board of directors on 3 March 2023 and are signed on its behalf by:

Mr. Li Luqiang
Director

Mr. Jiao Jianbin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000* *(note i)*	**Share reserve** *RMB'000* *(note ii)*	**Surplus reserve** *RMB'000* *(note iii)*	**Translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	10	1,204,120	(42,520)	14,704	(2,024)	21,160	1,195,450	—	1,195,450
Profit for the year	—	—	—	—	—	78,899	78,899	—	78,899
Other comprehensive expense for the year	—	—	—	—	(875)	—	(875)	—	(875)
Total comprehensive (expense) income for the year	—	—	—	—	(875)	78,899	78,024	—	78,024
Transfer to statutory surplus	—	—	—	3,011	—	(3,011)	—	—	—
At 31 December 2021	10	1,204,120	(42,520)	17,715	(2,899)	97,048	1,273,474	—	1,273,474
At 1 January 2022	**10**	**1,204,120**	**(42,520)**	**17,715**	**(2,899)**	**97,048**	**1,273,474**	**—**	**1,273,474**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**360,386**	**360,386**	**11,734**	**372,120**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**5,884**	**—**	**5,884**	**—**	**5,884**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**5,884**	**360,386**	**366,270**	**11,734**	**378,004**
Acquisition of a subsidiary *(Note 36)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**346,990**	**346,990**
Issue of new ordinary shares from placing and subscription *(Note 29)*	**1**	**600,991**	**—**	**—**	**—**	**—**	**600,992**	**—**	**600,992**
Transaction costs attributable to issue of new ordinary shares from placing and subscription *(Note 29)*	**—**	**(1,500)**	**—**	**—**	**—**	**—**	**(1,500)**	**—**	**(1,500)**
Transfer to statutory surplus	**—**	**—**	**—**	**8,486**	**—**	**(8,486)**	**—**	**—**	**—**
At 31 December 2022	**11**	**1,803,611**	**(42,520)**	**26,201**	**2,985**	**448,948**	**2,239,236**	**358,724**	**2,597,960**

Notes:

(i) Share premium represented the difference between the shareholders' contribution and issued capital.

(ii) Share reserve represented the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the net assets value of the subsidiaries of the Group, upon completion of the group reorganisation.

(iii) Under the People's Republic of China (the "PRC") Law, subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit determined under the generally accepted accounting principles in the PRC to a non-distributable statutory reserve. Statutory surplus reserve can be used to make up for previous year's losses or converted into additional capital. When the balance of such reserve reaches 50% of the capital, any further appropriation is optional.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**415,019**	122,856
Adjustments for:			
Depreciation of property and equipment		**13,716**	1,185
Depreciation of right-of-use assets		**8,390**	1,305
Amortisation of intangible assets		**3,774**	352
Gain on bargain purchase	36	**(270,483)**	—
Loss on disposal of property and equipment		**434**	14
Investment and interest income		**(8,395)**	(5,282)
Net exchange gains (losses)		**(2,757)**	317
Finance costs		**76,984**	89,793
Impairment losses recognised (reversed) on financial assets		**3,500**	(3,103)
Operating cash flows before movements in working capital		**240,182**	207,437
(Increase) decrease in finance lease receivables		**(121,352)**	713,107
Decrease (increase) in trade and other receivables		**28,310**	(22,656)
Decrease in inventories		**178**	—
Decrease in financial asset at fair value through profit or loss		**—**	2,457
Increase (decrease) in trade, bills and other payables		**7,586**	(68,108)
(Decrease) increase in deposits from finance lease customers		**(76,515)**	3,417
Decrease in notes payables		**(3,756)**	—
Increase in contract liabilities		**105,268**	—
Increase in deferred income		**11,135**	2,624
Cash generated from operations		**191,036**	838,278
Income tax paid		**(37,185)**	(39,637)
Interest paid		**(2,587)**	(2,314)
Net cash from operating activities		**151,264**	796,327

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Purchases of financial asset at fair value through profit or loss		**(1,022,933)**	—
Proceeds from disposal of financial asset at fair value through profit or loss		**987,933**	—
Increase in other receivables		**(280,961)**	—
Placement of pledged bank deposits		**(175,000)**	(101,971)
Purchase of property and equipment		**(1,617)**	(1,556)
Withdrawal from pledged bank deposits		**175,000**	174,595
Net cash inflow from acquisition of a subsidiary	*36*	**44,871**	—
Investment and interest income		**5,954**	5,282
Proceeds from disposal of property and equipment		**187**	3
Net cash (used in) from investing activities		**(266,566)**	76,353
FINANCING ACTIVITIES			
Repayments of borrowings		**(733,627)**	(1,276,122)
Interest paid for borrowings		**(38,509)**	(110,845)
Repayments of lease liabilities		**(5,957)**	(1,575)
Expenses on placing and subscription of new shares	*29*	**(1,500)**	—
Interest paid for lease liabilities		**(621)**	(314)
Proceeds from placing and subscription of new shares	*29*	**600,992**	—
Proceeds from borrowings		**270,000**	626,000
Net cash from (used in) financing activities		**90,778**	(762,856)
Net (decrease) increase in cash and cash equivalents		**(24,524)**	109,825
Cash and cash equivalents at beginning of the year		**141,822**	35,705
Effects of foreign exchange rate changes		**8,534**	(3,708)
Cash and cash equivalents at end of the year	*23*	**125,832**	141,822

1. GENERAL INFORMATION

Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2015, with a registered share capital of United States Dollar ("USD") 50,000. The registered address of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the company is located at Unit 2602, 26th Floor, One Hennessy, No.1 Hennessy Road, Wanchai, Hong Kong. Its controlling shareholder is Union Capital Pte. Ltd. ("Union Capital"), a company incorporated in Singapore. Union Capital is solely owned by Ms. Sui Yongqing. The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the stock code of 1563.

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 14 February 2023 subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands having obtained by way of issue of a certificate on change of name, the name of the Company changed from "International Alliance Financial Leasing Co., Ltd. 国际友联融资租赁有限公司" to "Alliance International Education Leasing Holdings Limited 友聯國際教育租賃控股有限公司" (the "Change of Name"). Subsequently, the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on 14 February 2023 and the Change of Name has taken effect on the same date accordingly.

The Company and its subsidiaries (together, the "Group") are principally engaged in offering finance lease services and private higher education services. The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 35.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Reclassification of prior years' financial statements as a result of acquisition of a subsidiary

In August 2022, the Group acquired 70% equity interest in Yantai Nanshan University 煙台南山學院 (the "Yantai Nanshan University"), which engages in providing private higher education services.

Prior to the acquisition of the Yantai Nanshan University, the Group classified the items of income and expense by nature for the consolidated statement of profit or loss and other comprehensive income while the Yantai Nanshan University classified the items of income and expense by function for the statement of profit or loss and other comprehensive income.

The directors of the Company confirm the presentation for consolidated statement of profit or loss and other comprehensive income as a result of the acquisition of the Yantai Nanshan University, the staff costs and other operating expenses of the Group during the year ended 31 December 2021 are reclassified to administrative expenses. Other income, other gain, net and net exchange losses during the year ended 31 December 2021 are reclassified to other income, gains or losses.

The comparative information for the year ended 31 December 2021 has been restated in the consolidated statements of profit or loss and other comprehensive income.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning 1 January 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update a reference to IFRS 3 so that it refers to Conceptual Framework for Financial Reporting issued in March 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010). They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments did not have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance (Cap 622 of the laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Businesses combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 Income Taxes;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control of the service is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

The Group recognises revenue when the specific criteria have been met for the following activities:

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

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

Other education service fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable program.

Revenue arising from service is recognised at a point in time when the services are completed.

Revenue relates to lease refer to the accounting policy in respect of lease.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised and included in "other income, gains or losses" and "finance costs" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Leasing

Definition of a lease

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

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance lease income is recognised and included in revenue.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 *Revenue from contracts with customers* to allocate the consideration under the contract to each component. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor *(Continued)*

Lease modification

For operating lease

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For finance lease

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the rate used for the head lease is recognised in profit or loss on the date of the modification. If the change does not represent substantial modification, the Group shall continue to recognise in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the finance lease receivables' original discount rate. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the effective date of modification.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Retirement benefit costs

Payments to the government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the cost of items of property and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Intangible asset with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

Impairment losses on property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on property and equipment, right-of-use assets and intangible assets *(Continued)*

If the recoverable amount of property and equipment, right-of-use assets and intangible assets (or a cash-generating unit) are estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of property and equipment, right-of-use assets and intangible assets are not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method *(Continued)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income, gains or losses" line item (note 7).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

(a) Investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination at FVTOCI on initial recognition.

(b) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in 'other income, gains or losses'. Fair value is determined in the manner described in note 32.

A financial asset is held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including finance lease receivables, trade and other receivables and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for finance lease receivables and trade receivables.

The ECL on finance lease receivables are estimated using credit risk grades as a primary input into the determination of the term structure of the probability of default for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

The ECL on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The ECL on finance lease receivables are estimated using credit risk grades as a primary input into the determination of the term structure of the probability of default for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Measurement and recognition of ECL

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including deposits from finance lease customers, trade, bills and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Bank balances

In the consolidated statement of financial position, bank balances comprise cash (i.e. demand deposits), pledged bank balances and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are made based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Ownership of the buildings

The Group had not yet obtained the formal titles of certain of the buildings as detailed in note 15 from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

Income taxes

According to the Implementation Rules for the Law for Promoting Private Education ("Implementing Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council of the PRC may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. However, as of the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard.

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgement in applying accounting policies *(Continued)*

Intangible asset with indefinite useful lives

The Group's management considers that the brand name for all practical purposes have indefinite useful lives and are therefore not amortised until its useful lives is determined to be finite. The brand name is tested for impairment annually.

Key sources of estimation uncertainties

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

Estimated useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property and equipment of similar nature and functions.

If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

Impairment of property and equipment, right-of-use assets and intangible assets (excluded brand name)

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

No impairment loss was recognised for the year ended 31 December 2022 and 2021.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainties *(Continued)*

Impairment assessment of intangible asset with indefinite useful life

The Group recognised intangible asset in acquisition of business, which requires estimation on discount rates and growth rates for student numbers, tuition fee, boarding fee and costs of services in respect of the acquisition. Furthermore, determine whether brand name with indefinite useful life is impaired requires an estimation of the recoverable amount of the CGUs to which brand name has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing brand name using suitable discount rates. Key assumptions and estimates include the discount rates, growth rates for student numbers, tuition fee, boarding fee and costs of services used in the value in use calculations. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

During the year ended 31 December 2022, the Group recognised intangible asset with indefinite useful life of approximately RMB14,213,000 (2021: nil), upon acquisition of business as detailed in note 36. As at 31 December 2022, the carrying amount of brand name was approximately RMB14,213,000 (2021: nil). No impairment loss was recognised for the year ended 31 December 2022. Details of the calculation of recoverable amounts are disclosed in note 17.

Purchase price allocation of business combinations

The purchase price allocation of the Group's business combinations, as detailed in note 36 requires the determination of fair values of the consideration transferred and identifiable assets acquired and liabilities assumed. The net assets acquired, include amongst others, property and equipment, right-of-use assets and other intangible assets, of which their fair values are dependent on a range of estimates including discount rates and growth rates for student numbers, tuition fee, boarding fee and costs of services. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcomes of these items are different from the amounts initially recorded, such differences may impact the future financial results.

During the year ended 31 December 2022, the Group recognised gain on bargain purchase of approximately RMB270,483,000 (2021: nil), upon acquisition of business as detailed in note 36.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainties *(Continued)*

Estimated impairment of finance lease receivables

Management of the Group estimates the amount of loss allowance for ECL on finance lease receivables based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2022, the carrying amount of finance lease receivables amounted to approximately RMB2,142,576,000 (2021: RMB2,019,960,000), net of loss allowance of approximately RMB259,225,000 (2021: RMB260,489,000).

Estimated impairment of trade and other receivables (excluded prepaid expenses and deductible value-added tax)

The impairment for trade and other receivables is based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2022, the carrying value of trade and other receivables is approximately RMB286,068,000 (2021: RMB8,920,000).

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

As at 31 December 2022, deferred tax assets of approximately RMB91,454,000 (2021: RMB94,964,000) have been recognised. The current income tax expense and deferred income tax expense for the year ended 31 December 2022 are approximately RMB36,992,000 and RMB5,907,000 respectively (2021: RMB26,846,000 and RMB17,111,000).

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2022, the Group commenced the business of private higher education upon the completion of the acquisition of Yantai Nanshan University (as detailed in note 36), and it is considered a new operating and reportable segment by the CODM.

During the year ended 31 December 2021, the CODM considered that there was only one reportable operating segment, being the finance leasing business of the Group. Since the Group mainly provided finance lease services in the PRC, the operating segment had been identified on the basis of internal management reports prepared in accordance with accounting policies conform with IFRSs and CODM regularly reviewed the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment was presented for the year ended 31 December 2021.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

1. Finance leasing — provision of sale-leaseback and direct finance leasing services; and

2. Private higher education services — provision of tuition services, student accommodation services and other education services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2022

	Finance leasing *RMB'000*	Private higher education services *RMB'000*	Total *RMB'000*
REVENUE			
External sales	**208,862**	**159,934**	**368,796**
Segment profit	**137,861**	**39,112**	**176,973**
Unallocated other income, gains or losses			**2,821**
Gain on bargain purchase			**270,483**
Unallocated administrative expenses			**(24,775)**
Unallocated finance costs			**(10,483)**
Profit before tax			**415,019**

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of certain other income, gains or losses, gain on bargain purchase, central administration costs, directors' emoluments, depreciation of certain property and equipment and right-of-use assets and certain finance costs. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2022 ***RMB'000***	2021 *RMB'000*
Segment assets		
Finance leasing	**2,285,341**	2,436,534
Private higher education services	**1,333,298**	—
Total segment assets	**3,618,639**	2,436,534
Unallocated corporate assets	**553,610**	—
Consolidated assets	**4,172,249**	2,436,534
Segment liabilities		
Finance leasing	**640,490**	1,163,060
Private higher education services	**461,868**	—
Total segment liabilities	**1,102,358**	1,163,060
Unallocated corporate liabilities	**471,931**	—
Consolidated liabilities	**1,574,289**	1,163,060

For the purposes of monitoring segment performance and allocating resources between segments in 2022:

- all assets are allocated to operating segments other than certain property and equipment, certain right-of-use assets, deferred tax assets, certain trade and other receivables and bank balances; and
- all liabilities are allocated to operating segments other than certain trade, bills and other payables, certain lease liabilities, income tax payable and deferred tax liabilities.

5. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2022

	Finance leasing RMB'000	Private higher education services RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets *(note)*	**1,559,515**	**54,190**	**3,720**	**1,617,425**
Investment and interest income	**5,479**	**475**	**2,441**	**8,395**
Impairment losses recognised on financial assets	**3,500**	**—**	**—**	**3,500**
Depreciation and amortisation	**384**	**23,784**	**1,712**	**25,880**
Loss on disposal of property and equipment	**—**	**434**	**—**	**434**
Finance costs	**66,005**	**496**	**10,483**	**76,984**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	**42,899**	**—**	**—**	**42,899**

Note: Non-current assets excluded financial instruments and deferred tax assets.

Geographical information

The Group's operations are located in the PRC and Hong Kong.

All of the Group's revenue is arising from the PRC for both years. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2022 ***RMB'000***	2021 *RMB'000*
PRC	**2,100,305**	997,129
Hong Kong	**149,257**	—
	2,249,562	997,129

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Customer A[1]	**140,803**	98,892

[1] Revenue from this customer including revenue generated from its subsidiaries from finance leasing segment.

6. REVENUE

Revenue represents the net amounts received and receivable for services rendered net of sales related taxes. An analysis of the Group's revenue for the year is as follows:

	Notes	**2022 RMB'000**	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by services lines			
Tuition fees	*a*	**145,784**	—
Boarding fees	*a*	**12,710**	—
Other education service fees	*b*	**1,440**	—
		159,934	—
Revenue from other source			
Finance lease services		**208,862**	231,843
		368,796	231,843

Notes:

(a) During the year ended 31 December 2022, tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognised over time, i.e. the academic year, of the services rendered.

(b) During the year ended 31 December 2022, other education service fees mainly represented income received from the provision of other education services including training services to the students, which was recognised over time, i.e. the periods of the applicable program, of the services rendered.

Disaggregation of revenue from contracts with customers by timing of recognition

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Over time	**159,934**	—

Transaction price allocated to the remaining performance obligations for contracts with customers

The tuition fees, boarding fees and other education service fees contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

7. OTHER INCOME, GAINS OR LOSSES

	2022 RMB'000	2021 RMB'000
Government grants *(Note)*	**7,631**	10,919
Net exchange gains (losses)	**2,757**	(317)
Rental income	**4,289**	—
Sales of education materials	**3,712**	—
Investment and interest income	**8,395**	5,282
Loss on disposal of property and equipment	**(434)**	(14)
Others	**1,866**	392
	28,216	16,262

Note: Government grants represent local governments' offer for the refund of value-added tax of approximately RMB6,631,000 (2021: RMB10,919,000) to enterprises in the finance leasing industry and subsidies of approximately RMB1,000,000 (2021: nil) from the local governments for supporting private higher education businesses. The government grants are one-off in nature with no specific conditions.

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expense on:		
— Borrowings	**35,581**	68,582
— Imputed interest on deposits from finance lease customers	**27,837**	18,583
— Imputed interest on consideration payable	**10,358**	—
— Bills payables	**2,587**	2,314
— Lease liabilities	**621**	314
	76,984	89,793

9. IMPAIRMENT LOSSES (RECOGNISED) REVERSED ON FINANCIAL ASSETS

	2022 RMB'000	2021 RMB'000
Finance lease receivables *(Note 18)*	**1,264**	27,407
Other receivables *(Note 19)*	**(4,764)**	(24,304)
	(3,500)	3,103

Details of impairment assessment are set out in note 32.

10. PROFIT BEFORE TAX

	2022 RMB'000	2021 RMB'000
Profit before tax has been arrived at after charging:		
Directors' remuneration *(Note 14)*	**3,973**	3,278
Salaries, bonus and other employee benefits	**62,858**	6,156
Retirement benefits schemes contributions	**12,240**	1,690
Total staff costs	**79,071**	11,124
Auditor's remuneration	**2,610**	1,050
Depreciation of property and equipment	**13,716**	1,185
Depreciation of right-of-use assets	**8,390**	1,305
Amortisation of intangible assets	**3,774**	352

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current income tax		
PRC Enterprise Income Tax *(Note a)*	**36,992**	26,846
Deferred income tax expense *(Note 20)*	**5,907**	17,111
	42,899	43,957

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**415,019**	122,856
Tax at the statutory rate of 25% (2021: 25%)	**103,755**	30,714
Tax effect of income not taxable for tax purpose	**(74,502)**	(3,103)
Tax effect of expenses not deductible for tax purpose	**10,526**	15,978
Net profit not subject to tax	**(2,684)**	—
Effect of unused tax losses not recognised as deferred tax assets	**712**	620
PRC withholding tax	**2,397**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,695**	(252)
Income tax expense for the year	**42,899**	43,957

The unused tax losses as at 31 December 2022 and 2021 are analysed as follows:

	2022 RMB'000	2021 RMB'000
Unused tax losses not recognised as deferred tax assets	**26,744**	22,430
Potential tax benefit @25% for the PRC entities	**2**	2
Potential tax benefit @16.5% for Hong Kong entity	**4,412**	3,700

11. INCOME TAX EXPENSE *(Continued)*

The expiry dates of the unused tax losses as at 31 December 2022 and 2021 are listed as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Year 2022 for PRC entities	**—**	1
Year 2023 for PRC entities	**6**	6
Year 2024 for PRC entities	**—**	—
Indefinite for Hong Kong entity	**26,738**	22,423
	26,744	22,430

Notes:

(a) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

According to the Implementing Rules, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education services are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

Pursuant to the PRC Enterprise Income Tax and its Implementation Regulation, non-PRC resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group adopted the 10% withholding tax rate for PRC withholding tax purposes during the year ended 31 December 2022.

(b) Hong Kong Profits Tax

Hong Kong Profits Tax rate is 16.5%. No Hong Kong Profits Tax was provided for as there was no estimated assessable profits that was subject to Hong Kong Profits Tax during both years.

(c) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(d) British Virgin Islands ("BVI") Income Tax

The subsidiaries indirectly held by the Company are incorporated under the laws of BVI as an exempted company with limited liability under the Companies Law of the BVI and are not subject to BVI income tax.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Profit for the year	**360,386**	78,899
Number of shares		
Weighted average number of shares in issue ('000)	**1,509,415**	1,500,000

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2022 and 2021.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors and Chief Executive

Details of the emoluments paid or payable by the Group to the directors and Chief Executive of the Company (including emoluments for services as employees of the group entities) for the year are as follows:

	Directors' fees *RMB'000*	Salaries *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2022					
Executive directors					
Mr. Li Luqiang *(note i)*	—	**1,664**	**117**	**39**	**1,820**
Mr. Liu Zhenjiang *(note ii)*	—	**458**	**101**	**39**	**598**
Mr. Luo Zhenming *(note iii)*	**61**	—	—	—	**61**
Mr. Qiao Renjie *(note iii)*	**54**	**56**	**12**	**4**	**126**
Non-executive director					
Mr. Jiao Jianbin	—	—	—	—	—
Independent non-executive directors					
Mr. Liu Changxiang	**160**	—	—	—	**160**
Mr. Liu Xuewei	**160**	—	—	—	**160**
Mr. Jiao Jian	**160**	—	—	—	**160**
Mr. Shek Lai Him Abraham *(note iv)*	**888**	—	—	—	**888**
	1,483	**2,178**	**230**	**82**	**3,973**

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors and Chief Executive *(Continued)*

	Directors' fees *RMB'000*	Salaries *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2021					
Executive directors					
Mr. Li Luqiang *(note i)*	—	1,146	108	37	1,291
Mr. Li Zhixuan *(note v)*	—	569	61	25	655
Mr. Liu Zhenjiang *(note ii)*	—	411	93	37	541
Non-executive director					
Mr. Jiao Jianbin	—	—	—	—	—
Independent non-executive directors					
Mr. Liu Changxiang	147	—	—	—	147
Mr. Liu Xuewei	147	—	—	—	147
Mr. Jiao Jian	147	—	—	—	147
Mr. Shek Lai Him Abraham *(note iv)*	350	—	—	—	350
	791	2,126	262	99	3,278

Notes:

(i) Mr. Li Luqiang was the Chief Executive of the Company for the years ended 31 December 2022 and 2021. His remunerations disclosed above cover his role as the Chief Executive of the Company.

(ii) Mr. Liu Zhenjiang was appointed as executive director in September 2021.

(iii) Mr. Luo Zhenming and Mr. Qiao Renjie were appointed as executive director in August 2022.

(iv) Mr. Shek Lai Him Abraham was appointed as independent non-executive director in July 2021.

(v) Mr. Li Zhixuan resigned as executive director in September 2021.

(vi) Mr. Song Jianbo, Mr. Yuen Kin Shan and Ms. Xing Li were appointed as non-executive director, executive director and independent non-executive director in January 2023 respectively.

There was no arrangement under which directors of the Company or the Chief Executive waived or agreed to waive any remuneration during both years.

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group and their services as a director of the Group. The independent non-executive directors and non-executive directors' remuneration shown above were for their services as a director of the Group.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the years ended 31 December 2022 and 2021, included three (2021: three) directors whose remunerations are reflected in the analysis presented above. The remunerations payable to the remaining two (2021: two) non-director individuals during the years ended 31 December 2022 and 2021 are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries	**1,708**	1,364
Retirement benefits	**106**	91
Other social welfare	**28**	21
	1,842	1,476

The number of the two (2021: two) highest paid non-director individuals fell within the following bands are set out below:

	2022	2021
Nil to Hong Kong dollars ("HKD") 1,000,000	**1**	1
HKD1,000,001 to HKD1,500,000	**1**	1

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY AND EQUIPMENT

	Property and buildings *RMB'000*	Education equipment *RMB'000*	Furniture and other equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST					
At 1 January 2021	—	—	656	—	656
Additions	—	—	1,556	—	1,556
Disposals	—	—	(324)	—	(324)
At 31 December 2021 and 1 January 2022	**—**	**—**	**1,888**	**—**	**1,888**
Acquired on acquisition of a subsidiary *(note 36)*	**783,070**	**25,791**	**21,183**	**4,681**	**834,725**
Additions	**—**	**682**	**2,555**	**—**	**3,237**
Disposals	**—**	**(848)**	**(3,208)**	**—**	**(4,056)**
At 31 December 2022	**783,070**	**25,625**	**22,418**	**4,681**	**835,794**
ACCUMULATED DEPRECIATION					
At 1 January 2021	—	—	557	—	557
Charge for the year	—	—	1,185	—	1,185
Elimination on disposals	—	—	(307)	—	(307)
At 31 December 2021 and 1 January 2022	**—**	**—**	**1,435**	**—**	**1,435**
Charge for the year	**9,453**	**1,150**	**2,864**	**249**	**13,716**
Elimination on disposals	**—**	**(314)**	**(3,121)**	**—**	**(3,435)**
At 31 December 2022	**9,453**	**836**	**1,178**	**249**	**11,716**
CARRYING VALUES					
At 31 December 2022	**773,617**	**24,789**	**21,240**	**4,432**	**824,078**
At 31 December 2021	—	—	453	—	453

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Property and buildings	20–40 years
Education equipment	5–15 years
Furniture and other equipment	3–5 years
Leasehold improvements (included in furniture and other equipment)	Shorter of lease term or 3 years
Motor vehicles	8 years

As at 31 December 2022, there are properties with a carrying amount of approximately RMB54,873,000 located in the PRC of which the Group is in the process of obtaining the ownership certificates.

16. LEASES

The Group as a lessee

Lump sum payments were made upfront to acquire certain land use rights from the government with lease terms of 50 years, and no ongoing payments will be made under the terms of these land leases. The land use rights are amortised on a straight-line basis over lease terms as stated in the relevant land use right certificates. The Group also has lease arrangements for buildings, office and staff quarters. The lease terms were ranged from two to ten years.

(i) Right-of-use assets

	2022 *RMB'000*	2021 *RMB'000*
Land use rights	**419,036**	—
Buildings	**38,656**	—
Office	**3,088**	763
	460,780	763

During the year ended 31 December 2022, the Group has acquired right-of-use assets of land use rights of approximately RMB424,600,000 and buildings of approximately RMB40,102,000 through acquisition of a subsidiary.

Additions to the right-of-use assets for the year ended 31 December 2022 amounted to approximately RMB3,705,000 (2021: nil), due to renewal leases of office.

None of these leases include extension options and variable lease payment terms.

(ii) Lease liabilities

	2022 *RMB'000*	2021 *RMB'000*
Non-current	**33,000**	—
Current	**4,869**	678
	37,869	678

Amounts payable under lease liabilities:	2022 *RMB'000*	2021 *RMB'000*
Within one year	**4,869**	678
After one year but within two years	**5,115**	—
After two years but within five years	**13,328**	—
After five years	**14,557**	—
	37,869	678
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(4,869)**	(678)
Amount due for settlement after 12 months	**33,000**	—

During the year ended 31 December 2022, the Group has acquired lease liabilities of approximately RMB39,443,000 through acquisition of a subsidiary.

During the year ended 31 December 2022, the Group entered into a renewal lease agreement in respect of renting office and recognised lease liability of approximately RMB3,705,000 (2021: nil).

16. LEASES *(Continued)*

(iii) Amounts recognised in profit or loss

	2022 RMB'000	2021 RMB'000
Depreciation expense on right-of-use assets		
— Land use rights	**5,564**	—
— Buildings	**1,446**	—
— Office	**1,380**	1,305
	8,390	1,305
Interest expense on lease liabilities	**621**	314
Expense relating to short-term leases	**2,398**	1,983

(iv) Others

At 31 December 2022 and 2021, the Group has no committed lease agreements not yet commenced.

During the year ended 31 December 2022, the total cash outflow for leases amounted to approximately RMB8,976,000 (2021: RMB3,872,000).

(v) Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB37,869,000 are recognised with related right-of-use assets of RMB41,744,000 (2021: lease liabilities of RMB678,000 and related right-of-use assets of RMB763,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group as a lessor

The Group leases its properties, consisting certain portion of buildings held by the Group as the owner under operating leases.

As at 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**12,310**	—
After one year but within two years	**7,532**	—
After two years but within three years	**7,499**	—
After three years but within four years	**7,432**	—
After four years but within five years	**3,716**	—
	38,489	—

17. INTANGIBLE ASSETS

	Brand name RMB'000 note (a)	Student base RMB'000 note (b)	Computer software RMB'000 note (c)	Total RMB'000
COST				
At 1 January 2021, 31 December 2021 and 1 January 2022	—	—	3,515	3,515
Acquired on acquisition of a subsidiary	14,213	36,755	—	50,968
At 31 December 2022	**14,213**	**36,755**	**3,515**	**54,483**
AMORTISATION				
At 1 January 2021	—	—	1,721	1,721
Charge for the year	—	—	352	352
At 31 December 2021 and 1 January 2022	**—**	**—**	**2,073**	**2,073**
Charge for the year	**—**	**3,424**	**350**	**3,774**
At 31 December 2022	**—**	**3,424**	**2,423**	**5,847**
CARRYING VALUES				
At 31 December 2022	**14,213**	**33,331**	**1,092**	**48,636**
At 31 December 2021	—	—	1,442	1,442

Notes:

(a) Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.00%. The cash generating unit ("CGU")'s cash flows beyond the five-year period are extrapolated using a steady 3.00% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates for student numbers, tuition fee, boarding fee and costs of services, such estimation is based on the unit's past performance and the management's expectations for the market development.

During the year ended 31 December 2022, management of the Group determines that there is no impairment of brand name.

17. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) The student base represents the registered and existing students of Yantai Nanshan University that were acquired by the Group during the year. The students are expected to pay tuition and boarding fees until their graduation. The student base will be generating income for schools in the tuition periods, thus it is identified as an intangible asset based on its fair value on the acquisition date.

The student base is amortised using the straight-line method over the respective period until the graduation of the existing students.

No impairment loss was recognised for the year ended 31 December 2022.

(c) Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 10 years.

No impairment loss was recognised for the year ended 31 December 2022 and 2021.

18. FINANCE LEASE RECEIVABLES

The Group entered into finance leasing arrangements as a lessor for certain equipment and aircrafts to its lessees. All interest rates inherent in the leases are determined at the contract date over the lease terms.

(i) The minimum lease receivables are set out below:

	2022 ***RMB'000***	2021 *RMB'000*
Amounts receivable under finance leases		
Within 1 year	**1,611,768**	1,476,970
After 1 year but within 2 years	**401,303**	562,488
After 2 years but within 3 years	**297,306**	261,002
After 3 years but within 4 years	**270,613**	181,902
After 4 years but within 5 years	**87,621**	84,772
After 5 years	**—**	23,477
Gross investment in leases	**2,668,611**	2,590,611
Less: unearned finance income	**(266,810)**	(310,162)
Present value of minimum lease payment receivables	**2,401,801**	2,280,449
Less: allowance for impairment losses	**(259,225)**	(260,489)
	2,142,576	2,019,960
Analysed for reporting purposes as:		
Current assets	**1,226,508**	1,025,489
Non-current assets	**916,068**	994,471
	2,142,576	2,019,960

The following table presents the amounts included in profit or loss:

	2022 ***RMB'000***	2021 *RMB'000*
Finance income on the net investment in finance lease	**207,567**	227,516

The Group's finance lease arrangements do not include variable payments.

The average term of finance leases entered into ranged from 2 to 5 years (2021: ranged from 2 to 8 years).

18. FINANCE LEASE RECEIVABLES *(Continued)*

(ii) Movements of allowance for impairment losses on finance lease receivables are as follows:

	2022			
	Individual provisions as 12m ECL *RMB'000*	Individual provision as lifetime ECL not credit-impaired *RMB'000*	Individual provision as lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 1 January 2022	**2,787**	**235**	**257,467**	**260,489**
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to 12m ECL	**26,980**	**(75)**	**(26,905)**	**—**
— Transferred to Lifetime ECL credit-impaired	**(152)**	**(149)**	**301**	**—**
Provided for the year *(Note)*	**38,459**	**—**	**26,200**	**64,659**
Reversal for the year *(Note)*	**(25,921)**	**(11)**	**(39,991)**	**(65,923)**
Balance at 31 December 2022	**42,153**	**—**	**217,072**	**259,225**
Expected loss rate	**2.13%**	**—**	**51.05%**	**10.79%**

	2021			
	Individual provisions as 12m ECL *RMB'000*	Individual provision as lifetime ECL not credit-impaired *RMB'000*	Individual provision as lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 1 January 2021	3,458	3,426	281,046	287,930
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to 12m ECL	2,556	(2,556)	—	—
— Transferred to Lifetime ECL not credit-impaired	—	20,984	(20,984)	—
Provided for the year *(Note)*	807	—	27,791	28,598
Reversal for the year *(Note)*	(4,034)	(21,619)	(30,352)	(56,005)
Foreign currency translation	—	—	(34)	(34)
Balance at 31 December 2021	2,787	235	257,467	260,489
Expected loss rate	0.16%	0.31%	61.31%	11.42%

Note: There has been no change in the estimation techniques or significant assumptions made during the current year in assessing the loss allowance for the finance lease receivables.

18. FINANCE LEASE RECEIVABLES *(Continued)*

(iii) The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is past due, the entire outstanding balance of the finance lease receivables is classified as past due.

According to the change in the level of credit risk compared with the level at initial adoption, finance lease receivables are classified into 12m ECL, lifetime ECL not credit-impaired and lifetime ECL credit-impaired.

	2022			2021		
	Present value of finance lease receivables *RMB'000*	**Expected credit losses** *RMB'000*	**Carrying amount** *RMB'000*	Present value of finance lease receivables *RMB'000*	Expected credit losses *RMB'000*	Carrying amount *RMB'000*
12m ECL	**1,976,622**	**(42,153)**	**1,934,469**	1,786,045	(2,787)	1,783,258
Lifetime ECL not credit-impaired *(Note a)*	**—**	**—**	**—**	74,456	(235)	74,221
Lifetime ECL credit-impaired *(Note b)*	**425,179**	**(217,072)**	**208,107**	419,948	(257,467)	162,481
	2,401,801	**(259,225)**	**2,142,576**	2,280,449	(260,489)	2,019,960

Notes:

(a) The Group presumes that the credit risk on a finance lease receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has transferred the 12m ECL of finance lease receivables into lifetime ECL not credit-impaired when contractual payments are past due more than 30 days and within 90 days.

(b) When contractual payments are past due more than 90 days, the Group comprehensively considers the value of underlying assets, current and forecasts of general economic conditions of the industry in which the lessees operate and assessment of the ability of the lessees to fulfill their contractual cash flow obligations, to determine whether the finance lease receivables are credit-impaired. The Group has transferred the lifetime ECL not credit-impaired finance lease receivables into lifetime ECL credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that finance lease receivables have occurred.

(iv) The Group entered into sale and repurchase agreements or clauses (note 30) with certain counterparties with respect to some of the Group's finance lease receivables, and as a result recognised secured and unguaranteed borrowings. The carrying amounts of such finance lease receivables were approximately RMB326.7 million as at 31 December 2021 (2022: nil). The details of such finance lease receivables were as follows:

	2022 *RMB'000*	2021 *RMB'000*
With secured and unguaranteed borrowings issued	**—**	326,710

18. FINANCE LEASE RECEIVABLES *(Continued)*

(v) Deposits from finance lease customers are used for security purposes. Deposits from finance lease contracts are refundable to customers in full by end of the lease period according to the terms of the lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of deposits from finance lease customers can also be used to settle outstanding lease payments for the corresponding lease contract.

	2022 ***RMB'000***	2021 *RMB'000*
The amounts of deposits from finance lease customers	**171,227**	219,905
Analysed for reporting purposes as:		
Current liabilities	**96,181**	57,709
Non-current liabilities	**75,046**	162,196
	171,227	219,905

(vi) As at 31 December 2022 and 2021, the annual internal rate of return and average yield of finance lease receivables are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Annual internal rate of return	**3.77%~12.55%**	5.23%~12.55%
Average annual internal rate of return	**7.17%**	7.32%

(vii) As at 31 December 2022 and 2021, the carrying amounts of floating rate of return finance lease receivables and fixed rate of return finance lease receivables are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Analysed for reporting purposes as:		
Floating rate of return	**779,959**	688,599
Fixed rate of return	**1,362,617**	1,331,361
	2,142,576	2,019,960

The floating rates of return of finance lease receivables were with reference to the benchmark interest rate of the People's Bank of China ("PBOC Rate") or the Secured Overnight Financing Rate ("SOFR") (2021: PBOC Rate). The rates of return of finance lease receivables were adjusted periodically with reference to the PBOC Rate or SOFR (2021: PBOC Rate).

19. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**549**	—
Prepaid expenses	**1,457**	357
Expenses paid on behalf of customers	**45,330**	46,045
Deductible value-added tax	**8,752**	19,853
Short-term loan receivables	**280,961**	—
Interest receivables	**2,441**	—
Other receivables	**1,025**	413
Subtotal	**340,515**	66,668
Less: Allowance for impairment losses	**(44,238)**	(37,538)
	296,277	29,130
Analysed for reporting purposes as:		
Current assets	**295,806**	29,130
Non-current assets	**471**	—
	296,277	29,130

Students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September of the year. The trade receivables represent other tuition and services fees receivable from students who applied other tuition and services during school year. There is no significant concentration of credit risk with a number of individual students.

Short-term loan receivables to independent parties are unsecured, carry interests ranged from 7.8% to 24% per annum and repayable at an agreed date. No impairment loss has been recognised as at 31 December 2022.

An ageing analysis of the trade receivables as at 31 December 2022 and 2021, based on the transaction date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 30 days	**549**	—

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses.

Trade receivables as at 31 December 2022 were not past due and had no recent history of default. The expected credit losses were assessed to be minimal at 31 December 2022.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Movements of allowances for impairment losses of other receivables are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
At beginning of the year	**37,538**	12,782
Provided for the year	**4,764**	24,304
Foreign currency translation	**1,936**	452
At end of the year	**44,238**	37,538

As at 31 December 2022, the aircraft maintenance and some other miscellaneous expenses paid on behalf of customers amounted to approximately RMB45,330,000 (2021: RMB46,045,000) are credit-impaired financial assets and the ECL is provided at an amount equal to lifetime ECL of approximately RMB44,238,000 (2021: RMB37,538,000). The Group measures the loss allowance for remaining other receivables at an amount equal to 12m ECL.

20. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and deferred tax liabilities of the same taxable entity have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 ***RMB'000***	2021 *RMB'000*
Deferred tax assets	**91,454**	94,964
Deferred tax liabilities	**(2,397)**	—
	89,057	94,964

Movements in balances of deferred tax assets and liabilities

	2022 ***RMB'000***	2021 *RMB'000*
Balance at beginning of the year	**94,964**	112,075
Charge to profit or loss	**(5,907)**	(17,111)
Balance at end of the year	**89,057**	94,964

20. DEFERRED TAX *(Continued)*

	Deductible (taxable) temporary difference		Deferred tax assets (liabilities)	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Allowance for impairment	**271,537**	271,907	**67,884**	67,977
Unearned finance lease income	**70,578**	86,677	**17,645**	21,669
Accrued interest expenses	**17,265**	20,193	**4,316**	5,048
Deferred income from finance lease	**(7,303)**	(7,296)	**(1,826)**	(1,824)
Unused tax losses	**13,739**	8,375	**3,435**	2,094
PRC withholding tax	**(23,971)**	—	**(2,397)**	—
	341,845	379,856	**89,057**	94,964

At 31 December 2022, no deferred tax has been recognised in respect of temporary differences associated with undistributed earnings of PRC subsidiaries amounted to RMB307,785,000 (2021: RMB207,976,000) because the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

21. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**926**	—
Finished goods	**1,087**	—
	2,013	—

22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Financial asset at FVTPL comprises:		
Listed bond investment	**83,000**	48,000

The listed bond investment represents bonds listed in the PRC which is held for short-term trading purpose.

The fair value of these investments is disclosed in note 32.

23. BANK BALANCES

	2022 RMB'000	2021 RMB'000
Bank balances	**225,832**	241,822
Less: pledged bank balances	**(100,000)**	(100,000)
Cash and cash equivalents	**125,832**	141,822

Bank balances include demand deposits and short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carry floating interest rate based on daily bank deposit rates as at 31 December 2022 and 2021.

Pledged bank balances represent deposits pledged to banks for bills payables. Deposits amounting to RMB100,000,000 (2021: RMB100,000,000) have been pledged to secure bills payables and are therefore classified as current assets. The Group cannot use them until the related transactions are matured and released.

The pledged bank balances carry fixed interest rate of 2.25% (2021: 2.25%) per annum.

24. TRADE, BILLS AND OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Current			
Trade payables		**4,239**	—
Deposit received		**450**	—
Government grants	*a*	**34,434**	—
Miscellaneous advances received from students	*b*	**12,899**	—
Other payables and accruals		**10,806**	1,431
Other tax payables		**7,935**	—
Payables for purchase of property and equipment		**22,327**	—
Payables for salary		**29,905**	503
Payables for scholarship	*c*	**2,748**	—
Payables to employees	*d*	**14,084**	—
Rental income received in advances	*e*	**3,681**	—
Bills payables	*f*	**100,000**	100,000
Consideration payable	*g*	**291,870**	—
		535,378	101,934

	Note	2022 RMB'000	2021 RMB'000
Non-current			
Consideration payable	*g*	**152,647**	—

24. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

Notes:

a) The grants are mainly related to the grants received from the government for the purpose of compensating the expenses arising from the conducting research by teachers and students. The grants are received on behalf of teachers and students and distributed to teachers and students when the related activities are completed. Government grants received for undistributed amount are included in trade and other payables.

b) The advances represented expenses relating to textbooks, insurance, etc. collected from students which will be paid on behalf of students.

c) The Group receives subsidies from different parties for distribution to students as scholarships.

d) The payables represented employees benefit payables and funding to the employees.

e) The advances represented rental income received in advances from tenants based on the terms of tenancy agreements entered into.

f) The bills payable for acquisition of leased assets are repayable within one year and bear a fixed interest rate at 2.25% per annum. Such bills payable are aged within one year.

g) The considerable payable represented the sum of discounted consideration payable and related interest payable to the seller of the 70% of the issued share capital of Yantai Nanshan University. The payable will be settled on agreed dates. Details of considerable payable are set out in note 36.

An ageing analysis of the trade payables as at 31 December 2022 and 2021, based on the invoice date.

	2022 ***RMB'000***	2021 *RMB'000*
Within 1 year	**4,239**	—

25. CONTRACT LIABILITIES

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

	2022 *RMB'000*	2021 *RMB'000*
Tuition fees	**268,753**	—
Boarding fees	**23,485**	—
	292,238	—

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

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2022 *RMB'000*	2021 *RMB'000*
At beginning of the year	**—**	—
Acquisition of a subsidiary	**186,970**	
Increase due to tuition, boarding fees and other education service fees received, including amounts recognised as revenue during the year	**264,783**	—
Revenue recognised that was not included in contract liabilities at the beginning of the year	**(159,385)**	—
Refund to students	**(130)**	—
At the end of the year	**292,238**	—

26. DEFERRED INCOME

Deferred income from finance lease is amortised over the lease period and recognised as revenue using effective interest method.

27. BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured and unguaranteed borrowings *(note i)*	—	61,812
Unsecured and unguaranteed borrowings	329,325	734,068
Total	329,325	795,880
Represented by:		
Borrowing from banks	98,086	232,514
Other borrowings *(note ii)*	231,239	563,366
Total	329,325	795,880
Represented by:		
Carrying amount repayable		
Within one year	308,475	169,920
More than one year, but not exceeding two years	20,850	325,206
More than two years, but not exceeding five years	—	300,754
	329,325	795,880
Less: amounts under current liabilities	(308,475)	(169,920)
Non-current liabilities	20,850	625,960

Notes:

i. Secured and unguaranteed borrowings

As at 31 December 2021, the Group's secured and unguaranteed borrowings represented the Group's repurchase agreements with certain counterparties to sell the Group's finance lease receivables as detailed in note 18. During the year ended 31 December 2022, the secured and unguaranteed borrowings have been fully settled.

ii. Other borrowings represented unguaranteed and unsecured payable at a fixed rate of 4.50% per annum (2021: fixed rate of 4.50%–7.54% per annum) from independent parties within 3 years (2021: 3 years) duration.

iii. The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings:		
Within one year	308,475	169,920
More than one year, but not exceeding two years	20,850	325,206
More than two years, but not exceeding five years	—	300,754
	329,325	795,880

The ranges of effective interest rates (which approximate to contractual interest rates) on the Group's borrowings are as follows:

	2022	2021
Fixed-rate borrowing	4.10%–6.71%	3.80%–8.00%

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
As 1 January 2022	**(795,880)**	**(678)**	**(796,558)**
Financing cash flows *(Note)*	**502,136**	**6,578**	**508,714**
Addition on lease liabilities	**—**	**(3,705)**	**(3,705)**
Acquisition of a subsidiary	**—**	**(39,443)**	**(39,443)**
Finance cost recognised	**(35,581)**	**(621)**	**(36,202)**
As 31 December 2022	**(329,325)**	**(37,869)**	**(367,194)**

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As 1 January 2021	(1,489,026)	(2,253)	(1,491,279)
Financing cash flows *(Note)*	760,967	1,889	762,856
Finance cost recognised	(68,582)	(314)	(68,896)
Foreign exchange difference	761	—	761
As 31 December 2021	(795,880)	(678)	(796,558)

Note: The cash flows represent the proceeds from borrowings, repayments of borrowings, repayments of lease liabilities and interests paid in consolidated statement of cash flows.

29. SHARE CAPITAL OF THE COMPANY

Details of authorised and issued share capital of the Company are as follows:

	Number of shares		
	Ordinary	Total	USD
Authorised			
1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	50,000,000,000	50,000,000,000	50,000

	Number of shares			
	Ordinary	Total	USD	RMB
Issued				
At 1 January 2021, 31 December 2021 and 1 January 2022	1,500,000,000	1,500,000,000	1,500	10,039
Placing and subscription of new shares *(Note)*	190,914,000	190,914,000	191	1,327
As at 31 December 2022	1,690,914,000	1,690,914,000	1,691	11,366

29. SHARE CAPITAL OF THE COMPANY *(Continued)*

Note: On 30 November 2022, the Company entered into a private placing agreement and subscription agreements with the placing agent for the placing of an aggregate 47,160,000 new ordinary shares of the Company to six independent third parties at a placing price of HK$3.52 per share and three subscribers for subscription of an aggregate 143,754,000 new ordinary shares of the Company at a subscription price of HK$3.52 per share in order to further develop its finance leasing business.

The gross proceeds raised amounted to approximately RMB600,992,000 (equivalent to approximately HK$672,017,000) (before transaction costs of approximately RMB1,500,000 (equivalent to approximately HK$1,677,000) and resulted in the net increase in share capital and share premium of approximately RMB1,000 and RMB599,491,000 respectively.

The placing and subscription were completed on 14 December 2022. Details of the placing and subscription are set out in the Company's announcements dated 1 December 2022 and 14 December 2022 respectively.

All the new shares issued during the year rank pari passu with the existing shares in all respects.

30. TRANSFERS OF FINANCIAL ASSETS

The Group entered into agreements with financial institutions to transfer its finance lease receivables and also simultaneously agreed to repurchase these finance lease receivables at the agreed date and agreed price. As the repurchase prices were fixed, the Group retained substantially all the risks and rewards of these finance lease receivables and they were not derecognised. Therefore, the considerations received were recognised as borrowings with these finance lease receivables as "collateral". As at 31 December 2021, the carrying amounts of the transferred finance lease receivables which had not been derecognised by the Group amounted to RMB326.7 million (2022: nil); and the carrying amounts of the corresponding borrowings amounted to RMB61.8 million (2022: nil) (note 27).

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 27, net of bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance the overall capital structure through new share issues and financing through new borrowings.

32. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2022 *RMB'000*	2021 *RMB'000*
Financial asset:		
Financial asset at FVTPL	**83,000**	48,000
Financial assets at amortised cost	**511,900**	250,742
Financial liabilities:		
Financial liabilities at amortised cost	**1,176,961**	1,117,719

Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, trade and other receivables, pledged bank deposits, bank balances, trade, bills and other payables, deposits from finance lease customers and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has certain bank balances denominated in foreign currencies, i.e. currencies other than the functional currency of the subsidiaries of the Company, which expose the Group to currency risk. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The Group is mainly exposed to the currency risk arising from HKD and USD.

The carrying amounts of the Group's foreign currency dominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2022 *RMB'000*	2021 *RMB'000*
HKD	**3,460**	1,106
USD	**1,840**	5,306

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where HKD and USD strengthen 5% (2021: 5%) against the RMB. For a 5% (2021: 5%) weakening of HKD and USD against the RMB, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

The table below indicates impacts on post-tax profit or loss and equity of a 5% (2021: 5%) appreciation or depreciation of all other currencies against RMB, respectively.

	HKD		USD	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit or loss				
5% appreciation	**130**	41	**69**	199
5% depreciation	**(130)**	(41)	**(69)**	(199)
Equity				
5% appreciation	**130**	41	**69**	199
5% depreciation	**(130)**	(41)	**(69)**	(199)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rates on floating-rate finance lease receivables (note 18) and floating-rate bank balances (note 23). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and SOFR and PBOC rate arising from the Group's HKD and RMB denominated finance lease receivables.

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables, fixed-rate pledged bank balance, fixed-rate short-term loan receivables (included in trade and other receivables), bills payables, deposits from customers and bank and other borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group's exposure to cash flow interest rate risk in relation to bank balances is minimal.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate finance lease receivables. The analysis is prepared assuming the amount of variable-rate finance lease receivables that were outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2021: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from floating-rate bank balances is insignificant.

Variable-rate finance lease receivables	**2022** ***RMB'000***	2021 *RMB'000*
Impact on profit after tax		
+50 basis point	**2,925**	2,582
–50 basis point	**(2,925)**	(2,582)

Credit risk

Private higher education business

The Group's exposure to credit risk mainly arises from granting credit to students for tuition and boarding fee, and from third party for other education services.

All of the Group's trade and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward-looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

Finance lease business

The Group's credit risk is primarily the risk of the lessee unable to meet its contractual obligations. The Group's main income generating activity is supplying finance leasing service to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Group's risk management department is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.

- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from lessees, to perform robust ongoing credit assessment of lessees and to continually monitor exposures against internal risk limits.

- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Finance lease business *(Continued)*

Credit risk management (Continued)

- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.

- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

- Establishing a sound credit risk accounting assessment and measurement process that provides it with tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of lessee are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit risk grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect latest information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;

- Changes in business, financial and economic conditions;

- Credit rating information supplied by external rating agencies;

- For corporate exposures: information obtained by periodic review of customer files including audited financial statements, market data etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Finance lease business *(Continued)*

Internal credit risk ratings (Continued)

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities, such as gross domestic product growth rates, unemployment rates and inflation rates, etc.

Measurement of ECL

The key inputs used for measuring ECL are PD, loss given default ("LGD") and exposure at default ("EAD").

As explained above, these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the probability of default over a given time horizon. It is estimated as at a point in time. 12-month PD calculation is based on external rating and internal rating models, developed by the Group, in which the Group assessed using rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors, and further adjusted to take into account estimates of future conditions that will impact 12-month PD. Life time PD is calculated on the basis of 12-month PD as well as considering the contractual maturities of risk exposures and the marginal default probability.

LGD is an estimate of the loss arising on default. It is determined based on the current practical experiences generally used in the financial industry by considering the factors including but not limited to the fair value of collaterals obtained or deposits received, and further adjusted to take into account estimated future conditions.

EAD is an estimate of the exposure at a future default date, representing future repayments of principal and interest and deposits.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Significant increase in credit risk

As explained in note 3, the Group monitors all financial assets (including trade and other receivables, bank balances and finance lease receivables) that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Finance lease receivables

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region. The Group's finance lease receivables analysed by industry sectors that the customers are in are as follows:

	2022		2021	
	Amount *RMB'000*	**Proportion** *%*	Amount *RMB'000*	Proportion *%*
Public infrastructure	**1,224,699**	**57.16**	553,617	27.41
Healthcare	**294,428**	**13.74**	634,336	31.40
Chemical plant	**—**	**—**	534,684	26.47
Aviation	**573,918**	**26.79**	211,221	10.46
Others	**49,531**	**2.31**	86,102	4.26
	2,142,576	**100.00**	2,019,960	100.00

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Relevant information with regard to the exposure of credit risk and ECL for finance lease receivables as at 31 December 2022 and 2021 are set out in note 18.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Finance lease receivables *(Continued)*

Other specific management and mitigation measures include:

(a) Guarantee

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease, the Group has the ownership of the asset under the finance lease during the lease term. The Property Law of PRC stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the finance lease

For finance lease, the ownership of the underlying asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report them to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group's trade receivables mainly represents the trade receivables from students for tuition and boarding fee, third parties for other services.

For the trade receivables from third parties, the counterparties are due from a number of individual students and corporate and management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and supportable forward-looking information.

The management writes off trade receivables when there is no reasonable expectations of recovering the trade receivables from students. The management assesses the expected loss rate every year and considers no need to change during the year ended 31 December 2022. The expected credit losses were assessed to be minimal at the end of the 31 December 2022.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivable as at 31 December 2022. The concentration of credit risk is limited due to the student base being large and unrelated.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Bank balances

Bank balances are determined to have low credit risk at 31 December 2022 and 2021. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low. The expected credit losses were assessed to be minimal at 31 December 2022 and 2021.

Other receivables

The directors of the company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the years ended 31 December 2022 and 2021. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty and change in the operating results of the counterparty.

Financial assets are written off when there is no reasonable expectation of recovery. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL — not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit-impaired
Write-of	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

As at 31 December 2022 and 2021, management considers other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The credit quality is considered to be "Performing" when there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognised during the years ended 31 December 2022 and 2021 for these balances was minimal.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The tables have been prepared using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay. The maturity dates for other non-derivative financial liabilities and lease liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	2022						
	Weighted average effective interest rate	Less than 1 month *RMB'000*	1 to 3 month *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Financial liabilities							
Trade, bills and other payables (exclude consideration payable)	2.25%	—	137,792	102,250	—	240,042	231,892
Consideration payable	6.47%	5,900	—	295,000	166,000	466,900	444,517
Deposits from finance lease customers	3.94%	33,575	62,450	26,460	81,958	204,443	171,227
Borrowings	5.52%	28,052	38,537	251,334	22,001	339,924	329,325
Total		67,527	238,779	675,044	269,959	1,251,309	1,176,961
Lease liabilities	5.30%	127	381	6,317	39,389	46,214	37,869

	2021						
	Weighted average effective interest rate	Less than 1 month *RMB'000*	1 to 3 month *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Financial liabilities							
Trade, bills and other payables	2.25%	—	1,934	100,752	—	102,686	101,934
Deposits from finance lease customers	8.45%	23,365	9,500	49,815	175,312	257,992	219,905
Borrowings	6.89%	47,997	56,842	82,073	648,678	835,590	795,880
Total		71,362	68,276	232,640	823,990	1,196,268	1,117,719
Lease liabilities	9.03%	131	394	262	—	787	678

The amounts included above arise from variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instrument that is measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2022 Level 1 ***RMB'000***	2021 Level 1 *RMB'000*
Financial asset at FVTPL		
Listed bond investment	**83,000**	48,000

There were no transfers into or out of Level 1 of fair value hierarchy during the year.

Financial Instruments	Fair value hierarchy	Fair value as at **2022** ***RMB'000***	Fair value as at 2021 *RMB'000*	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Listed bond investment	Level 1	**83,000**	48,000	Quoted bid prices in an active market	N/A	N/A	N/A

Except for the financial asset listed above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The name and the relationship of other related parties

Name of related parties	Relationship
Nanshan Group Co., Ltd* (南山集團有限公司) ("Nanshan Group") and its subsidiaries	*Note i*
Longkou Nanshan (new) Investment Development Co., Ltd.* (龍口新南山投資發展有限公司) ("Longkou Nanshan") and its subsidiaries	*Note ii*
Shandong Nanshan Construction Development Co., Ltd.* (山東南山建設發展股份有限公司) ("Nanshan Development") and its subsidiaries	*Note iii*

Notes:

(i) One of the key management of Nanshan Group is Mr. Song Jianbo, whose wife is Ms. Sui Yongqing ("Ms. Sui"), the sole shareholder of Union Capital, the ultimate shareholder of the Company.

(ii) Longkou Nanshan is wholly owned by Mr. Song Zuowen ("Mr. Song") and Ms. Lv Shuling ("Ms. Lv"). Ms. Sui is the daughter-in-law of Mr. Song and Ms. Lv.

(iii) Nanshan Development is wholly owned by Mr. Song, Nanshan Group and Ms. Sui.

Transactions with related parties

During the year, group entities entered into the following transactions with related parties that are not members of the Group:

	Notes	**2022** **RMB'000**	2021 RMB'000
Nanshan Group and its subsidiaries:			
— Finance lease income generated from		**140,803**	98,892
— Rental expense paid to	*i*	**1,901**	1,983
— Services received	*ii*	**2,169**	—
— Services provided	*iii*	**1,813**	—
— Purchase of inventory	*iii*	**8,140**	—
— Purchase of property and equipment	*iv*	**189**	—
— Interest on lease liabilities	*v*	**496**	—
Longkou Nanshan and its subsidiaries:			
— Services received	*ii*	**7,496**	—
— Services provided	*iii*	**7**	—
— Purchase of inventory	*iii*	**2,190**	—
Nanshan Development and its subsidiaries:			
— Services received	*ii*	**4,155**	—
— Services provided	*iii*	**12**	—

33. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) During the year ended 31 December 2022 and 2021, the Group entered into 1-year lease agreements with Nanshan Group and its subsidiaries, for leasing of properties as office premises.

(ii) The services for the general operation received were charged based on the mutually agreed terms for the purpose of operating college.

(iii) The other education services provided were charged based on the mutually agreed terms for the purpose of operating college.

(iv) The purchase of inventory and property and equipment were made according to the mutually agreed terms.

(v) The interest on lease liabilities was charged at rates 4.65% per annum.

The Group entered into lease agreements with a ten-year lease in respect of certain buildings from Nanshan Group due to the acquisition of the subsidiary during the year ended 31 December 2022. The amount of rent payable by the Group under the lease is RMB5,300,000 (tax inclusive) per annum. The rent is charged at terms mutually agreed by the parties. As at 31 December 2022, the carrying amount of such lease liabilities is approximately RMB34,737,000. During the year ended 31 December 2022, the Group made lease payment of RMB5,300,000 to the related companies.

Finance lease receivables from related parties

	2022 ***RMB'000***	2021 *RMB'000*
Nanshan Group and its subsidiaries	**840,391**	1,009,979

Compensation of key management personnel

The remunerations of key management personnel of the Group during the year were as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Basic salary and allowances	**5,369**	4,281
Employer's contribution to pension schemes	**336**	353
Other social welfare	**110**	120
	5,815	4,754

The remuneration of key management is determined with reference to the performance of the Group and the individuals.

34. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

As stipulated by rules and regulations in the PRC, the Group in the PRC is required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

The total expense recognised in profit or loss of RMB12.5 million for the year ended 31 December 2022 (2021: RMB2.0 million), represents contributions payable to these plans by the Group at rates specified in the rules of the plans. All contributions due in respect of the years ended have been paid to the plans.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries with limited liability directly and indirectly held by the Company as at 31 December 2022 and 2021 are set out below:

Name of subsidiary	Place of incorporation/ establishment and place of operation	Class of shares held	Issued share/ paid-up/ registered capital	Proportion of ownership interest and voting rights held by the Group				Principal activities
				2022		2021		
				Direct	**Indirect**	Direct	Indirect	
World Alliance Co., Ltd,	BVI	Ordinary shares	USD137,033,000	**100%**	**—**	100%	—	Investment holding
Hong Kong Alliance Financial Leasing Co., Ltd	Hong Kong	Ordinary shares	USD137,033,000	**—**	**100%**	—	100%	Investment holding
Baoqing Alliance Ltd	BVI	Ordinary shares	USD50,000	**—**	**100%**	—	100%	Finance leasing
Baoying Alliance Ltd	BVI	Ordinary shares	USD50,000	**—**	**100%**	—	100%	Finance leasing
Baochun Alliance Ltd *(Note vi)*	BVI	Ordinary shares	USD50,000	**—**	**—**	—	100%	Inactive
Nanshan Financial Leasing (Tianjin) Co., Ltd *(Note i)*	Tianjin, PRC	Ordinary shares	USD136,492,000	**—**	**100%**	—	100%	Finance leasing
Beijing Nanshan Jinchuang Information Consulting Co., Ltd. *(Note ii)*	Beijing, PRC	Ordinary shares	RMB2,000,000	**—**	**100%**	—	100%	Consulting
Tianjin Rongjin Enterprise Management & Consulting Co., Ltd *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB2,000,000	**—**	**100%**	—	100%	Consulting
Nanshan Baozhong (Tianjin) Leasing Co., Ltd. *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB100,000	**—**	**100%**	—	100%	Finance leasing
Nanshan Baochang (Tianjin) Leasing Co., Ltd. *(Notes ii & vi)*	Tianjin, PRC	Ordinary shares	RMB100,000	**—**	**—**	—	100%	Finance leasing
Lian Hai Finance Limited	Hong Kong	Ordinary shares	HK$100	**—**	**100%**	—	100%	Inactive
深圳建信德信息諮詢有限公司 (formerly known as 深圳友聯海德企業管理諮詢有限公司) *(Note ii)*	Shenzhen, PRC	Ordinary shares	RMB1,000,000	**—**	**100%**	—	100%	Finance leasing
友聯國際融資租賃 (深圳) 有限公司 *(Note ii)*	Shenzhen, PRC	Ordinary shares	RMB291,278,100	**—**	**100%**	—	100%	Finance leasing
New River Ventures Limited ("New River") *(Note iv)*	BVI	Ordinary shares	USD1	**100%**	**—**	100%	—	Investment holding
Cheer Manor Limited ("Cheer Manor") *(Note iv)*	Hong Kong	Ordinary shares	HKD 1	**—**	**100%**	—	100%	Investment holding
龍口智民教育諮詢服務有限公司 ("龍口智民") *(Notes ii & iv)*	Shandong, PRC	Ordinary shares	RMB1,000,000	**—**	**100%**	—	100%	Investment holding
Yantai Nanshan University *(Notes iii & vii)*	Shandong, PRC	Ordinary shares	RMB200,000,000	**—**	**70%**	—	—	Private higher education
Fortunate Gold Investments Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Inactive
Perfect Summit Enterprises Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Inactive
Southern Horizon Ventures Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Inactive
Leading Elite International Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Finance leasing
Power City Group Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Inactive
Robust Team International Limited *(Note v)*	BVI	Ordinary shares	USD1	**100%**	**—**	—	—	Inactive

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

i) The company is a wholly foreign owned enterprise established in the PRC with limited liability under PRC law.

ii) These companies are corporate-owned enterprises established in the PRC with foreign investment with limited liability under PRC law.

iii) The subsidiary is a school established in the PRC.

iv) The companies were incorporated during the year ended 31 December 2021.

v) The companies were incorporated during the year ended 31 December 2022.

vi) These companies were disposed of during the year ended 31 December 2022.

vii) The company was acquired on 18 August 2022. Details are set out in note 36.

36. ACQUISITION OF A SUBSIDIARY

On 18 August 2022, the Group acquired 70% of the equity interest of Yantai Nanshan University at a consideration of RMB566,000,000. This acquisition has been accounted for using the acquisition method. The amount of gain on bargain purchase arising as a result of the acquisition was approximately RMB270,483,000. Yantai Nanshan University is engaged in providing private higher education services. Yantai Nanshan University was acquired so that the Group can tap into the PRC higher education market for diversifying and expand the Group's business in addition to finance leasing.

Consideration transferred

	Notes	RMB'000
Cash paid		105,000
Consideration payable		461,000
Total purchase consideration *(note i)*	*i*	566,000
Interest payable *(note ii)*	*ii*	5,900
Less: Fair value change of consideration payable and interest payable	*iii*	(32,741)
		539,159

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

Notes:

i) Pursuant to the sales and purchase agreement, the indirectly wholly-owned subsidiary of the Company, conditionally agreed to acquire 70% interest in Yantai Nanshan University at the total consideration of RMB566,000,000, which will be satisfied as to (a) RMB35,000,000 by cash to be settled by the Group within ten business days upon the entering into of the acquisition agreement; (b) RMB70,000,000 by cash to be settled by the Purchaser within 10 business days upon fulfilment of the completion conditions; (c) RMB295,000,000 by cash (the "Third Payment") to be settled by the Purchaser within 10 business days upon the expiry of 90 days after completion which is extendible for a period of 180 days provided that an additional interest of 4% per annum should be paid Nanshan Group; (d) RMB109,400,000 by cash to be settled by the Group within 10 business days upon the earlier of (i) fulfilment of the fourth payment conditions stated in the acquisition agreement or (ii) the expiry of two years after completion (the "Fourth Payment"). The Fourth Payment is extendible for a period of 360 days provided that an additional interest 4% per annum should be paid to Nanshan Group, and (e) RMB56,600,000 by cash (the "Fifth Payment") to be settled by the Group if the Fourth Payment is made based on the expiry of two year period after completion upon fulfilment, then the payment shall be made within ten business days upon the fulfilment of the Fourth payment conditions or the expiry of four years after completion, whichever is later or if the Fourth Payment is made based on the fulfilment of the Fourth payment conditions, then the payment shall be made with ten business days upon the expiry of four years after completion. The Fifth Payment is extendible for a period of 720 days provided that an additional interest at 4% per annum should be paid to Nanshan Group.

   For the details of the consideration, please refer to section "Letter from the Board" in circular dated on 3 August 2022.

ii) The directors of the Company considered to exercise the option to extend Third Payment for a period of 180 days and recognised interest payable of approximately RMB5,900,000 as at the date of completion of the acquisition.

iii) Based on the estimation made by the directors of the Company and in view of the current market condition, management considered that the fair value of the consideration is approximately RMB539,159,000 at the date of completion of the acquisition.

Acquisition-related costs amounting to approximately RMB16,147,000 were excluded from the purchase consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property and equipment	834,725
Right-of-use assets	464,702
Intangible assets — brand name	14,213
Intangible assets — student base	36,755
Deposits paid for acquisition of property and equipment	429
Inventories	2,191
Trade and other receivables	16,712
Bank balances	149,871
Trade, bills and other payables	(132,797)
Notes payables	(3,756)
Lease liabilities	(39,443)
Contract liabilities	(186,970)
Total identifiable net assets at fair value	1,156,632

The fair value and gross contractual amounts of trade and other receivables at the date of acquisition amounted to approximately RMB16,712,000.

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

Gain on bargain purchase:

	RMB'000
Consideration transferred	539,159
Plus: non-controlling interests (30% of Yantai Nanshan University)	346,990
Less: Fair value of identifiable net assets acquired	(1,156,632)
Gain on bargain purchase arising on acquisition	(270,483)

The non-controlling interests (30%) in Yantai Nanshan University recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately RMB346,990,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed pre-tax discount rate of 17.10% and 16.10% for brand name and student base respectively;
- assumed long-term sustainable growth rate of 3%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Yantai Nanshan University.

Bargain purchase arose in the acquisition of business

Gain on bargain purchase amounting to approximately RMB270,483,000 on acquisition of Yantai Nanshan University is recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income. The acquisition of business results in a gain on bargain purchase which was a result of the fair value adjustment on the properties and right-of-use assets acquired.

Net cash outflow on acquisition of Yantai Nanshan University:

	RMB'000
Consideration paid in cash	(105,000)
Less: cash and cash equivalent balances acquired	149,871
Net inflow of cash — investing activities	44,871

Included in the profit for the year is approximately RMB39,112,000 attributable to the additional business generated by Yantai Nanshan University. Revenue for the year includes approximately RMB159,934,000 generated from Yantai Nanshan University.

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

Had the acquisition been completed on 1 January 2022, total revenue of the Group for the year would have been approximately RMB658,913,000, and profit for the year would have been approximately RMB430,091,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Yantai Nanshan University been acquired at the beginning of the current year, the directors of the Company have calculated depreciation of property and equipment, right-of-use assets and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

37. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,705,000, in respect of renewal lease arrangement for office.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Interest in a subsidiary		**924,465**	924,465
Right-of-use assets		**3,088**	763
Equipment		**15**	331
Other receivable		**471**	—
		928,039	925,559
Current assets			
Prepayment and other receivables		**1,754**	1,950
Amounts due from subsidiaries	(a)	**911,273**	321,103
Bank balances		**3,896**	5,279
		916,923	328,332
Current liabilities			
Other payables		**7,213**	1,078
Lease liabilities		**1,199**	678
Amounts due to subsidiaries	(a)	**138,436**	79,001
		146,848	80,757
Net current assets		**770,075**	247,575
Total assets less current liabilities		**1,698,114**	1,173,134
Capital and reserves			
Share capital		**11**	10
Reserves		**1,696,170**	1,173,124
Total equity		**1,696,181**	1,173,134
Non-current liability			
Lease liabilities		**1,933**	—
		1,698,114	1,173,134

Note:

(a) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	1,204,120	(10,676)	1,193,444
Loss and total comprehensive expense for the year	—	(20,320)	(20,320)
At 31 December 2021 and 1 January 2022	1,204,120	(30,996)	1,173,124
Loss and total comprehensive expense for the year	—	(76,445)	(76,445)
Issue of new ordinary shares from placing and subscription	600,991	—	600,991
Transaction costs attributable to issue of new ordinary shares from placing and subscription *(Note 29)*	(1,500)	—	(1,500)
At 31 December 2022	1,803,611	(107,441)	1,696,170

SUMMARY OF FINANCIAL INFORMATION

Key profit or loss items *(RMB thousand)*	For the year ended 31 December 2022	2021	2020	2019	2018
Revenue	**368,796**	231,843	248,046	260,876	358,061
Finance cost	**(76,984)**	(89,793)	(128,821)	(186,707)	(241,557)
Profit (Loss) before income tax	**415,019**	122,856	12,817	(101,589)	62,683
Profit (Loss) for the year	**372,120**	78,899	16,610	(84,692)	40,598

Key statement of financial position items *(RMB thousand)*	For the year ended 31 December 2022	2021	2020	2019	2018
Non-current assets	**2,341,487**	1,092,093	1,495,892	1,780,925	2,643,744
Current assets	**1,833,159**	1,344,441	1,613,614	1,303,035	1,568,526
Current liabilities	**1,269,519**	360,500	1,165,533	195,410	1,251,911
Total equity	**2,597,960**	1,273,474	1,195,450	1,183,072	941,996
Non-current liabilities	**307,167**	802,560	748,523	1,705,478	2,018,363

Return to shareholders	For the year ended 31 December 2022	2021	2020	2019	2018
Return on total assets *(Note 1)*	**8.9%**	3.2%	0.5%	(2.3%)	0.9%
Return on equity *(Note 2)*	**14.3%**	6.2%	1.4%	(8.0%)	4.4%
Earnings (Loss) per share					
— Basic (RMB Yuan per share)	**0.2388**	0.0526	0.0111	(0.0605)	0.0404

Notes:

1. From year 2021, return on total assets is derived from dividing profit for the year by total assets as at the end of the year and multiplied by 100%. For year 2020 and before, return on total assets is derived from dividing profit for the year by the average of total assets as at the beginning and the end of the year and multiplied by 100%.

2. From year 2021, return on equity is derived from dividing profit for the year by total equity as at the end of the year and multiplied by 100%. For year 2020 and before, return on equity is derived from dividing profit for the year by the average of total equity as at the beginning and the end of the year and multiplied by 100%.