



中國華南職業教育集團有限公司

SOUTH CHINA VOCATIONAL
EDUCATION GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 6913



2025

ANNUAL REPORT

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COMPANY PROFILE

South China Vocational Education Group Company Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”) is a comprehensive skilled talent training service provider integrating academic vocational education, vocational training, technician training, competition training, skill evaluation, employment service and entrepreneurship incubation, adhering to the objectives of “serving the society, employment and entrepreneurship-oriented, student achievement-centered, ability cultivation-focused, cultivating high-quality skilled talents with good professional qualities and adapting to the needs of the society and future development trends”, taking “cultivating outstanding talents for the society” as its mission, and adhering to the school-running model of “integration of industry and education, school-enterprise cooperation, combination of work and learning and integration of knowledge and practice”.

As of the date of this report, the Group operated two schools in the Greater Bay Area, namely, Guangdong Lingnan Institute of Technology (廣東嶺南職業技術學院) (“**Lingnan Institute of Technology**”) and Guangdong Lingnan Modern Technician College (廣東嶺南現代技師學院) (“**Lingnan Modern Technician College**”). The Group primarily provides vocational education to 36,876 full-time students enrolled in our schools in the 2025/2026 school year, of which 69.7% were enrolled in the TMT Industry- and Healthcare Industry-related majors.

The Groups primarily provides comprehensive and diverse formal vocational education programs to students. During the Reporting Period (as defined below), the Group operated Lingnan Institute of Technology and Lingnan Modern Technician College. The Group refers to the provision of these educational services as its “Key Operating Business”.

- **Lingnan Institute of Technology:** A private vocational education institution that has two campuses, one of which is located in Guangzhou, Guangdong Province (the “**Guangzhou Campus**”), and the other is located in Qingyuan, Guangdong Province (the “**Qingyuan Campus**”). As at 31 December 2025, Lingnan Institute of Technology had eight secondary colleges, two public colleges, a college of continuing education and the School of Medical Applied Technology (醫學應用技術學院), offering over 40 majors in a wide range of disciplines, including but not limited to, rehabilitation techniques, medical laboratory technology, electronic information engineering technology, e-commerce, computer network technology, cloud computing technology application, webcasting and operation, industrial internet, digital manufacturing technology of aircraft and intelligent logistics technology.

- **Lingnan Modern Technician College:** A private vocational education institution that is located in Guangzhou and that provides vocational education and training in various industries for students. As at 31 December 2025, Lingnan Modern Technician College had 8 departments and offered over 38 majors, including but not limited to, mechatronics, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, advertising design, computer network application, computer program design and digital media application, etc.

The Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. These educational services are referred as the Group's "Ancillary Education Services".

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan (*Chairman*)
Ms. He Huifen (*Chief Executive Officer*)
Mr. Lao Hansheng

Independent Non-executive Directors

Ms. Yang Yang (*appointed with effect from 29 August 2025*)
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao
Mr. Luo Pan (*resigned with effect from 29 August 2025*)

COMPANY SECRETARY

Ms. Suen Ka Yan

AUTHORISED REPRESENTATIVES

Mr. He Huishan
Mr. Lao Hansheng

AUDIT COMMITTEE

Ms. Yang Yang (*Chairperson*) (*appointed with effect from 29 August 2025*)
Mr. Luo Pan (*Chairman*) (*resigned with effect from 29 August 2025*)
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

REMUNERATION COMMITTEE

Mr. Yeh Zhe-Wei (*Chairman*)
Ms. Yang Yang (*appointed with effect from 29 August 2025*)
Mr. Lao Hansheng
Mr. Luo Pan (*resigned with effect from 29 August 2025*)

NOMINATION COMMITTEE

Mr. He Huishan (*Chairman*)
Ms. He Huifen (*appointed with effect from 30 June 2025*)
Ms. Yang Yang (*appointed with effect from 29 August 2025*)
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao (*appointed with effect from 30 June 2025*)
Mr. Luo Pan (*resigned with effect from 29 August 2025*)

LEGAL ADVISORS AS TO HONG KONG LAW

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Suites 601-602 & 610-616, 6/F
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Guangzhou
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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE INFORMATION

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

AOGB CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
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28 Queen's Road East
Admiralty
Hong Kong

STOCK CODE

06913

COMPANY WEBSITE

www.scvedugroup.com

FINANCIAL HIGHLIGHTS

A summary of the audited results and of the assets, liabilities and equity of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Revenue	499,621	516,276	556,204	683,617	791,758
Cost of sales	298,007	319,436	379,704	493,682	563,569
Gross profit	201,614	196,840	176,500	189,935	228,189
Profit before tax	157,411	148,267	110,146	84,859	81,462
(Loss)/Profit for the year	<u>155,379</u>	<u>142,652</u>	<u>112,529</u>	<u>90,892</u>	<u>(59,446)</u>

	As at 31 December				
	2021	2022	2023	2024	2025
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Non-current assets	1,649,134	1,808,876	1,968,597	2,109,440	2,314,942
Current assets	631,280	528,899	497,085	421,209	599,256
Current liabilities	423,777	482,641	567,248	598,531	875,069
Net current assets/(liabilities)	207,503	46,258	(70,163)	(177,322)	(275,813)
Total assets less current liabilities	1,856,637	1,855,134	1,898,434	1,932,118	2,039,129
Non-current liabilities	399,671	315,944	247,281	274,689	483,074
Net assets	1,456,966	1,539,190	1,651,153	1,657,429	1,556,055
Total equity	<u>1,456,966</u>	<u>1,539,190</u>	<u>1,651,153</u>	<u>1,657,429</u>	<u>1,556,055</u>

Note: Certain figures in the audited consolidated financial statements for the years ended 31 December 2022 and 2021 had been restated as a result of the application of amendments to Hong Kong Accounting Standard 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of South China Vocational Education Group Company Limited, I am pleased to announce the annual report of the Group for the year ended 31 December 2025 (the “Reporting Period”). Looking back at the Reporting Period, the State rolled out a number of policies that are favorable to vocational education, providing strong support for the long-term development of the industry. Vocational education has been recognised as an important part of the national education system and human resource development. The attractiveness and quality of which are expected to be significantly improved, and the enrollment scale of higher vocational education as a percentage of total is also likely to increase. The vocational education business carried out by the Group is in line with the encouragement and support of national policies, and there is vast room for development going forward.

BUSINESS REVIEW

During the Reporting Period, the Group's performance remained stable overall. Benefiting from factors including the increase in the number of students of Lingnan Institute of Technology and the continuous increase in the average tuition fee, revenue grew by approximately 15.8% year-on-year to RMB791.8 million. In the year 2025, the Group had 36,876 full-time students, of which 19,993 were enrolled in Lingnan Institute of Technology, representing an increase of 22.4% over the previous year; and 16,883 were enrolled in Lingnan Modern Technician College, representing a decrease of 3.0% over the previous year. In terms of the average tuition fee, the average tuition fee of Lingnan Institute of Technology increased by 2.4% to RMB18,439 and Lingnan Modern Technician College increased by 7.4% to RMB16,059 during the Reporting Period.

In 2025, the distinctive teaching reforms and practices of each school under the Group provide strong support for the high-quality development of vocational education.

Guangdong Lingnan Institute of Technology* (廣東嶺南職業技術學院) is comprehensively promoting disruptive teaching reforms, covering 127 courses. During the year, Guangdong Lingnan Institute of Technology has focused on the “5+3” innovation and entrepreneurship model, forming over 7,000 entrepreneurial teams in total. Teachers and students have won a total of 618 awards at various levels. Among them, there are 4 national-level items and 253 provincial and ministerial-level items. In terms of the layout of industry-education integration, eight projects have received special support from the provincial vocational education city, and industrial colleges and talent training bases have been jointly established with enterprises such as Meituan and XPeng Inc. In terms of international education, we have deepened cooperation with universities in countries such as South Korea and Thailand, jointly established overseas international colleges, and launched joint doctoral training programs. The first batch of 32 international students from Kyrgyzstan have enrolled in the “Chinese + Vocational Skills” program.

CHAIRMAN'S STATEMENT

Guangdong Lingnan Modern Technician College* (廣東嶺南現代技師學院) innovatively implements the “three-stage” training and “on-the-job course competition certificate” comprehensive education model, adding 179 enterprise mentors and 196 internship and employment bases, achieving 35 deep cooperation projects, and cultivating 79 educational and scientific research achievements throughout the year. During the year, Guangdong Lingnan Modern Technician College and Huawei jointly established and officially unveiled the “Lingnan & Huawei Industrial College (嶺南&華為產業學院)”; we have also signed school enterprise cooperation agreements with well-known enterprises such as JD and Siemens of Germany to jointly build an industrial college. The number of enrollments in international education has significantly increased, and we have collaborated with over 100 overseas universities and enterprises. In terms of vocational skill certification, 264 vocational training evaluations were conducted throughout the year, with a total of 12,724 participants. At the same time, the culinary academy was used as a carrier to create a training base for “Cantonese Cuisine Chefs” in Guangdong Province.

PROSPECTS

With the continuous strengthening of national policies, the development of vocational education will enjoy strong momentum. The “Implementation Plan for the Empowerment and Enhancement Action of Industry-Education Integration in Vocational Education (2023–2025) (《職業教育產教融合賦能提升行動實施方案 (2023–2025年)》)” jointly issued by seven departments including the National Development and Reform Commission and the Ministry of Education will further promote the pilot program of industry-education integration. In 2025, “Guangdong-Hong Kong-Macao Greater Bay Area (Mainland) Talent Demand Catalog (《粵港澳大灣區(內地)人才需求目錄》)” released by the Human Resources and Social Security Department of Guangdong Province, clearly focused on the layout of 20 strategic industrial clusters. At the same time, it issued the “Skills Light the Way to the Future, Talents Empower Industries” Large-Scale Vocational Skills Enhancement Training Initiative (2025–2027) (《「技能照亮前程人才賦能產業」大規模職業技能提升培訓行動 (2025–2027)》), comprehensively enhancing the quality of talent supply from four dimensions: training subsidies, employment support, settlement benefits, and school-enterprise cooperation. The continuous release of policy dividends has created a favorable external environment for the development of the Group.

South China Vocational Education is deeply cultivating the Greater Bay Area with two schools as the core bases, adhering to a dual-driving model of “internal growth and external expansion” (「內生+外延」雙輪驅動模式). South China Vocational Education adopts a strategic framework of “top-level group design and on-campus implementation (集團頂層設計+院校落地實踐)”, and based on the industrial development needs of the Greater Bay Area and trends in talent structure upgrading, focuses on upgrading in four major directions: artificial intelligence+, the big health industry ecosystem, industry-education collaboration, and international education, injecting strong momentum into academic education and expanding ancillary education.

In terms of artificial intelligence+ deployment, the Group has established a strategic direction of “AI Restructuring Education (AI重構教學)” and is working with leading large model companies such as Zhipu AI (智譜AI) to deeply explore the development of new patterns. It promotes differentiated practices at its two affiliated schools: Guangdong Lingnan Vocational and Technical College focuses on deep integration of “AI+ application scenarios (AI+應用場景)”, establishing a major in artificial intelligence technology applications, incorporating AI general education courses into the mandatory modules for talent training, and introducing an AI employment integrated system, providing precise employment support to nearly a thousand students. Guangdong Lingnan Modern Technician College* (廣東嶺南現代技師學院) specializes in industrial AI and the ICT field, forming an industry-academia college pattern driven by the dual-drive strategy of “Huawei+Siemens”, integrating AI into the entire talent training process.

In terms of the layout of the big health ecosystem, the Group actively expands both the extension and core of the big health industry, precisely aligning with regional health and wellness service demands. Guangdong Lingnan Institute of Technology* (廣東嶺南職業技術學院), relying on the School of Medical Applied Technology (醫學應用技術學院), School of Pharmacy (藥學院) and School of Nursing and Health (護理與健康學院), has formed a specialized professional system covering fields such as medical testing, rehabilitation therapy, pharmacy, nursing, and traditional Chinese medicine rehabilitation technology. Guangdong Lingnan Modern Technician College, on the other hand, focuses on emerging areas such as smart elderly care services and management, as well as pet medical care and nursing, forming a professional structure for coordinated development across multiple fields including health management, elderly care services, and pet medical care. The two schools complement each other's strengths, share resources, and work collaboratively to jointly build a big health professional group covering the entire life cycle, continuously supplying high-quality technical and skilled talents for the big health industry in the Guangdong-Hong Kong-Macau Greater Bay Area.

In terms of industry-education collaboration, the Group continues to deepen strategic cooperation with leading enterprises. It has established a collaborative system for professional development, teacher training, and practical teaching, delivering high-quality skilled talents for intelligent manufacturing and the construction of a digital bay area.

In terms of internationalization layout, the Group actively carries out international cooperative education, introducing advanced vocational education resources and projects, and enhances the attractiveness of majors and courses and international characteristics through international cooperation. It has established an international talent growth pathway from preparatory courses to master's degrees.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to thank all our students and their parents for their trust and confidence in our school, and to all our teachers, management and staff for their professionalism and tireless efforts demonstrated at work. I would also like to thank every investor and business partner who has been working hard to support us. I believe that with the efforts of all the staff of the Group, our school will cultivate more high-quality technical professionals and consummate craftsmen, and we will be able to create greater value for our Shareholders.

Mr. He Huishan

Chairman

Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group operated two schools in the Greater Bay Area, namely, Guangdong Lingnan Institute of Technology* (廣東嶺南職業技術學院) (“Lingnan Institute of Technology”) and Guangdong Lingnan Modern Technician College* (廣東嶺南現代技師學院) (“Lingnan Modern Technician College”).

Key Operating Business

The Group’s Lingnan Institute of Technology was established in May 2002 to provide diploma education and vocational training and its Lingnan Modern Technician College was established in July 2005 to provide vocational education and training.

Lingnan Institute of Technology

Lingnan Institute of Technology is a private vocational education institution that has two campuses, one of which is located in Guangzhou, Guangdong Province (the “Guangzhou Campus”), and the other is located in Qingyuan, Guangdong Province (the “Qingyuan Campus”). As at 31 December 2025, Lingnan Institute of Technology had eight secondary colleges, two public colleges, a college of continuing education and the School of Medical Applied Technology (醫學應用技術學院), offering over 40 majors in a wide range of disciplines, including but not limited to, rehabilitation techniques, medical laboratory technology, electronic information engineering technology, e-commerce, computer network technology, cloud computing technology application, webcasting and operation, industrial internet, digital manufacturing technology of aircraft and intelligent logistics technology.

Lingnan Modern Technician College

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students. As at 31 December 2025, Lingnan Modern Technician College had 8 departments and offered over 38 majors, including but not limited to, mechatronics, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, advertising design, computer network application, computer program design and digital media application, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

Ancillary Education Services

The Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. These educational services are referred to as the Group's "Ancillary Education Services".

Business Operating Data

The aggregate number of full-time students enrolled at the Group's schools amounted to 36,876 for the 2025/2026 school year. As at 31 December 2025, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB18,439 and RMB16,059, respectively, and the average boarding fee of these two schools amounted to RMB2,642 and RMB2,431, respectively.

OUTLOOK

Continuous Improvement in Status of Vocational Education and Increasing Improvement of the Vocational Education System

1) *Increased fiscal investment and improved school facilities*

According to the Notice on Issuing the 2024 Budget for the Modern Vocational Education Quality Enhancement Program (《關於下達2024年現代職業教育品質提升計劃資金預算的通知》) jointly issued by the Ministry of Education and the Ministry of Finance, the central government has allocated RMB31.257 billion for the modern vocational education quality enhancement program. The funds will primarily support the improvement of teaching facilities, faculty development, and teaching quality in vocational institutions, covering equipment upgrades, practical training base construction, and other related areas. Concurrently, the Measures for the Evaluating National Scholarships in Secondary Vocational Education (《中等職業教育國家獎學金評審辦法》), which was jointly issued by the Ministry of Education, the Ministry of Human Resources and Social Security and the Ministry of Finance indicate that, tuition fees are exempted for rural students, urban students, enrolled in agriculture-related programs, and economically disadvantaged students in secondary vocational schools, with further improvements to the national scholarship and financial aid system.

MANAGEMENT DISCUSSION AND ANALYSIS

2) *Deepening integration of industry and education as well as enhanced school-enterprise cooperation*

According to the Notice on Strengthening the Development of City-based Industry-Education Consortiums (《關於加強市域產教聯合體建設的通知》) (the Ministry of Education), and the Implementation Plan for the Industry-Education Integration Empowerment and Enhancement Initiative in Vocational Education (2023–2025) (《職業教育產教融合賦能提升行動實施方案(2023–2025年)》) (National Development and Reform Commission and other authorities), city-based industry-education consortiums and sectoral alliances will be established, including an initial batch of 28 national-level city-based industry-education consortiums. Additionally, over 1,000 provincial-level industry-education integration alliances will be developed in key sectors such as modern agriculture and advanced manufacturing. The ‘Thousand Colleges and Ten Thousand Enterprises’ Collaborative Innovation Partnership Initiative will also be launched. Concurrently, the Notice on Implementing the Specialized Training Program for On-site Engineers in Vocational Education (《關於實施職業教育現場工程師專項培養計劃的通知》) (five departments, including the Ministry of Education) has established clear objectives for cultivating on-site engineering specialists, with 447 leading enterprises in advanced manufacturing sectors being selected to participate in the “Vocational Education On-Site Engineer Training Program”. This specialized talent training scheme employs innovative collaborative models including customized training programs and co-constructed practice training bases to systematically develop high-skilled professionals who meet exact industry requirements.

3) *Vocational education system optimization and program specialization*

The General Office of the CPC Central Committee and the State Council’s Guidelines on Deepening the Reform of Modern Vocational Education System Development (《關於深化現代職業教育體系建設改革的意見》), along with the Ministry of Education’s Notice on Accelerating Key Reform Tasks for Modern Vocational Education System Reform (《關於加快推進現代職業教育體系建設改革重點任務的通知》), mandate accelerated development of a modern vocational education framework. This reform adopts a “One Core with Dual Wings” framework (with provincial-level modern vocational education systems as the core, supported by city-based industry-education consortiums and sectoral alliances as dual wings) to drive multi-tiered, coordinated advancement across China’s vocational education landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

4) *Employment and skilled talent development*

The Implementation Guidelines on Implementing the Employment-First Strategy to Promote High-Quality and Full Employment (《關於實施就業優先戰略促進高品質充分就業的意見》), which was jointly issued by the CPC Central Committee and the State Council in September 2024, accelerates the development of modern vocational education by promoting the integration of vocational and academic education (職普融通), industry-education collaboration (產教融合), and science-education synergy (科教融匯). Key measures include establishing technical education alliances (groups), identifying and developing high-quality technical institutes and programs, incorporating career education into higher education talent cultivation, and advancing career-oriented enlightenment education at the senior high school level.

The vocational education business engaged in by the Group is in line with the direction of encouragement and support of national policies, has initially formed a favorable trend of industry-education integration with leading enterprises, and has a great potential for future development.

Deepening the Development in the Guangdong-Hong Kong-Macau Greater Bay Area to Continue Cultivating and Supplying High-Caliber Talents

The Guangdong-Hong Kong-Macau Greater Bay Area has become a core growth pole for China's high-quality economic development, with its total economic output accounting for over 10% of the national total in 2025. As the region undergoes economic transformation and upgrading, coupled with the deepening trend of population aging, the skill gap for high-skilled talents in emerging industries and health-related fields continues to widen, with talent demand showing a trend toward large-scale and high-end development.

According to the “Guangdong-Hong Kong-Macau Greater Bay Area (Mainland) Talent Demand Catalog (《粵港澳大灣區(內地)人才需求目錄》)” released by the Human Resources and Social Security Department of Guangdong Province in 2025, the Greater Bay Area is focusing on the development of 20 strategic industrial clusters. Among them, five industries — next-generation information technology, biomedicine and health, new energy, software and information services, and ultra-high-definition video display — rank as the top tier in terms of demand for highly skilled talents. Job development is undergoing a comprehensive transformation toward high skill, high salary, and high growth. To align with industrial talent demands, Guangdong Province and cities within the Greater Bay Area introduced a series of major support policies in 2025. Among these, the “Skills Light the Way to the Future, Talents Empower Industries” Large-Scale Vocational Skills Enhancement Training Initiative (2025–2027) (《「技能照亮前程人才賦能產業」大規模職業技能提升培訓行動(2025–2027)》) provides a full-chain guarantee for the cultivation, deployment, and retention of highly skilled talents across four dimensions: training subsidies, employment support, settlement benefits, and school-enterprise cooperation, creating a favorable policy environment for the development of vocational education.

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging the development opportunities in the Greater Bay Area and the demand for industrial talent, the Group is taking its two existing schools as core bases to strategically expand into the vocational education market in the Greater Bay Area. We are steadily expanding our campus network, achieving comprehensive coverage across both formal vocational education and non-formal vocational training, gradually increasing the market share, and striving to solidify our position as the leading vocational education provider in the Greater Bay Area. At the same time, the Group has identified artificial intelligence as the core driver of its future development, focusing deeply on the secondary and higher vocational education sectors. By forging in-depth partnerships with leading large language model enterprises such as Zhipu AI (智譜AI), we are establishing a trinity development framework that integrates AI skills training, AI product development for educational scenarios, and the innovation of intelligent teaching models.

Business Development Strategy

The Group will improve its results performance through the following five aspects:

1) *High-quality development of formal vocational education*

The Group and Lingnan Institute of Technology have established an ambitious decade-long strategic vision: to transform Lingnan Institute of Technology into an entrepreneurial vocational university specializing in the holistic health sector, while establishing itself as the Greater Bay Area's benchmark for industry-education integration and scientific innovation convergence in the theme of "Health+TMT", and being anchored in the institution's "Double Excellence" initiative (pursuing both high-quality development and premium service standards) in the next decade. With a focus on degree-upgrading majors, and in accordance with the "New Dual-High" and degree-upgrading standards, greater efforts will be made to promote faculty development, professional strength building, and service capacity building, with a view to developing into institutions that achieve the national "New Dual-High" criteria (including national-level specialty clusters).

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Lingnan Modern Technician College and JD Group jointly established an industrial college, which will further deepen the ecosystem of “industry-education-evaluation”, introduce corporate instructors to participate in curriculum design, jointly build training bases, and realize the mode of “customized classes” in which students will enter the workforce upon graduation. The college will focus on industries with special characteristics such as artificial intelligence, big data, cloud computing and other emerging technologies applications, and build an “industry-education-evaluation” ecological talent cultivation system with functions such as “talent cultivation, enterprise service and student entrepreneurship” based on the industry and enterprise position standards. It also will proactively identify new venues in the Greater Bay Area for its new branches or new independent colleges, which will help expand its network of secondary vocational schools. Lingnan Modern Technician College has established an industry college in collaboration with Huawei, focusing on four key areas: HarmonyOS development, 5G communications, artificial intelligence, and cybersecurity. Leveraging Huawei’s globally leading technology platform and industrial ecosystem, the College is building a high-standard digital and intelligent platform for industry-education integration.

Lingnan Modern Technician College has also signed a comprehensive cooperation agreement with Siemens. Aligned with the German dual-system vocational education model, the two parties will jointly establish a Smart Manufacturing Industry College, advance the development of training bases and a “dual-qualification” teaching team, and cultivate versatile, high-skilled talents to support the transformation and upgrading of the manufacturing sector in the Greater Bay Area.

2) *Deepen AI deployment and collaboratively build a new ecosystem integrating industry and education*

The Group will take artificial intelligence as the core driving force for the future, deeply cultivate the vocational education track for secondary and higher vocational schools, and work closely with leading large model enterprises such as Zhipu AI (智譜AI) to build a deep collaboration, creating an integrated development pattern combining AI skills training, AI product development for educational scenarios, and innovation in intelligent teaching models. Relying on the Group’s advantages in industry-education integration and school management, it aims to build a systematic AI vocational skills training system to cultivate technical talents suitable for the digital economy; develop intelligent teaching products and solutions based on educational scenarios, promoting deep integration of large model technology with teaching practice; and reconstruct teaching processes using AI, providing personalized support for students’ academic planning and development paths, comprehensively enhancing students’ employment competitiveness and innovation and entrepreneurship capabilities. The Group will continue to deepen the digital transformation of education empowered by AI, consolidating the advantages of industry-education integration through technological innovation, and injecting lasting momentum into the Group’s high-quality development.

3) *Expanding school networks by mergers and acquisitions*

In addition to robust endogenous growth, the Group will also strive to expand its school networks by means of mergers and acquisitions. For the target of mergers and acquisitions, the Group will give priority to high-quality technical schools and institutions providing non-formal vocational training in the Greater Bay Area. Acquisition of existing schools will not only help the Group expand its scale, but is also conducive to the generation of synergies with its existing schools, thereby identifying more business opportunities and materialising more values.

4) *Expanding ancillary education business*

China's vocational skills training market is projected to exceed RMB1.0 trillion by 2026, driven by rising online education penetration rates. Capitalizing on this growth, the Group is aggressively expanding into vocational skill certification and adult continuing education services. Lingnan Modern Technician College has been approved for the accreditation for 28 vocational skills, and has set up 28 social training and evaluation outlets in 11 prefectural cities in Guangdong Province, with plans to achieve substantial provincial coverage within three years. Simultaneously, Lingnan Institute of Technology is deepening collaborations with leading industries, major enterprises, and flagship projects, particularly in cross-sector technical services and corporate training. Through its college of continuing education (including the rural revitalization academy), the institution mobilizes secondary schools to participate, leveraging resources such as Industry-Education Integration Parks, School-Enterprise Cooperation Platforms, Rural Revitalization Training Bases and STEM Education Centers. This multi-pronged approach enhances both the economic value and social impact of our expanded training programs and technical services.

5) *Developing international cooperation*

The Group actively carries out international cooperation in running schools, introduces advanced vocational education and projects, and enhances the attractiveness of majors and courses and international characteristics through international cooperation. The Group explores cooperation with overseas colleges and institutions for higher education (focusing on colleges and institutions in Hong Kong, Macau, Singapore, the European Union and other countries and regions).

6) *A new development pattern of "Five-in-One"*

On the basis of the steady development, quality improvement and upgrading of the vocational education entities, the Group is actively exploring and expanding the five major sectors, namely training, dispatch, health, e-commerce and public welfare, and shifting from an academic education-oriented model to a new development pattern of "five-in-one" driven by "academic education + vocational training + technical services".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group's revenue is consisted of tuition fees, boarding fees and other education service fees its schools collected from students.

The Group's revenue increased by approximately 15.8% from approximately RMB683.6 million for the year ended 31 December 2024 to approximately RMB791.8 million for the year ended 31 December 2025. The increase was primarily due to an increase in tuition fees and boarding fee as a result of the increase in total full-time student enrollment during the Reporting Period.

Cost of sales

Cost of sales primarily consists of (i) staff costs; (ii) depreciation of property, plant and equipment; (iii) depreciation of right-of-use assets; (iv) amortization of other intangible assets; (v) cost of cooperative education; (vi) utilities; (vii) teaching expenditures; (viii) student study and practice fees; and (ix) campus property management fee.

The Group's cost of sales increased by approximately 14.2% from approximately RMB493.7 million for the year ended 31 December 2024 to approximately RMB563.6 million for the year ended 31 December 2025. The increase was primarily due to (i) an increase in the number of faculty and their average salaries during the Reporting Period; (ii) an increase in depreciation of property, plant and equipment and amortization of intangible assets in line with the expansion of the Group's school operating scale during the Reporting Period; (iii) as the number of full-time students increased, corresponding operational expenses rose, including teaching expenditures, student-related expenses, utilities, etc.; and (iv) an increase in campus property management and service expenditures in line with the expansion of campus building area.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 20.1% from approximately RMB189.9 million for the year ended 31 December 2024 to approximately RMB228.2 million for the year ended 31 December 2025, and the Group's gross profit margin increased from approximately 27.8% to approximately 28.8% during the same periods. The increase of gross profit margin was primarily due to the increase in student enrollment, the scale of the corresponding educational sector has expanded, leading to a corresponding increase in both revenue and costs. However, the growth rate of revenue outpaces that of costs, resulting in a corresponding increase in gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

Other income and gains primarily consists of (i) bank interest income; (ii) rental income; (iii) training income; (iv) government grants; (v) brand licensing income; and (vi) service income.

The Group's other income and gains increased by approximately 6.7% from approximately RMB71.6 million for the year ended 31 December 2024 to approximately RMB76.4 million for the year ended 31 December 2025. The increase was primarily due to an increase in rental income.

Selling and distribution expenses

Selling and distribution expenses refer to costs incurred for the purpose of marketing and student recruitment promotion, including staff costs, advertising expenses, promotion expenses, office expenses and others.

The Group's selling and distribution expenses decreased by approximately 26.3% from approximately RMB42.6 million for the year ended 31 December 2024 to approximately RMB31.4 million for the year ended 31 December 2025. The decrease was primarily due to (i) a reduction in staff costs; and (ii) the adoption of online promotion for student recruitment during the Reporting Period.

Administrative expenses

Administrative expenses primarily consist of (i) staff costs and welfare; (ii) depreciation and amortization; (iii) office expenses; and (iv) consulting expenses.

The Group's administrative expenses decreased by approximately 5.3% from approximately RMB87.5 million for the year ended 31 December 2024 to approximately RMB82.9 million for the year ended 31 December 2025. The decrease was primarily due to a decrease in staff costs and welfare.

Other expenses

Other expenses primarily consist of (i) late payment surcharges for corporate income tax from prior years, (ii) cost for rental income; (iii) depreciation and amortization; (iv) cost for training income; and (v) donation.

The Group's other expenses increased by approximately 185.6% from approximately RMB34.8 million for the year ended 31 December 2024 to approximately RMB99.4 million for the year ended 31 December 2025. The increase was mainly due to the late payment surcharges for corporate income tax expenses from prior years as a result of tax re-assessment initiated by the local tax authority during the year ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs primarily consist of the interest expenses for its bank and other borrowings and lease liabilities.

The Group's finance costs decreased by approximately 20.3% from approximately RMB11.8 million for the year ended 31 December 2024 to approximately RMB9.4 million for the year ended 31 December 2025. The decrease was primarily in line with the increase in capitalized interest expense.

Income tax

The Group's income tax increased by approximately RMB146.9 million for the year ended 31 December 2025. The increase in income tax is mainly due to the provisions of approximately RMB103.8 million for corporate income tax expenses from prior years and approximately RMB37.1 million of corporate income tax expenses for the year ended 31 December 2025, as a result of tax re-assessment initiated by the local tax authority during the year ended 31 December 2025.

(Loss)/Profit for the year

As a result of the above factors, profit for the year of the Group decreased by approximately 165.4% from a profit of approximately RMB90.9 million for the year ended 31 December 2024 to a loss of approximately RMB59.4 million for the year ended 31 December 2025.

FINANCIAL AND LIQUIDITY POSITION

Current assets and current liabilities

As at 31 December 2025, the Group had net current liabilities of approximately RMB275.8 million, increased by approximately 55.6% from the net current liabilities of approximately RMB177.3 million as at 31 December 2024. The increase in net current liabilities as at such date was primarily due to (i) an increase in contract liabilities of tuition fee collected from students in 2025/2026 school year; (ii) an increase in taxes payable arising from the tax re-assessment initiated by the local tax authority during the year ended 31 December 2025; and (iii) an increase in short-term borrowings.

The Group's current assets increased by approximately RMB178.1 million to approximately RMB599.3 million as at 31 December 2025 from approximately RMB421.2 million as at 31 December 2024. The increase in current assets was primarily attributable to the increase in cash and cash equivalents due to the rise in contract liabilities of tuition fee collected from students in 2025/2026 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's current liabilities increased by approximately RMB276.6 million to approximately RMB875.1 million as at 31 December 2025 from approximately RMB598.5 million as at 31 December 2024, mainly reflecting (i) an increase in taxes payable arising from the tax re-assessment initiated by the local tax authority during the year ended 31 December 2025; (ii) an increase in contract liabilities of tuition fee collected from students in 2025/2026 school year; and (iii) an increase in short-term borrowing.

Indebtedness

Interest-bearing bank and other borrowings primarily consist of short-term working capital loans to supplement its working capital and finance its expenditure and long-term project loans for the continuous development of its school buildings and facilities.

The Group's interest-bearing bank and other borrowings amounted to approximately RMB378.0 million as at 31 December 2025, denominated in RMB. As at 31 December 2025, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from approximately 2.7% to 4.7% per annum. The fixed interest rate borrowing was RMB43.4 million. The Group has not used any financial instruments for interest rate hedging purposes during the Reporting Period while the Group pays vigilant attention to and monitors interest rate risk continuously and cautiously.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank and other borrowings. The Group regularly assesses its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group has adopted a prudent financial management approach towards its treasury policies and will revisit such policies from time to time, taking into account, among other things, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position in 2025.

Financial assets at fair value through profit or loss

As at 31 December 2025, the Group did not have any financial assets at fair value through profit or loss amounted (31 December 2024: RMB0.03 million). The decrease was mainly due to the refund of an unlisted investment in February 2025.

Contingent liabilities and guarantees

As at 31 December 2025, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2024: nil).

Pledge of assets

As at 31 December 2025, no assets of the Group were pledged to secure bank loans and other borrowings (31 December 2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange exposure

All of the Group's revenue and the majority of its expenditures are denominated in RMB. As at 31 December 2025, majority of the Group's bank balances were denominated in RMB. The Group currently does not have any foreign currency hedging policies and did not hedge against any fluctuation in foreign exchange rates during the Reporting Period due to the insignificance of foreign exchange risk. The management will continue to assess the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Gearing ratio

The gearing ratio, which is calculated by using total interest-bearing bank and other borrowings divided by total equity, increased to approximately 24.3% as at 31 December 2025 from approximately 10.9% as at 31 December 2024, mainly due to an increase of the Group's interest-bearing bank and other borrowings.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 31 December 2025, the Group had a total of 2,078 employees. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The remuneration of the Group's employees includes salaries and allowances. As at 31 December 2025, the remuneration of the Group's employees was RMB297.4 million (31 December 2024: RMB261.8 million). As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group also emphasises employee trainings and career development, and invests in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. The Company operated a share option scheme to give eligible participants an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group. For details, please refer to the section headed "SHARE OPTION SCHEME" in the Report of the Directors in this report.

CHANGE IN USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND UPDATE ON EXPECTED TIMELINE

The net proceeds (the "Net Proceeds") from the global offering of ordinary shares, after deducting underwriting commission and other expenses, were approximately HK\$446.0 million.

As at 31 December 2025, the Company had utilised HK\$395.9 million of the Net Proceeds, representing approximately 88.8% of the Net Proceeds. The amount of the unutilised Net Proceeds is HK\$50.1 million, representing approximately 11.2% of the Net Proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

For the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds and Expected Timeline” below and as disclosed in the announcement of the Company dated 30 March 2026, the Board has resolved to change the use of the Net Proceeds by (i) re-allocating the unutilised Net Proceeds originally planned for the items “Constructing an industry and education integrated industrial park” and “Acquire other schools and educational service providers to expand the school network” to the item “Constructing additional teaching and administrative facilities and purchasing teaching equipment”; and (ii) extending the expected timeline of the use of the Net Proceeds from “2022–2025” to “by the end of December 2026”.

The following table sets forth a summary of the utilisation of the Net Proceeds, the revised allocation of the Net Proceeds and the updated expected timeline of the use of the Net Proceeds:

Purpose	Allocation of the Net Proceeds as stated in the announcement of the Company dated 28 August 2024		Unutilised amount (i.e. amount brought forward) as at 1 January 2025		Utilised amount during the Reporting Period 31 December 2025		Unutilised amount as at 31 December 2025		Re-allocation of the unutilised Net expected timeline	
	Percentage	HK\$' Million	HK\$' Million	HK\$' Million	HK\$' Million	HK\$' Million	Percentage	HK\$' Million		
Further increase student capacity of the schools with an aim to upgrade Lingnan Institute of Technology from an associate college to a vocational university										
– Acquiring additional land of approximately 400,200 sq. m.	–	–	–	–	–	–	–	–	–	N/A
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	61.1%	272.6	81.9	81.9	272.6	–	72.3%	50.1	By the end of December 2026	
– Constructing an industry and education integrated industrial park	3.0%	13.4	9.1	–	4.3	9.1	1.0%	–	N/A	
Acquire other schools and educational service providers to expand the school network	25.9%	115.4	41.0	–	74.4	41.0	16.7%	–	N/A	
Working capital	10.0%	44.6	–	–	44.6	–	10.0%	–	N/A	
Total	100%	446.0	132.0	81.9	395.9	50.1	100%	50.1		

MANAGEMENT DISCUSSION AND ANALYSIS

Reasons for and Benefits of the Change in Use of Proceeds and Expected Timeline

As disclosed in the announcement of the Company dated 30 March 2026, given the vulnerable global economy and unforeseen market circumstances, the Board considered it appropriate to adopt a relatively cautious approach in pursuing acquisition opportunities and expansion plans. As a result, the timeline for fully utilising the Net Proceeds has been delayed. Given the changing market conditions, the Board also believes that it would be prudent for the Group to focus on enhancing its own teaching facilities and equipment instead of pursuing acquisitions and constructing an integrated industrial park. As such, the Company intends to reallocate the balance of the unutilised Net Proceeds of (i) HK\$9.1 million originally designated for constructing an industry and education integrated industrial park; and (ii) HK\$41.0 million originally designated for acquiring other schools and educational service providers to expand the school network, to instead be used for constructing additional teaching and administrative facilities and purchasing teaching equipment. The Group shall actively seek to construct additional teaching and administrative facilities and purchase teaching equipment and such remaining Net Proceeds are expected to be fully utilised by the end of December 2026.

The Board believes that this strategic adjustment in the use of Net Proceeds will strengthen investor confidence and reduce risk exposure by stepping back from acquisition plans and the construction of an integrated industrial park in such a challenging market. The Board is of the view that the change in use of the Net Proceeds and the extension of the expected timeline are not expected to have any material adverse impact on the existing business and operation of the Group and are in the best interest of the Company and the Shareholders as a whole. Save as disclosed in this report, there are no other changes to the plan for utilising the Net Proceeds.

The Board will continue to review the plans for utilising the unutilised Net Proceeds and may revise or amend such plans where necessary to respond to market changes and pursue better performance for the Group. Should there be any further change in the use of the Net Proceeds, the Company will make further announcement(s) as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In this report, the English translation of company or entity names in Chinese which are marked with “” is for identification purpose only.*

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan (賀惠山) (“Mr. He”), aged 61, is a controlling shareholder (as defined in the Listing Rules) of the Company (“**Controlling Shareholder**”) and co-founder of the Group. Mr. He was appointed as a Director on 15 August 2018 and re-designated as an executive Director on 18 November 2020. Mr. He was also appointed as the chairman of the Board on 18 November 2020. Mr. He is also a director of Lingnan Education Investment Limited (“**Lingnan Education BVI**”), South China Vocational Education Group (Hong Kong) Limited (中國華南職業教育集團(香港)有限公司) (“**SCV Education HK**”), Guangzhou Lingnan Education Group Co., Ltd.* (廣州嶺南教育集團有限公司) (“**Lingnan Education**” or, the “**School Sponsor**”), Lingnan Institute of Technology and Lingnan Modern Technician College. Mr. He is the brother of Ms. He Huifen, an executive Director and a Controlling Shareholder, and the spouse of Ms. Zhou Lanqing, a Controlling Shareholder. Mr. He is responsible for the overall operation and management of the Group.

Mr. He has more than 32 years of experience in education. The following table shows his major working experience:

Period	School/Company	Position	Roles and responsibilities
September 1993 to present	Lingnan Education	Chairman of the board of directors and director	Making major decisions
July 2001 to November 2018	Guangzhou Tianhe Lingnan International Kindergarten (廣州市天河區嶺南中英文幼兒園) (“ Lingnan International Kindergarten ”)	Chairman of the board of directors	Making major decisions
December 2001 to November 2018	Guangzhou Tianhe Lingnan International School (廣州市天河區嶺南中英文學校) (“ Lingnan International School ”)	Chairman of the board of directors	Making major decisions
May 2002 to present	Lingnan Institute of Technology	Chairman of the board of directors (until January 2022) and director	Making major decisions

DIRECTORS AND SENIOR MANAGEMENT

Period	School/Company	Position	Roles and responsibilities
July 2005 to present	Lingnan Modern Technician College	Director	Making major decisions
January 2015 to July 2022	Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷 投資有限公司) ("Health Valley")	Chairman of the board of directors	Making major decisions

Mr. He completed a diploma in library science studies at South China Normal University (華南師範大學) in Guangzhou, Guangdong Province, the PRC in July 1988. He graduated from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017.

Mr. He served as the executive member of the 1st session of the council of the China Association for Non-Government Education (中國民辦教育協會) from May 2008 to May 2011. Mr. He was a member of the 11th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣東省委員會) from March 2013 to December 2017, and has been a member of the 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) since January 2018. He was also appointed as an executive member of the Council of China Education Investors Chamber of Commerce* (全國工商聯民辦教育出資者商會) in August 2012 and the council member of Guangdong Association of Politically Unaffiliated Intellectual (廣東省黨外知識分子聯誼會) in November 2015. He has served as the vice president of the 2nd session of the council of Guangdong Private Education Association* (廣東省民辦教育協會) since December 2017.

Mr. He was nominated as a candidate for the 3rd National Top Ten Outstanding Figures in Private Education* (第三屆全國民辦教育十大傑出人物) by Guangming Daily House* (光明日報社) in April 2006, and was awarded the 2nd Guangzhou Outstanding Builders of the Chinese Characteristic Socialism* (廣州市第二屆優秀中國特色社會主義事業建設者) by Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣州市委員會) in May 2008, the Guangdong Private Education Outstanding Contributory Figure* (廣東省民辦教育傑出貢獻人物) by Southern Metropolis Daily (南方都市報) in March 2009, and the 3rd Guangdong Outstanding Builders of the Chinese Characteristic Socialism* (廣東省第三屆優秀中國特色社會主義事業建設者) by Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會) in November 2010, and the Advanced School Sponsor in Private Education in Guangzhou* (廣州民辦教育先進辦學者) by Guangzhou Private Education Association* (廣州民辦教育協會) in December 2015.

DIRECTORS AND SENIOR MANAGEMENT

Ms. He Huifen (賀惠芬) (“Ms. He”), aged 58, is a Controlling Shareholder. She joined the Group in January 1997. Ms. He was appointed as a Director on 15 August 2018 and as re-designated as an executive Director on 18 November 2020. Ms. He was also appointed as the chief executive officer of our Company on 18 November 2020. Ms. He is also a director of Lingnan Education BVI, SCV Education HK, Guangdong Sanyi Technology Co., Ltd.* (廣東叁一科技有限公司) (“**Lingnan WFOE**”), Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College. Ms. He is the sister of Mr. He, an executive Director and a Controlling Shareholder, and sister-in-law of Ms. Zhou Lanqing, a Controlling Shareholder. Ms. He is responsible for the overall operation and management of the Group.

Ms. He has more than 28 years of experience in education. The following table shows her major working experience:

Period	School/Company	Position	Roles and responsibilities
January 1997 to present	Lingnan Education	Successively and/or concurrently served as president and director	Overall operation and management
December 2001 to June 2021	Lingnan International School	Supervisor	Providing suggestions to major decisions
May 2002 to present	Lingnan Institute of Technology	Director and chairman of the board of directors (since January 2022)	Assisting the chairman of the board of directors in managing its business and participate in major decision-making procedure
July 2005 to present	Lingnan Modern Technician College	Chairman of the board of directors and director	Making major decisions

DIRECTORS AND SENIOR MANAGEMENT

Period	School/Company	Position	Roles and responsibilities
January 2014 to present	Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資 管理有限公司) ("Tongwen Investment")	Chairman of the board of directors	Overall management
June 2015 to present	The Affiliated Foreign Language School of SCNU ("Foreign Language School")	Chairman of school council	In charge of school council affairs
July 2015 to present	Guangzhou Tongwen Education Investment Group Co., Ltd.* (廣州同文教育投資 集團有限公司) ("Tongwen Education")	Legal representative	Overall management of investment and cooperation

Ms. He completed a diploma in industrial management and engineering studies at South China Institute of Technology (華南工學院, currently known as South China University of Technology (華南理工大學)) in Guangzhou, Guangdong Province, the PRC in December 1987. She graduated from Peking University (北京大學) in Beijing, the PRC, with a master's degree in business administration in July 2013. She graduated from the University of Hong Kong, with a Doctor's degree in business administration in November 2021.

DIRECTORS AND SENIOR MANAGEMENT

Ms. He was also a member of the 12th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣州市委員會) from December 2011 to December 2016, and has been a member of the 13th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆廣州市委員會) since January 2017. She has served as the vice chairman of the 6th session of the board of directors of Guangdong Chamber of International Commerce* (廣東國際商會) since March 2013, the vice president of the 6th session of the council of Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) since August 2015, the vice president of the 2nd session of the council of Guangdong Women and Children's Foundation (廣東省婦女兒童基金會) since June 2017, and the vice president of the 4th session of the council of Guangzhou Association of Politically Unaffiliated Intellectual (廣州市黨外知識分子聯誼會) since December 2017. Ms. He was a representative of the 12th Chinese Women's National Congress (中國婦女第十二次全國代表大會) in 2018.

Ms. He was awarded the 2009 Chinese Economic Women's Achievement Figures (2009 中國經濟女性成就人物) by Chinese Economic Women's Development Forum Committee* (中國經濟女性發展論壇組委會) and four other social organizations in 2009, the Outstanding Entrepreneurial Women* (傑出創業女性) by China Association of Women Entrepreneurs* (中國女企業家協會) in March 2010, March 2016 and March 2018, the Nanyue Women Entrepreneurs Charity Gold Award* (南粵女企業家慈善奉獻金獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in January 2011, the Guangdong Excellent Women Entrepreneurs* (廣東省優秀女企業家) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in May 2011, the Nanyue Achievement Female Expert (南粵建功立業女能手) by Guangdong General Labour Union (廣東省總工會) in March 2014, the Top Ten Self-employment Award (十佳自主創業獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in August 2015, the National March 8th Red Flag Banner Holder (全國三八紅旗手) by All-China Women's Federation (中華全國婦女聯合會) in February 2016, and the Guangzhou 30-Year Entrepreneurship Meritorious Entrepreneurs* (廣州創業30年功勳企業家) by Guangzhou Industrial Economic Federation* (廣州工業經濟聯合會), Guangzhou Enterprises Association* (廣州市企業聯合會) and Guangzhou Entrepreneurs Association* (廣州市企業家協會) in September 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lao Hansheng (勞漢生) (“Mr. Lao”), aged 62, joined our Group in May 2019. Mr. Lao was appointed as an executive Director on 18 November 2020. Mr. Lao is responsible for the overall administration and management of Lingnan Institute of Technology.

Mr. Lao has more than 38 years of experience in education. He currently also serves as the principal of Lingnan Institute of Technology. Mr. Lao successively and/or concurrently served as a professor, the secretary general of academic committee and the head of teaching department at the University of Electronic Science and Technology of China Zhongshan Institute (電子科技大學中山學院) from March 1993 to January 2007; successively and/or concurrently served as a professor, the deputy dean, the executive dean and the deputy secretary of the Party Committee at the Zhongshan Torch Polytechnic (中山火炬職業技術學院) from January 2007 to July 2012 and at Polytechnic (廣東工程職業技術學院) from July 2012 to August 2015. He successively and/or concurrently served as a tier-3 professor, a tier-2 professor, the deputy dean and a member of the Party Committee of Guangdong Academy of Education (廣東省教育研究院), and a tier-2 professor at the Open University of Guangdong (廣東開放大學), Guangdong Polytechnic Institute (廣東理工職業學院), Lingnan Institute of Technology from January 2019 to October 2019.

Mr. Lao obtained the qualification as a professor of management granted by Department of Personnel of Guangdong Province (廣東省人事廳, currently known as Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in December 2002. Mr. Lao graduated from Chongqing Normal University (重慶師範大學) in Chongqing, the PRC, with a bachelor’s degree in mathematics in June 1983, and from Inner Mongolia Normal University (內蒙古師範大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC, with a Master of Science in history of science in China in November 1987.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lao was appointed as a deputy director of Training Expert Committee of China Packaging Federation* (中國包裝聯合會培訓專家委員會) in January 2009. He was a member of National Machinery Vocational Education and Teaching Directing Committee* (全國機械職業教育教學指導委員會) from April 2013 to January 2014. He was also appointed in July 2013 as a member of the 8th Provincial Committee of Guangdong Association for Science and Technology* (廣東省科學技術學會第八屆全省委員會), and appointed in 2013 as the vice president of the 1st Council of Guangdong Education Research Alliance* (廣東省教育研究聯盟). Mr. Lao served as the vice president of Modern Apprenticeship Working Committee of Guangdong Higher Vocational Education* (廣東省高職教育現代學徒制工作指導委員會) from July 2015 to June 2019, and the vice president of Guangdong Higher Vocational Education Teaching Quality Assurance Work Directing Committee* (廣東省高職教育教學質量保證工作指導委員會) from July 2015 to June 2019. He has been a council member (理事) of the 7th council of China Association of Higher Education (中國高等教育學會第七屆理事會) since July 2017.

Mr. Lao was awarded Guangdong Nanyue Educational Rising Star* (廣東省南粵教壇新秀) by Working Committee for Institution of Higher Education of CPC Guangdong Provincial Committee* (中共廣東省委高等學校工作委員會), Education Department of Guangdong Province and four other Guangdong provincial agencies and associations in September 1998, Important Contribution Award for Strategic Research Work (戰略研究工作重要貢獻獎) for National Mid-and Long-term Science and Technology Development Plan* (國家中長期科學和技術發展規劃) (2006-2020) by Office of Leading Group for National Med — and Long-Term Scientific and Technical Development Plan* (國家中長期科學和技術發展規劃領導小組辦公室) in July 2004, and the Outstanding Communist Party Member of Guangdong Education System (廣東省教育系統優秀共產黨員) by Education Working Committee of the CPC Guangdong Provincial Committee* (中共廣東省委教育工委) in July 2011.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Yang Yang (楊泱) (“Ms. Yang”), aged 52, was appointed as an independent non-executive Director on 29 August 2025. Ms. Yang is responsible for providing independent opinion and judgment to our Board.

Ms. Yang completed her studies in financial accounting in Wuhan University of Technology* (武漢理工大學) in 1995. She later obtained a bachelor’s degree in financial accounting in 2002 and a master’s degree in professional accounting in 2009 from Jinan University* (暨南大學). She has been accredited as a senior accountant (高級會計師).

Currently, Ms. Yang has been serving as the finance director of Gaojin Fuheng Group Co., Ltd.* (高金富恒集團有限公司) since November 2016. Previously, Ms. Yang served as the audit manager in the audit and supervision department of COSCO SHIPPING Specialized Carriers Co., Ltd.* (中遠海運特種運輸股份有限公司) (stock code: SH.600428) (“CSSC”) from November 2011 to August 2015. She also had held roles in companies under CSSC, including her tenure as the finance director of Guangzhou Ocean Construction Industrial Company* (廣州遠洋建設實業公司) from June 2008 to October 2011, the finance director of Guangzhou Ocean Hotel Co., Ltd.* (廣州遠洋賓館股份有限公司) and Guangzhou Ocean Hotel Management Co., Ltd.* (廣州遠洋賓館酒店管理有限公司) from November 2003 to May 2008, and head of finance of Guangzhou Golden Bridge College for Managerial Personnel* (廣州金橋管理幹部學院) and Guangdong Mariners’ School* (廣東海員學校) from March 1997 to October 2003.

Mr. Yeh Zhe-Wei (葉哲瑋) (“Mr. Yeh”), formerly known as Mr. Yeh Shih-Yin (葉士穎), aged 60, was appointed as an independent non-executive Director on 18 November 2020. Mr. Yeh is responsible for providing independent opinion and judgment to our Board.

Mr. Yeh has over 35 years of experience in law, investment and business administration. Mr. Yeh currently is a deputy director of Guang-Fu International Law Office (廣福國際法律事務所). He served as the chief investment officer of Trinity Financial Services Inc. (currently known as Metro Direction Financial Inc.) from March 1999 to April 2004, and the chief investment officer of Central Reinsurance Corporation (中央再保險股份有限公司) (TPE: 2851) from May 2004 to July 2012. From August 2006 to July 2007, he took the role of adjunct lecturer, teaching courses of securities trading law in Chinese Culture University (中國文化大學).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeh obtained HKSI Institute Practicing Certificate (Corporate Finance) and HKSI Institute Practicing Certificate (Asset Management) in August 2019, and HKSI Institute Practicing Certificate (Securities) and HKSI Institute Specialist Certificate (Asset Management) in November 2019, all granted by Hong Kong Securities and Investment Institute. Mr. Yeh graduated from Chinese Culture University (中國文化大學) in Taipei, Taiwan, with a bachelor's degree in law in June 1987 and with a master's degree in law in June 1991, and from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017.

Mr. Yeh was appointed as the supervisor of the Taiwan Alumni Chapter of National University of Singapore Business School in December 2018.

Mr. Ma Shuchao (馬樹超) ("Mr. Ma"), aged 72, was appointed as an independent non-executive Director on 18 November 2020. Mr. Ma is responsible for providing independent opinion and judgment to our Board.

Mr. Ma has over 20 years of experience in education. He was appointed as the deputy director (副所長) of Institute of Intellectual Development* (智力開發研究所) of Shanghai Academy of Educational Sciences (上海教育科學研究院) in May 1996, and was appointed as the consultant (調研員) of Research Office of Shanghai Municipal People's Government (上海市人民政府研究室) in July 1997.

Mr. Ma graduated from Nanjing Institute of Meteorology* (南京氣象學院, currently known as Nanjing University of Information Science and Technology (南京信息工程大學)) in Nanjing, Jiangsu Province, the PRC, with a Bachelor of Science in synoptic dynamics in November 1982. He attended class for advanced studies in administration and management of institution of higher education in East China Normal University (華東師範大學) in Shanghai, the PRC, and completed the study with a certificate in June 1986. He also studied in graduate class for higher education administration and management in Beijing Normal University (北京師範大學) in Beijing, the PRC, and graduated with a diploma in July 1989.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma has presided over compilation and publication of the Annual Report on the Quality of Higher Vocational Education in China (中國高等職業教育質量年度報告) for eight years since 2012. Mr. Ma served as the vice president of The Chinese Society of Vocational and Technical Education (中國職業技術教育學會) from February 2013 to June 2020 and has been a member of its Academic Committee since December 2019. Mr. Ma was a member of Shanghai Education Comprehensive Reform Expert Advisory Committee* (上海市教育綜合改革專家諮詢委員會) from December 2015 to December 2016. He has served as the chief expert of the project of “Evaluation of the Ability of National Higher Vocational Institutions on Adapting to Social Needs” (全國高等職業院校適應社會需求能力評估) and the project of “Evaluation of the Ability of National Secondary Vocational Schools on Education Capacity” (全國中等職業學校辦學能力評估) entrusted by the Office of the Education Supervision Committee of the State Council* (國務院教育督導委員會辦公室) since 2016. He has also been an expert committee member of National Teaching Materials Committee* (國家教材委員會) since July 2017, a member of the 4th Academic Committee of China Association of Higher Education (中國高等教育學會學術委員會) since October 2017, a consultant of National Joint Convention of Presidents of Higher Vocational Institutions* (全國高職高專校長聯席會議) since December 2018, the president of Shanghai Vocational Education Association* (上海市職業教育協會) since June 2019.

Mr. Ma was awarded the Advanced Individual in National Vocational Education granted jointly by the MOE, National Development and Reform Commission (國家發展和改革委員會), the MOF and four other state departments and agencies in November 2005, the special government allowances (政府特殊津貼) by the State Council in February 2013, and the National Excellent Educator (全國優秀教育工作者) by the MOE in 2014.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ms. He Huifen (賀惠芬), aged 58, is our chief executive officer. Please see the paragraph headed “Executive Directors” above for details of her biography.

Mr. Hu Zhenhua (胡振華) (“Mr. Hu”), aged 50, was appointed as the chief financial officer of our Company on 28 August 2024. Mr. Hu served as the director of Group financial assets center, Group chief financial officer and vice president of Lingnan Education from August 2012 to March 2020. Mr. Hu re-joined the Group in February 2023 as the vice president of Lingnan Education and has been responsible for overseeing and managing the accounting and financial work related to the daily operations of the Group. Mr. Hu has 26 years of experience in financial management. Prior to joining the Group, Mr. Hu served as the chief financial officer and other senior management positions in several companies in China. Mr. Hu graduated from Jinan University with a bachelor’s degree in accounting in 2001 and obtained an Executive Master of Business Administration degree (EMBA) from Sun Yat-Sen University in 2020. Mr. Hu obtained the title of senior accountant in 2014.

Company Secretary

Ms. Suen Ka Yan (孫嘉恩) (“Ms. Suen”) was appointed as the company secretary of our Company on 19 June 2024. Ms. Suen is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over 9 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Suen is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Save as disclosed above, none of the Directors and senior management of the Company holds any position with the Company or any other member of the Group, nor has held any directorships in other listed public companies in the past three years, nor has any major appointments and professional qualifications.

Save as disclosed above, none of the Directors and senior management of the Company has any relationship with any other Directors, senior management, substantial shareholders (as defined under the Listing Rules) or Controlling Shareholders of the Company.

Save as disclosed above, there is no other matter in relation to the Directors and senior management of the Company that needs to be brought to the attention of the Shareholders.

In this report, the English translation of company or entity names in Chinese which are marked with “” is for identification purpose only.*

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in providing private higher vocational education in the PRC. Details of the principal activities of the Group's subsidiaries are set out in note 1 to the consolidated financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Group as at 31 December 2025 are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 107 of this report.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

A review of the business of the Company and a discussion and analysis of the Company's performance during the Reporting Period, the material factors underlying its results and financial position and analysis using the Company's financial key performance indicators for the Reporting Period are provided in the "Management Discussion and Analysis" on pages 11 to 24 of this report. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in note 36 to the consolidated financial statements. The future development of the Company's business is discussed throughout this report including in the "Chairman's Statement" on pages 7 to 10 and "Management Discussion and Analysis" on pages 11 to 24 of this report. The Board recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the Group's compliance to the prevailing environmental protection laws and regulations. Additional details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the "Environmental Protection" of this Report of the Directors on page 73. Compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "Compliance with Laws and Regulations" of this Report of the Directors. The Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the Company's success depends are provided in the "Relationship with Employees, Customers and Suppliers" of this Report of the Directors.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the Reporting Period and the state of the Company's and the Group's affairs as 31 December 2025 are set out in the consolidated financial statements on pages 107 to 218 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company for the Reporting Period are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company has distributable reserves of approximately RMB207.0 million in total available for distribution.

DIVIDENDS AND DIVIDEND POLICY

An interim dividend of HK2.0 cents per share was paid to the Shareholders during the year ended 31 December 2025. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (31 December 2024: HK1.3 cents).

The Board has adopted a dividend policy. The Company do not have any pre-determined dividend payout ratio. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends: financial results; cash flow situation; business conditions and strategies; future operations and earnings; capital requirements and expenditure plans; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant.

There is no arrangement that a shareholder has waived or agreed to waive any dividend.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years ended 31 December is set out on page 6 of this report.

CHARITABLE DONATIONS

The Company made a donation of approximately RMB2.5 million to various charity projects or organisations for the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Reporting Period are set out in note 13 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2025 are set out in note 24 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2025 and up to the latest practicable date prior to the issue of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

DIRECTORS

The Directors during the Reporting Period and as of the date of this report were:

Executive Directors

Mr. He Huishan (*Chairman*)

Ms. He Huifen (*Chief Executive Officer*)

Mr. Lao Hansheng

Independent Non-executive Directors

Mr. Luo Pan (*resigned with effect from 29 August 2025*)

Ms. Yang Yang (*appointed with effect from 29 August 2025*)

Mr. Yeh Zhe-Wei

Mr. Ma Shuchao

In accordance with article 83(3) of the Articles of Association, Ms. Yang Yang shall hold office until the first annual general meeting of the Company after her appointment on 29 August 2025 and shall then be eligible for re-election. In accordance with article 84 of the Articles of Association, Mr. He Huishan and Mr. Ma Shuchao will retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr. He Huishan and Mr. Ma Shuchao, being eligible, offers themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 25 to 35 of this report.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than as disclosed in this annual report or note 8 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as at 31 December 2025 or at any time during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years with effect from the listing of the Company on the Stock Exchange (i.e. 13 July 2021, the "Listing Date") and shall be automatically renewed for another three years unless terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year with effect from the Listing Date and shall be automatically renewed for another one year unless terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association. None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company (the "AGM") has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Ms. Yang Yang, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, the annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent during the Reporting Period and remain so as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARE, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long Position in the Shares of the Company

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company as at 31 December 2025 ⁽¹⁾
Mr. He Huishan	Interest in a controlled corporation ⁽²⁾⁽³⁾	677,000,000	Long	50.75%
Ms. He Huifen	Interest in a controlled corporation ⁽⁴⁾	247,000,000	Long	18.52%

Notes:

- (1) Based on the number of issued shares of the Company (the “Shares”) as at 31 December 2025, being 1,334,000,000 Shares.
- (2) Zhihui Guang Limited (“Zhihui Guang”) is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Mr. He Huishan is therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.
- (3) Mr. He Huishan is the sole shareholder of Good Booming Limited (“Good Booming”). Mr. He Huishan is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 107,000,000 Shares.
- (4) Ms. He Huifen is the sole shareholder of China Foreign Education Limited (“China Foreign Education”). Ms. He Huifen is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 247,000,000 Shares.

REPORT OF THE DIRECTORS

Long Position in the Shares of the Associated Companies

Long Position in the Shares of Guangzhou Lingnan Education Group Co., Ltd. (廣州嶺南教育集團有限公司)

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the associated company as at 31 December 2025 ⁽¹⁾
Mr. He Huishan	Beneficial owner	21,000,000	Long	70.00%
Ms. He Huifen	Beneficial owner	9,000,000	Long	30.00%

Note:

- (1) Based on the number of issued shares of Guangzhou Lingnan Education Group Co., Ltd. as at 31 December 2025, being 30,000,000 shares.

Save as disclosed above, as at 31 December 2025, neither the chief executive of the Company nor any of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company as at 31 December 2025 ⁽¹⁾
Zhihui Guang	Beneficial owner ⁽²⁾	570,000,000	Long	42.73%
Good Booming	Beneficial owner ⁽³⁾	107,000,000	Long	8.02%
Ms. Zhou Lanqing	Interest in a controlled corporation ⁽²⁾	570,000,000	Long	42.73%
	Spouse interest ⁽²⁾⁽³⁾	107,000,000	Long	8.02%
China Foreign Education	Beneficial owner ⁽⁴⁾	247,000,000	Long	18.52%
Mr. Han Liqing	Spouse interest ⁽⁴⁾	247,000,000	Long	18.52%
Fangyuan Education	Beneficial owner ⁽⁵⁾	76,000,000	Long	5.70%
Mr. Du Wenyu	Interest in a controlled corporation ⁽⁵⁾	76,000,000	Long	5.70%

Notes:

- (1) Based on the number of issued Shares as at 31 December 2025, being 1,334,000,000 Shares.
- (2) Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.
- (3) Mr. He Huishan is the sole shareholder of Good Booming. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 107,000,000 Shares.
- (4) Ms. He Huifen is the sole shareholder of China Foreign Education. Mr. Han Liqing is the spouse of Ms. He Huifen. Mr. Han Liqing is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 247,000,000 Shares.
- (5) Mr. Du Wenyu is the sole shareholder of Fangyuan International Education Investment Limited ("Fangyuan Education"). Mr. Du Wenyu is therefore deemed to be interested in the Shares held by Fangyuan Education by virtue of the SFO, being 76,000,000 Shares.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2025, the Directors and the chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed herein, the Group did not hold any significant investment nor did the Group carry out any material acquisition or disposal of subsidiaries, associates, joint ventures or affiliated companies during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND INVESTMENTS IN CAPITAL ASSETS

Save as disclosed herein, as at 31 December 2025, the Group did not have any plans for material investments or investments in capital assets.

FUND RAISING AND USE OF PROCEEDS

The Net Proceeds from the global offering of ordinary shares by the Company in 2021, after deducting underwriting commission and other expenses, were approximately HK\$446.0 million. For details of the use of the Net Proceeds and the reasons for the change in use of Net Proceeds and expected timeline, please see the section headed “Change in Use of Net Proceeds from the Company’s Initial Public Offering and Update on Expected Timeline” in this report.

The Company has not conducted any equity fund raising activities during the Reporting Period and up to the date of this report.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

For the year ended 31 December 2025, no convertible securities, options, warrants or similar rights were issued or granted by the Company or any of its subsidiaries or were exercised. As at 31 December 2025, save as disclosed under the section headed “Share Option Scheme” below, no convertible securities, options, warrants or similar rights remained outstanding. Save as disclosed in this report, there has been no issue for cash of equity securities (including sale of treasury shares) by the Company during the year ended 31 December 2025.

DEBENTURES IN ISSUE AND ISSUE OF SHARES

The Company did not have any debentures in issue during the Reporting Period.

As at 31 December 2025, the Company had 1,334,000,000 issued Shares (31 December 2024: 1,334,000,000 issued Shares). No additional Share was issued (including selling treasury shares) during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, as at 31 December 2025 and throughout the Reporting Period, no equity linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director 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 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 purchased appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the Reporting Period and no permitted indemnity provision was in force as at the date of this report.

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was conditionally approved by a written resolution of the Shareholders on 23 June 2021 and adopted by a resolution of the Board on the same day before the effective date of the new Chapter 17 of the Listing Rules (i.e. 1 January 2023). Details of the share option scheme are set out in “Appendix IV – Statutory and General Information” of the prospectus of the Company dated 30 June 2021 (the “Prospectus”).

REPORT OF THE DIRECTORS

The purpose of the Scheme is to give the Eligible Persons (as defined below) an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”);
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;
- (g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and
- (h) any person involved in the business affairs of our Company whom our Board determined to participate in the Share Option Scheme (the person referred above are the “**Eligible Persons**”)*.

REPORT OF THE DIRECTORS

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, representing 133,400,000 Shares. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of our Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

No option may be granted to any participant of the Scheme such that the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

Note:* Pursuant to the amendments to the Listing Rules with effect from 1 January 2023, the Eligible Persons under the Scheme is subject to Rule 17.03A of the Listing Rules.

REPORT OF THE DIRECTORS

An option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board. Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further Options will be granted or offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme. Subject to the terms and conditions as the Board may determine (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised. Participants of the Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the Options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Scheme has a remaining life of approximately five years and three months as at the date of this annual report.

For the period from the date of the adoption of the Scheme to the date of this report, no Options were granted, outstanding, exercised, cancelled or lapsed under the Scheme. Thus, as at the beginning and the end of the year ended 31 December 2025 and the date of this report, the number of Shares issuable under the Scheme was 133,400,000, which represented 10% of the Shares in issue (excluding treasury shares, if any) as at the same date and the weighted average number of the Shares in issue (excluding treasury shares, if any) of the Company. As there had been no grant or exercise of any share options during the Reporting Period, the disclosure requirements under Rules 17.07(1)(d) and 17.07(3) of the Listing Rules regarding the weighted average closing price of the Shares immediately prior to exercise date and the number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the Reporting Period are not applicable.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in subsection headed “Share Option Scheme” above, at no time during the Reporting Period, was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate, nor were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or minor children, nor were such rights exercised by them, nor was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or minor children to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

NON-COMPETE UNDERTAKINGS

The Controlling Shareholders (as defined in the Prospectus) have entered into the Deed of Non-competition (as defined in the Prospectus) on 23 June 2021 in favour of the Company, pursuant to which the Controlling Shareholders have jointly and severally and irrevocably undertaken with the Company (for itself and for the benefit of its subsidiaries) that it or he or she would not, and would procure that its/his/her associates (except any members of the Group) would not, during the restricted period as set out in the Deed of Non-competition, directly or indirectly, either on its/his/her own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time. Details of the Deed of Non-competition are set out in the section headed “Relationship with Controlling Shareholders — Non-competition Undertaking of the Controlling Shareholders” in the Prospectus.

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition during the period from the date of Deed of Non-competition to 31 December 2025. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the Controlling Shareholders during the period from the date of Deed of Non-competition to 31 December 2025.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group’s business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group’s business at any time during the Reporting Period.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in this report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their associates during the Reporting Period.

MATERIAL CONTRACTS

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any material contracts with the Controlling Shareholders or any of its subsidiaries, nor had any material contracts been entered into for the services provided by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS

The Group has entered into certain non-exempt continuing connected transactions. Among the related party transactions disclosed in note 32 to the consolidated financial statements, the following transactions constitute connected transactions or continuing connected transactions for the Company and are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Except as disclosed below, other related party transactions either are connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules or do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Save as disclosed below, the Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following connected transactions and continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

(1) Property Lease Agreement

On 30 September 2024, Lingnan Institute of Technology entered into a property lease agreement (the “2024 Property Lease Agreement”) with Health Valley, pursuant to which Lingnan Institute of Technology leased one property to Health Valley for a term from 1 October 2024 to 31 August 2027.

By entering into the 2024 Property Lease Agreement, the Group is able to continue to lease the said property to Health Valley to earn rental income without the need to reidentify proper lessees or change the relevant logistics arrangements.

The particulars of the 2024 Property Lease Agreement are summarised below.

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)
1.	30 September 2024	Lingnan Institute of Technology	Health Valley	From 1 October 2024 to 31 August 2027 ⁽²⁾	Dormitory A, No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC, with the total gross floor area of approximately 14,287 sq.m., used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business.	The rent of the property shall be RMB42.12/sq.m. per month from 1 October 2024 to 31 August 2027, and the monthly rent shall not exceed RMB601,768.44 (tax inclusive). Health Valley shall pay the rental on a biannual basis ⁽¹⁾ .

Notes:

- (1) The lessee shall be responsible for the cost of water and electricity incurred on the premises. The lessee shall pay to the lessor the corresponding water and electricity charges incurred on a monthly basis upon receipt of the water and electricity bill provided by the lessor to reimburse the lessor for the corresponding amount paid or payable by it. The monthly rental rates of the leased properties were determined after arm's length negotiation between the parties and with reference to (i) the historical transaction amounts and monthly rental rates for the past property lease agreements between the Group and Health Valley; and (ii) the prevailing lease fees for similar properties in the vicinity, market rates and actual property conditions.
- (2) Pursuant to the 2024 Property Lease Agreement, a party shall not terminate the agreement without serving a written notice of three months and obtaining the consent of the other party. Upon expiry of the 2024 Property Lease Agreement, if the parties intend to continue the lease arrangement in respect of the property concerned, they shall enter into a new governing agreement.

REPORT OF THE DIRECTORS

For more details of the 2024 Property Lease Agreement, please refer to the announcement of the Company dated 30 September 2024.

The annual cap for the transactions contemplated under the 2024 Property Lease Agreement for the year ended 31 December 2025 is RMB6,877,354. The actual transaction amounts (tax exclusive) in relation to the 2024 Property Lease Agreement for the year ended 31 December 2025 was RMB6,877,354.

(i) Information on the Parties

The Group and Lingnan Institute of Technology

The Group is a private formal vocational education service provider in the PRC. Lingnan Education is a limited liability company established under the laws of the PRC, which is principally engaged in vocational skills training and business management consulting services.

Lingnan Institute of Technology is a private education institution registered under the laws of the PRC, which primarily offers junior college program.

Health Valley

Health Valley is a limited liability company established under the laws of the PRC, which is principally engaged in elderly care and nursing business. It is owned as to 80% by Mr. He Huishan (one of the Controlling Shareholders, the chairman of the Board and an executive Director) and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company.

(ii) Reasons For and Benefits of the 2024 Property Lease Agreement

Having considered (i) the Group's good relationship with Health Valley; (ii) the rental income to be received by the Group; the prevailing lease fees for similar properties in the vicinity, market rates and actual property conditions; the Directors (including the independent non-executive Directors, save for Mr. He Huishan and Ms. He Huifen) consider that (a) the terms of the 2024 Property Lease Agreement are fair and reasonable; (b) the entering into of the 2024 Property Lease Agreement is in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (c) the annual caps for the transactions contemplated under the 2024 Property Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. He Huishan is materially interested in the 2024 Property Lease Agreement and the transactions contemplated thereunder, he abstained from voting on the relevant Board resolutions in respect of the 2024 Property Lease Agreement and the transactions contemplated thereunder. Ms. He Huifen, an executive Director and sister of Mr. He Huishan, also abstained from voting on the relevant Board resolutions in respect of the 2024 Property Lease Agreement and the transactions contemplated thereunder as she is an associate of Mr. He Huishan.

(iii) Listing Rules Implications

As at the date of the 2024 Property Lease Agreement, Health Valley was owned as to 80% by Mr. He Huishan (one of the Controlling Shareholders, the chairman of the Board and an executive Director) and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company. Accordingly, the transactions contemplated under the 2024 Property Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the maximum annual cap amount payable to the Group, one or more of the applicable percentage ratio(s) (other than the profits ratio) for the 2024 Property Lease Agreement will be more than 0.1% but less than 5%. Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the transactions under the 2024 Property Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

(2) Contractual Arrangements

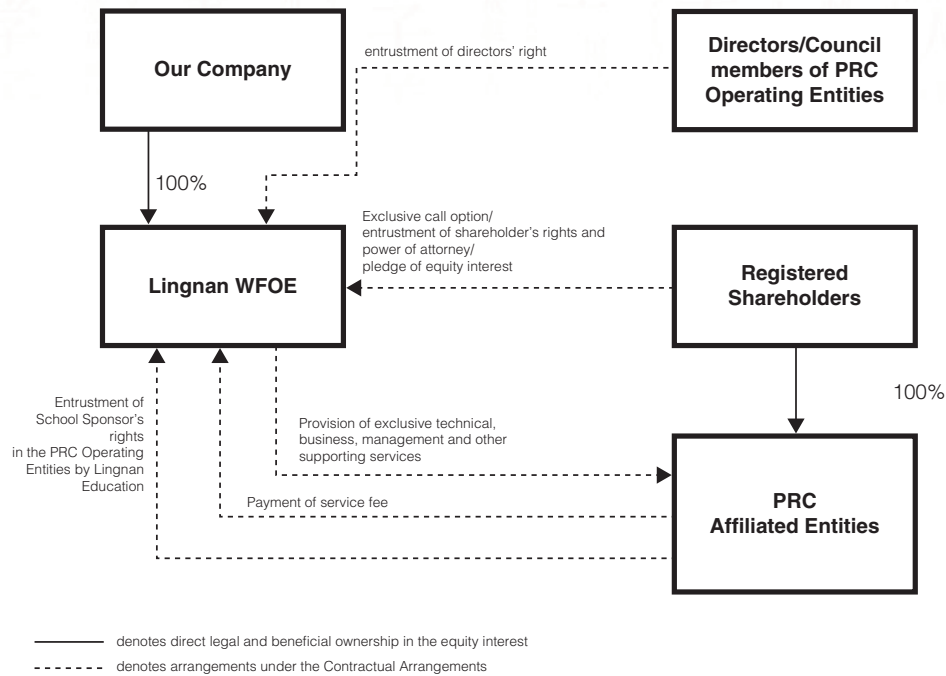
(I) Background and overview

The Group currently conducts its education business through its PRC Affiliated Entities (as defined below) in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations and regulatory practice currently restrict the operation of higher education institutions to Sino-foreign cooperation, in addition to imposing qualification requirements on the foreign owners. The Company does not hold any equity interest in our PRC Affiliated Entities. The contractual arrangements (the “**Contractual Arrangements**”), through which the Company obtains control over and derive the economic benefits from the PRC Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. The Group had entered into the Contractual Arrangements for the existing PRC Affiliated Entities and expect to enter into contractual arrangements for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Contractual Arrangements in all material aspects.

Due to regulatory restrictions on foreign ownership in Lingnan Institute of Technology and Lingnan Modern Technician College (together, the “**PRC Operating Entities**”) in the PRC, Lingnan WFOE, the PRC Affiliated Entities (defined as the PRC Operating Entities and the School Sponsor), the registered shareholders of the PRC Affiliated Entities (the “**Registered Shareholders**”) and directors of the Group’s schools have entered into the Contractual Arrangements such that the Group can conduct its business operations indirectly in the PRC through its PRC Affiliated Entities while minimizing the potential conflict with applicable PRC law and regulations. The Contractual Arrangements, as a whole, are designed to provide the Group with effective control over its PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of its PRC Affiliated Entities after the listing of the Company (the “**Listing**”) through Lingnan WFOE. The Group operates its education business through its PRC Affiliated Entities, which are ultimately beneficially owned as to 70% by Mr. He Huishan and 30% by Ms. He Huifen, each an executive Director and a Controlling Shareholder of the Company. The Company does not hold any direct equity interest in its PRC Affiliated Entities. As a result, the Contractual Arrangements were entered into on 21 November 2020 pursuant to which all material business activities of the PRC Affiliated Entities are instructed and supervised by the Group, through Lingnan WFOE, and all economic benefits arising from such business of the PRC Affiliated Entities are transferred to the Group to the extent permitted under the PRC laws and regulations by means of service fees payable by the PRC Affiliated Entities to Lingnan WFOE. Registered Shareholders are also parties to certain agreements which constitute the Contractual Arrangements to ensure that the Registered Shareholders’ rights as shareholders of Lingnan Education are actually controlled by Lingnan WFOE.

REPORT OF THE DIRECTORS

The following simplified diagram illustrates the flow of economic benefits from the PRC Affiliated Entities to the Group stipulated under the Contractual Arrangements.



The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney and the Spouse Undertakings (all defined as below), each of which is an integral part of the Contractual Arrangements.

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The table below sets forth the connected persons of the Company involved in the Contractual Arrangements and the nature of their connection with the Group. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. He Huishan	Mr. He Huishan is a Director, the chairman of the Board and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifen	Ms. He Huifen is a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifang*	Ms. He Huifang was a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Note:

* Deceased.

The independent non-executive Directors have reviewed the Contractual Arrangements for the Reporting Period and confirm that for the Reporting Period that (i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by the PRC Affiliated Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the PRC Affiliated Entities to the holders of its School Sponsor's interest which are not otherwise subsequently assigned or transferred to the Group, and (iii) the Contractual Arrangements are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

The Board has reviewed the overall performance of the Contractual Arrangements and believe that the Group complied with the Contractual Arrangements in all material respects during the Reporting Period.

(II) *Summary of the material terms of the Contractual Arrangements*

The material terms of the Contractual Arrangements are summarised as follows:

(i) **Business Cooperation Agreement**

Pursuant to the business cooperation agreement (the “**Business Cooperation Agreement**”) entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020, Lingnan WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Affiliated Entities shall make payments accordingly. To ensure the due performance of the Contractual Arrangements, each of the PRC Affiliated Entities agreed to comply with, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure the PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement. In order to prevent the leakage of assets and values of the PRC Affiliated Entities, the Registered Shareholders and the PRC Affiliated Entities have undertaken that, without the prior written consent of Lingnan WFOE or its designated party, the Registered Shareholders and the PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of the PRC Affiliated Entities to perform the obligations under the Contractual Arrangements.

Furthermore, each of Registered Shareholders undertakes to Lingnan WFOE that, unless with the prior written consent of Lingnan WFOE, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of the PRC Affiliated Entities and its subsidiaries (“**Competing Business**”), (ii) use information obtained from any of the PRC Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Lingnan WFOE and/or other entities as designated by the Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements. If Lingnan WFOE does not exercise such option, the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

(ii) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the exclusive technical service and management consultancy agreement (the “**Exclusive Technical Service and Management Consultancy Agreement**”) entered into by and among Lingnan WFOE and the PRC Affiliated Entities dated 21 November 2020, Lingnan WFOE agreed to provide exclusive technical services and management consultancy services to the PRC Affiliated Entities. In consideration of the technical and management consultancy services provided by Lingnan WFOE, each of the PRC Affiliated Entities agreed to pay Lingnan WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, taxes, and other fees to be reserved or deducted as required by the relevant PRC laws and regulations) which shall be determined by Lingnan WFOE with reference to factors including (i) complexity and difficulty of technologies involved in the services provided by Lingnan WFOE; (ii) resources invested and time spent by employees of Lingnan WFOE for the provision of relevant services; (iii) content and commercial value of the services provided; (iv) market price of services provided; and (v) business operation of the PRC Affiliated Entities as the service recipients.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Lingnan WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Lingnan WFOE to the PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Lingnan WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Lingnan WFOE, shall be owned by the PRC Affiliated Entities until permissible under the PRC laws and regulations. The PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Lingnan WFOE in addition to assist with the registration procedures.

Without the written consent of Lingnan WFOE, the PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of the PRC Affiliated Entities. The PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, outside their ordinary course of business without the prior disclosure and written consent of Lingnan WFOE.

(iii) Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020 (the “**Exclusive Call Option Agreement**”), the Registered Shareholders have irrevocably granted Lingnan WFOE or its designated purchaser the right to purchase all or part of the School Sponsor’s direct or indirect interest of the School Sponsor in the PRC Operating Entities and direct or indirect equity interest in the School Sponsor (“**Equity Call Option**”). The purchase price payable by Lingnan WFOE in respect of the transfer of such School Sponsor’s interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Lingnan WFOE or its designated purchaser shall have the right to purchase such proportion of the School Sponsor’s interest in the PRC Operating Entities and/or equity interest in the School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Lingnan WFOE or other foreign-owned entities designated by the Company to directly hold all or part of the School Sponsor’s interest in the PRC Operating Entities and equity interest in the School Sponsor and operate private education business in the PRC, Lingnan WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of School Sponsor’s interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Lingnan WFOE or other foreign-owned entities designated by the Company under PRC laws and regulations.

(iv) School Sponsor’s and Directors’ Rights Entrustment Agreement

Pursuant to the School Sponsor’s and directors’ rights entrustment agreement entered into by and among Lingnan Education, Lingnan WOFE, the PRC Operating Entities and certain directors of the PRC Operating Entities dated 21 November 2020 (the “**School Sponsor’s and Directors’ Rights Entrustment Agreement**”), the School Sponsor has irrevocably authorized and entrusted Lingnan WFOE to exercise all its rights as School Sponsor of the PRC Operating Entities to the extent permitted by PRC laws, and three directors of the PRC Operating Entities (the “**Appointees**”), namely Mr. He Huishan, Ms. He Huifen and late Ms. He Huifang, have irrevocably authorized and entrusted Lingnan WFOE to exercise all their rights as directors of the PRC Operating Entities to the extent permitted by PRC laws.

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In addition, each of the School Sponsor and the Appointees has irrevocably agreed that (i) Lingnan WFOE may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Lingnan WFOE or its designated person, without prior notice to or approval by the School Sponsor and the Appointees; and (ii) any person as successor of civil rights of Lingnan WFOE or liquidator by reason of subdivision, merger, liquidation of Lingnan WFOE or other circumstances shall have authority to replace Lingnan WFOE to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(v) School Sponsor's Powers of Attorney

Pursuant to the school sponsor's powers of attorney (the "**School Sponsor's Powers of Attorney**") executed by School Sponsor in favor of Lingnan WFOE dated 21 November 2020, the School Sponsor authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the PRC Operating Entities.

Lingnan WFOE shall have the right to further delegate the rights so delegated to the sole director of Lingnan WFOE or other designated person. The School Sponsor irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsor's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(vi) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Lingnan WFOE dated 21 November 2020, each of the Appointees authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of the PRC Operating Entities.

Lingnan WFOE shall have the right to further delegate the rights so delegated to the sole director of Lingnan WFOE or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(vii) Shareholders' Rights Entrustment Agreement

Pursuant to the shareholders' rights entrustment agreement (the **"Shareholders' Rights Entrustment Agreement"**) entered into by and among the Registered Shareholders, Lingnan Education and Lingnan WFOE dated 21 November 2020, each of the Registered Shareholders has irrevocably authorized and entrusted Lingnan WFOE to exercise all of his/their respective rights as shareholders of the School Sponsor to the extent permitted by the PRC laws.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) Lingnan WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Lingnan WFOE or its designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of Lingnan WFOE or liquidator by reason of subdivision, merger, liquidation of Lingnan WFOE or other circumstances shall have authority to replace Lingnan WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(viii) Shareholders' Powers of Attorney

Pursuant to the shareholders' powers of attorney (the **"Shareholders' Powers of Attorney"**) executed by each of the Registered Shareholders in favor of Lingnan WFOE dated 21 November 2020, each of the Registered Shareholders authorized and appointed Lingnan WFOE, as agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the School Sponsor.

Lingnan WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders irrevocably agreed that the authorization appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his loss of or restriction on capacity, death or other similar events. The Shareholders' Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

REPORT OF THE DIRECTORS

(ix) Spouse Undertakings

Pursuant to the spouse undertakings (the “**Spouse Undertakings**”) entered into by the respective spouse of each of the Registered Shareholders, the respective spouse of each of the Registered Shareholders has irrevocably undertaken that, among others, (a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by the respective Registered Shareholders, Lingnan WFOE and the PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in the School Sponsor and/or School Sponsor’s interest in the PRC Operating Entities, pledge or transfer the direct or indirect equity interest in the School Sponsor and/or school sponsor’ interest in the PRC Operating Entities, or the disposal of the direct or indirect equity interest in the School Sponsor and/or School Sponsor’ interest in the PRC Operating Entities in any other forms; (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the PRC Affiliated Entities; and (c) the spouse authorizes the respective Registered Shareholder or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse’s direct or indirect equity interest in the School Sponsor and/or School Sponsor’ interest in the PRC Operating Entities in order to safeguard the interest of Lingnan WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(x) Equity Pledge Agreement

Pursuant to the equity pledge agreement (the “**Equity Pledge Agreement**”) entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Lingnan Education, accordingly, together with all related rights thereto to Lingnan WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Lingnan WFOE as a result of any event of default on the part of the Registered Shareholders and the PRC Affiliated Entities and all expenses incurred by Lingnan WFOE as a result of enforcement of the obligations of the Registered Shareholders and the PRC Affiliated Entities under the Contractual Arrangements (the “**Secured Indebtedness**”).

Pursuant to the Equity Pledge Agreement, without the prior written consent of Lingnan WFOE, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Lingnan WFOE. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB30,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

Upon the occurrence of an event of default as described in the agreement, Lingnan WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of ways specified in the agreement.

(III) Business Activities of the PRC Operating Entities

Lingnan Institute of Technology is a private vocational education institution that has two campuses, Guangzhou Campus, and Qingyuan Campus. Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students.

(IV) Significance and Financial Contributions of the PRC Operating Entities to the Group

Pursuant to the Contractual Arrangements, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

	Significances and financial contribution to the Group		
	Revenue	Net Profit	Total Assets
	For the year ended 31 December 2025	For the year ended 31 December 2025	As at 31 December 2025
Significances and financial contribution to the Group	100%	116%	96%

REPORT OF THE DIRECTORS

(V) Revenue and assets involved in Contractual Arrangements

	Revenue RMB'000	Total Assets RMB'000
	For the year ended 31 December 2025	As at 31 December 2025
PRC Operating Entities	791,758	2,630,903

(VI) Regulatory Framework

Pursuant to the Negative List, the provision of higher education in the PRC falls within the “restricted” category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the “Foreign Control Restriction”). Lingnan Institute of Technology had fully complied with the Foreign Control Restriction on the basis that (a) the principals and the chief executive officers of the aforementioned school are all PRC nationals; and (b) all the members of the board of directors or council members of the aforementioned school are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a **“Sino-Foreign Joint Venture Private School”**), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the **“Qualification Requirement I”**). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the **“Foreign Ownership Restriction”**). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino foreign technical school (a **“Sino-Foreign Joint Venture Private Technical School”**) must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the **“Qualification Requirement II”**). If the Group were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

The PRC Legal Advisors confirmed that, according to the applicable PRC laws and regulations, schools with different foreign investment requirements/accessibility are categorized by their education levels (辦學層次), rather than the education programs (課程) they provide. In this regard, Lingnan Institute of Technology is a higher education school and the foreign investment in higher education falls within the “restricted” category pursuant to the Negative List, while Lingnan Modern Technician College is a secondary vocational education school and foreign investment in secondary vocational education falls within the “permitted” category under the Negative List, regardless of the specific education programs these two schools may provide.

As of the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in its adoption of the Contractual Arrangements and the financial results of the PRC Affiliated Entities are combined to those of the Group.

REPORT OF THE DIRECTORS

(VII) Reasons for and Risks Associated with the Contractual Arrangements and the Actions Taken to Mitigate the Risks

(i) Reasons

Please refer to the subsection headed “(II) Summary of the material terms of the Contractual Arrangements” for the reasons for the Contractual Arrangements.

(ii) Risks

The PRC government may find that the Contractual Arrangements do not comply with applicable PRC laws and regulations, which may subject the Group to significant penalties and its business may be materially and adversely affected.

Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of the Group’s current corporate structure, corporate governance and business operations.

The Contractual Arrangements may not be as effective in providing control over the PRC Affiliated Entities as direct ownership.

The Group has implemented measures to ensure that the company seals of the PRC Affiliated Entities are properly secured, are under the full control of the Company and cannot be used by Lingnan Education or the Registered Shareholders without the Company’s permission.

The owners of the PRC Affiliated Entities may have conflicts of interest with the Group, which may materially and adversely affect our business and financial condition.

The Group may not be able to satisfy the Qualification Requirements.

The Group’s exercise of the option to acquire the School Sponsor’s interest in the PRC Operating Entities and equity interest in the School Sponsor may be subject to certain limitations and the Group may incur substantial costs and expend significant resources to enforce the option under the Contractual Arrangements.

The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group’s results of operation and value of the investment in the Shares of the Company.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Group relies on dividends and other payments from Lingnan WFOE to pay the dividends and make other cash distributions to the Shareholders.

The Group's ability to distribute dividends to the Shareholders may be limited under the PRC laws and regulations.

Substantial uncertainties exist regarding the interpretation and application of the decision of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》), which was promulgated on 7 November 2016 and came into force on 1 September 2017, including treatments of the schools in the PRC as non-profit schools or for-profit schools.

If any of the PRC Affiliated Entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which could negatively impact its business and materially and adversely affect its ability to generate revenue.

(iii) Actions taken to mitigate the risks

The Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

In order to mitigate the risks associated with the Contractual Arrangements, the Company has put in place effective internal controls over Lingnan Education and the PRC Operating Entities to safeguard its assets held through the Contractual Arrangements. As a wholly-owned subsidiary of the Company, Lingnan WFOE, is subject to all the internal control process and procedures applicable to the Group.

The operations of PRC Operating Entities are exclusively controlled by Lingnan WFOE through the Contractual Arrangements and the Group has applied its internal control processes and procedures to the PRC Operating Entities. In particular, pursuant to the Contractual Arrangements, (i) Lingnan WFOE has the right to appoint and/or elect directors or council members, supervisors of the PRC Operating Entities; and (ii) without the prior consent of Lingnan WFOE, the PRC Operating Entities are not allowed to dispose of any of their respective assets with a value of RMB5,000,000 or more.

REPORT OF THE DIRECTORS

(VIII) Material Changes

As of the date of this report, there were no material changes in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted.

(IX) Unwinding the Contractual Arrangements

As of the date of this report, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

In the event that PRC laws and regulations allow Lingnan WFOE or the Company to directly hold all or part of the School Sponsor's interest in the PRC Operating Entities and/or all or part of the equity interest in our School Sponsor and operate education business in the PRC, Lingnan WFOE shall exercise the Equity Call Option as soon as practicable and Lingnan WFOE or its designated party shall purchase such amount of equity interest or School Sponsor's interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the Registered Shareholders (directly and indirectly) hold in the School Sponsor and the PRC Operating Entities by Lingnan WFOE or another party designated by the Company pursuant to the terms of the Exclusive Call Option and Equity Interest Entrustment Agreement, each of the Contractual Arrangements shall be automatically terminated. Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Lingnan WFOE will exercise the relevant call option in full to unwind the Contractual Arrangements so that the Company will be able to directly operate the schools without using the Contractual Arrangements.

For details of the above Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

AOGB CPA Limited ("AOGB"), the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedures related to continuing connected transactions, AOGB confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- d. nothing has come to their attention that causes them to believe that continuing connected transactions were entered into, have exceed the cap; and
- e. with respect to the disclosed continuing connected transactions with the PRC Affiliated Entities under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Affiliated Entities to the holders of the equity interests of the PRC Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (iv) the Company has complied with its pricing policies and guidelines and has adopted internal control measures when determining the prices and terms of the transactions conducted during the Reporting Period mentioned above. For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 93 to 95 of this report.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the internal control and risk management systems of the Group, which are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss.

The principal risks related to the Group are set forth as below:

Business Risk

The Group's business risks include: 1) timely upgrade of the Lingnan Institute of Technology from an associate college to a vocational university; 2) uncertainties on student enrollment and teachers hiring; 3) market recognition of the brand and reputation of each of the Group's schools; 4) the level of tuition fees and boarding fees the Group is able to charge and the Group's ability to maintain and raise tuition and boarding fees; and 5) the financial conditions and operating results of private formal vocational education industry. The Board is responsible for the overall management of the business and review of material business decisions involving material risks exposures from time to time.

Financial Risk

The Group adopts financial risk management policies to manage its foreign currency risk, credit risk and liquidity risk. The Board also reviews monthly management accounts, capital structure and key operating data of the Group.

Compliance Risk

The Board adopts procedures to ensure the Company is in compliance with the applicable laws, rules and regulations. The Company engages professional advisors and consultants to keep the Company abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Company also adopts a strict policy in prohibiting any unauthorized use or dissemination of confidential or inside information.

Operational Risk

The Company adopts procedures to manage its operational risk such as inadequate management efficiency, inefficient student enrollment and teacher hiring.

The Board has conducted a review of the effectiveness of the Group's internal control and risk management systems covering business, financial, compliance and operational risks of the Group and is satisfied that such systems are effective and adequate.

EMPLOYEES

As at 31 December 2025, the Group had 2,078 employees. The total amount of remuneration paid or payable to the employees of the Group amounted to approximately RMB297.4 million for the Reporting Period. Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and trainings for advancement and improvement of their skills. The Group has also adopted the Scheme to recognise and reward the contribution of the employees to the growth and development of the Group. The Group also emphasises employee trainings and career development, and invest in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. Please refer to the below sub-section for the Group's remuneration policy for its employees.

REMUNERATION POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The Group also emphasises employee trainings and career development, and invest in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. The remuneration of the Group's employees includes salaries and allowances. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration. Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in notes 8 and 9, respectively, to the consolidated financial statements.

REPORT OF THE DIRECTORS

The Company has adopted the Scheme to motivate and reward its Directors and eligible employees. Details of the Scheme are set out in the paragraph headed “Share Option Scheme” above.

None of the Directors waived or agreed to waive any emoluments throughout the year ended 31 December 2025. None of the Directors received any emolument from the Group as an inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 December 2025. No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities, subsisted at the end of the year or at any time for the year ended 31 December 2025. No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 December 2025. The Company did not provide any consideration to third parties for making available directors’ services for the year ended 31 December 2025.

Pension Scheme

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme managed by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group’s contributions to the central pension scheme vest fully and immediately with the employees. Accordingly, there were no forfeited contributions under the central pension scheme which may be used by the Group to reduce its existing level of contributions during the Reporting Period, and there was no forfeited contribution available as at 31 December 2025.

Details of the pension scheme of the Group are set out in note 2 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the goods and services (as the case may be) provided by the Group to the five largest customers accounted for less than 30% of our revenue. The Group’s customers primarily consist of students. The Group did not have any single customer who accounted for more than 5% of the Group’s revenue.

REPORT OF THE DIRECTORS

During the Reporting Period, the percentage of the major suppliers in the Group's total purchases are as follow:

	Percentage in the Group's total purchases
Largest supplier	13%
Total of the five largest suppliers	33%

The Group's suppliers primarily consist of publishing, furniture production/sales, planting and technology development service suppliers.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital (excluding treasury shares)) had a material interest in our five largest customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term goals. The Group maintains a good relationship with its employees, customers and suppliers. During the Reporting Period, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

ENVIRONMENTAL PROTECTION

The Group is committed to promoting a compliance culture and has adopted policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. The Group aims to improve and optimize its environmental, social and governance ("ESG") strategies to create an efficient and diversified development environment. The Board is collectively responsible for establishing, adopting and reviewing the ESG vision and targets of the Group, identifying key performance indicators ("KPIs") and the relevant measurements and evaluating, determining and addressing its ESG related risks in accordance with Appendix C2 to the Listing Rules. The Directors will be involved in the formulation of the mechanisms and the related policies. The Group will assess and evaluate the ESG related risks and review its existing strategy, targets and internal control measures on an ongoing basis. Where necessary, the Group will implement improvement to mitigate these risks.

REPORT OF THE DIRECTORS

Further details of the Group's policies and performance on environmental protection will be disclosed in the ESG report of the Company for the Reporting Period to be published on 29 April 2026.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the period from 1 January 2025 and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

QUALIFICATION REQUIREMENTS

Please refer to the section headed “Contractual Arrangements — PRC Laws and Regulation relating to Foreign Ownership in the Education Industry — Higher Education and Secondary Vocational Education” of the Prospectus in relation to the Sino-foreign cooperation requirement under the Negative List for the provision of higher education in the PRC where the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group were to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a “**Sino-Foreign Joint Venture Private School**”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the “**Qualification Requirement I**”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino foreign technical school (a “**Sino-Foreign Joint Venture Private Technical School**”) must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the “**Qualification Requirement II**”). If the Group were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

As advised by the Company's PRC legal advisors, there was no update on any implementing measures or specific guidance being promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement I and/or Qualification Requirement II in Guangdong Province during the Reporting Period and up to the date of this report.

Please also refer to the section headed “Contractual Arrangements — PRC Laws and Regulation relating to Foreign Ownership in the Education Industry — Plan to Comply with the Qualification Requirement” in the Prospectus for further details on the Group’s efforts and actions undertaken in previous years to comply with the Qualification Requirement I and/or Qualification Requirement II. Due to the increasingly complicated international environment, particularly the fierce international competition in the education industry of the United States and the China-US tension, our application with the California Bureau for Private Postsecondary Education in establishing the new school in the State of California, the United States has been affected. Upon considering the foregoing, the Group has decided not to continue with such application.

However, the Group is committed to working on the compliance with the Qualification Requirement I and/or Qualification Requirement II. The Group shall continue to explore various possibilities including but not limited to establishing new schools in other overseas regions, acquiring quality overseas education service providers, and expanding the Group’s school network by cooperating with experienced and reputational overseas education service providers. The Company will keep the Shareholders informed should it make any substantial progress in this respect.

FOREIGN INVESTMENT LAW

Please refer to the section headed “Contractual Arrangements — Development In The PRC Legislation On Foreign Investment” of the Prospectus for the background of the Foreign Investment Law (外商投資法實施條例) and the impact and potential consequences of the Foreign Investment Law and its implementation regulations on the Group’s contractual arrangements. As advised by the Company’s PRC legal advisors, neither was there any change on the compliance status of the Group’s contractual arrangements with the Foreign Investment Law as described in the Prospectus, nor was there any update on regulatory development in relation to the Foreign Investment Law since 1 January 2025 and up to the date of this report.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

REPORT OF THE DIRECTORS

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted corporate governance practices based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the “CG Code”) as contained in Appendix C1 to the Listing Rules as its own code of corporate governance practices. During the Reporting Period, the Company has complied with all code provisions in Part 2 of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct governing Directors’ securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code for the Reporting Period.

AUDITOR

The consolidated financial statements of the Group for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 were audited by Ernst & Young. During the Reporting Period, Ernst & Young retired as the external auditor of the Company and AOGB has been appointed as the external auditor of the Company, which was considered and approved at the extraordinary general meeting held on 23 July 2025. For further details, please refer to the announcements of the Company dated 20 May 2025 and 30 June 2025, and the circular of the Company dated 2 July 2025.

Save as disclosed, there were no other change in the Company’s external auditor in the past three years.

The accompanying consolidated financial statements of the Group for the year ended 31 December 2025 had been audited by AOGB CPA Limited. A resolution will be proposed at the AGM to re-appoint AOGB CPA Limited as the external auditor of the Company.

REPORT OF THE DIRECTORS

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) has reviewed, together with the management, the accounting principles and policies adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2025.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) for the Reporting Period. As at 31 December 2025, no treasury shares (as defined in the Listing Rules) were held by the Company.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

For the year ended 31 December 2025, there was no pledge of Shares by the controlling shareholders of the Company.

ADVANCE TO ENTITY

For the year ended 31 December 2025, the Company does not have any advance to entity which is subject to the disclosure under Rule 13.13 and Rule 13.20 of the Listing Rules.

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

For the year ended 31 December 2025, there was no loan agreement of the Company with covenants relating to specific performance of the controlling shareholders of the Company.

BREACH OF LOAN AGREEMENTS

For the year ended 31 December 2025, there was no breach of the loan agreements by the Company in which the loan involved would have a significant impact on the business operations of the Company.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

For the year ended 31 December 2025, there was no financial assistance or guarantee to affiliated companies by the Company which is subject to disclosure requirements under Rule 13.16 and Rule 13.22 of the Listing Rules.

REPORT OF THE DIRECTORS

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE OR FOR INVESTMENT PURPOSES

Save as disclosed in “(1) Property Lease Agreement” under the section headed “Connected Transactions” in this Report of the Directors, the Company did not hold any material properties for development and/or sale or for investment purposes during the Reporting Period. For details of the Group’s investment properties, please refer to “(1) Property Lease Agreement” under the section headed “Connected Transactions” in this Report of the Directors.

QUALIFIED OPINION

As disclosed in the paragraph headed “Qualified Opinion” in the Independent Auditor’s Report, AOGB, being the Company’s auditor, expressed a qualified opinion on the consolidated financial statements of the Group for the Reporting Period.

During the year ended 31 December 2024, Lingnan Institute of Technology, a wholly-owned subsidiary of the Group, entered into labor dispatch agreements and supplemental agreements with two vendors (the “Vendors”), pursuant to which, Lingnan Institute of Technology has settled promotion expenses of RMB12,495,000 with the Vendors during the year ended 31 December 2024 and such expenses have been recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 as selling and distribution expenses. Due to insufficient documentary evidence retained by Lingnan Institute of Technology, AOGB was unable to obtain sufficient appropriate audit evidence as to whether the services were provided by the Vendors when the expenses were settled (the “2024 Audit Issue”). Although the 2024 Audit Issue no longer has any effect on the figures in the consolidated financial statements for the Reporting Period, AOGB’s opinion on the consolidated financial statements of the Group for the Reporting Period is qualified because of the possible effect of the 2024 Audit Issue on the comparability of the Reporting Period’s figures and the corresponding figures for the year ended 31 December 2024. For further details, please refer to the paragraph headed “Basis for Qualified Opinion” in the Independent Auditor’s Report.

The management of the Company understood from AOGB that the audit opinion for the Reporting Period is qualified only to the extent of the comparative information of the corresponding figures for the year ended 31 December 2024. The Company is therefore of the view that such qualified opinion does not concern any major judgmental areas. Other than the comparability of the related financial information mentioned above, in the opinion of AOGB, including that the 2024 Audit Issue no longer has any effect on the current year’s figures in the consolidated financial statements of the Reporting Period. There is no disagreement by the Board or the management of the Company with the position taken by AOGB regarding the qualified opinion.

The Audit Committee had reviewed the basis for the qualified opinion on the Group's audited consolidated financial statements for the Reporting Period. The Audit Committee is in agreement with AOGB on the qualified opinion for the Reporting Period, including that the 2024 Audit Issue no longer has any effect on the current year's figures in the consolidated financial statements for the Reporting Period.

With respect to the 2024 Audit Issue, the Company considers that it has already implemented effective and adequate measures to collect and retain sufficient documentary evidence in proving the delivery of services by vendors according to the relevant contractual terms. For further details, please refer to the annual report of the Company for the year ended 31 December 2024 published on 30 April 2025 and the announcement of the Company dated 8 August 2025.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company did not have any significant events that should be brought to the attention of the Shareholders from the end of the Reporting Period and up to the date of this report.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 28 May 2026. Shareholders should refer to the circular of the Company, the notice of AGM and the form of proxy to be published and provided by the Company for details regarding the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 21 May 2026. The record date for determining the entitlement of the Shareholders to attend and vote at the AGM will be on Thursday, 28 May 2026.

On behalf of the Board

Mr. He Huishan

Chairman

30 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted the principles and code provisions as set out in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules as its own code of corporate governance practices. During the Reporting Period, the Company has complied with all code provisions in Part 2 of the CG Code.

CULTURE OF THE COMPANY

The Group adheres to the philosophy of “All for students, for all students, for students’ all” (一切為了學生、為了一切學生、為了學生一切), which guides our education practice. Our behavior and efforts in nurturing talents and serving the society have changed the society’s view on private education. We insist on the strategy of “diversified school operation, group management and international development” (多元化辦學、集團化管理、國際化發展), which has made a great change in Lingnan’s school operation strength. We are committed to our mission of “empowering students for a better future” (用愛成就億萬學子美好人生) and to becoming a great industrial & educational group that inherits and carries forward the humanistic spirit of Lingnan’s “Aesthetic, Optimistic, Loving, Enlightening” (美、樂、愛、覺), and builds a new pattern of “moral cultivation, industry and education integration, international development” (立德樹人、產教融合、國際發展), and work together to build our “vibrant campus, entrepreneurial paradise, cultural garden, and happy home” (活力的校園、創業的樂園、文化的花園、幸福的家園).

BOARD OF DIRECTORS

The overall management of the Company’s operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group’s operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

As at 31 December 2025 and the date of this annual report, the Board comprises six Directors, consisting of three executive Directors, Mr. He Huishan (the Chairman of the Board), Ms. He Huifen (chief executive officer of the Group) and Mr. Lao Hansheng, and three independent non-executive Directors, Mr. Luo Pan (resigned with effect from 29 August 2025), Ms. Yang Yang (appointed with effect from 29 August 2025), Mr. Yeh Zhe-Wei, and Mr. Ma Shuchao. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors is set out in the section headed “Directors and Senior Management” of this report.

Ms. Yang Yang has obtained legal advice as referred to in Rule 3.09D of the Listing Rules on 27 August 2025 and confirmed she understood her obligations as a director of a listed issuer.

In compliance with code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer are separate and performed by Mr. He Huishan and Ms. He Huifen, respectively.

Mr. He Huishan is the brother of Ms. He Huifen, an executive Director and a Controlling Shareholder and the spouse of Ms. Zhou Lanqing, a Controlling Shareholder. Save as otherwise disclosed in this report, to the best knowledge of the Company, there is no other financial, business, family or other material/relevant relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Corporate Governance Function

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance. The Board’s responsibility in this regard includes:

- (a) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

During the Reporting Period, the Board has reviewed the Company's corporate governance practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the corporate governance report.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. The Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of the Group's business strategy. Pursuant to the Board Diversity Policy, the Group seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Board comprises six members, including three executive Directors and three independent non-executive Directors. The Directors have a balanced mix of knowledge and skills, including knowledge and experiences in the areas of management and strategic development, finance and accounting and legal and compliance in addition to education business. They obtained degrees in various majors including business administration, accounting and law. Furthermore, the Board has a wide range of age, ranging from 52 years old to 72 years old. The Group has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. In particular, two of the Directors are females. After due consideration, the Board believes that based on its existing business model and meritocracy of the Directors, its composition satisfies the principles under the Board Diversity Policy.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Group's nomination committee (the "Nomination Committee") is responsible for ensuring the diversity of the Board. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and the Group will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

Considering that the current Board consists of six Directors where two of them are female with one being an executive Director and the other being an independent non-executive Director, the Board is of the view that gender diversity has been achieved by its current Board composition, therefore it does not set any numerical targets and timelines for achieving further gender diversity on its board, nor do any measures have been adopted to develop a pipeline of potential successors to achieve gender diversity.

The Company also aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at the work force levels (including senior management) are appropriately structured so that a diverse range of candidates are considered. As at 31 December 2025, female staffs accounted for approximately 60.2% of the total work force. The Board therefore considers that gender diversity has been achieved at the work force levels (including senior management), and thus has not set any plans or measurable objectives for achieving gender diversity and there are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

CORPORATE GOVERNANCE REPORT

Board Nomination Policy

One of the primary functions of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Company has adopted a director nomination policy (the “**Director Nomination Policy**”) which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- 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.

Model Code

The Company has also adopted the Model Code set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors’ securities transactions for the period from 1 January 2025 to 31 December 2025.

Independent Non-executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Ms. Yang Yang, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

CORPORATE GOVERNANCE REPORT

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2025.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under the Rules 3.09F and 3.09G of the Listing Rules regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development for the Reporting Period:

Name of Director	Corporate Governance and ESG matters/Updates on Laws, Rules and Regulations/the roles, functions and responsibilities of the board, committees and directors, and board effectiveness		Accounting/Financial/Risk Management and Internal Control/ Industry updates and business trends/ Management or Other Professional Skills	
	Read materials	Attend Seminars/ Briefings	Read materials	Attend Seminars/ Briefings
Executive Directors				
Mr. He Huishan	✓	✓	✓	✓
Ms. He Huifen	✓	✓	✓	✓
Mr. Lao Hansheng	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Luo Pan (resigned with effect from 29 August 2025)	✓	✓	✓	✓
Ms. Yang Yang (appointed with effect from 29 August 2025)	✓	✓	✓	✓
Mr. Yeh Zhe-Wei	✓	✓	✓	✓
Mr. Ma Shuchao	✓	✓	✓	✓

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for the directors' and officers' liabilities including potential legal actions against its Directors, officers and senior management.

Directors' Attendance Records

During the period from 1 January 2025 to 31 December 2025, five Board meetings, an annual general meeting and an extraordinary general meeting were held. The attendance of each Director is set out in the table below:

Name of Director	Attendance/ Number of Board Meeting(s) during the director's tenure	Attendance/ Number of General Meetings during the director's tenure
Executive Directors		
Mr. He Huishan	5/5	2/2
Ms. He Huifen	5/5	2/2
Mr. Lao Hansheng	5/5	2/2
Independent Non-executive Directors		
Mr. Luo Pan (<i>resigned with effect from 29 August 2025</i>)	4/4	2/2
Ms. Yang Yang (<i>appointed with effect from 29 August 2025</i>)	1/1	N/A
Mr. Yeh Zhe-Wei	5/5	2/2
Mr. Ma Shuchao	5/5	2/2

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

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the joint company secretaries/company secretary of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the Articles of Association, as well as relevant rules and regulations.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of Mr. He Huishan, Ms. He Huifen and Mr. Lao Hansheng, being the executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and shall be automatically renewed for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of Mr. Luo Pan (resigned with effect from 29 August 2025), Ms. Yang Yang (appointed with effect from 29 August 2025), Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, being the independent non-executive Directors of the Company, has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date or the appointment date, and shall be automatically renewed for another year thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts and appointment letters are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to article 83(3) of the Articles of Association, Ms. Yang Yang shall retire at the AGM to be held on 28 May 2026. Ms. Yang Yang, being eligible, will offer herself for re-election as Director at the same AGM.

According to article 84 of the Articles of Association and code provision B.2.2 of the CG Code, Mr. He Huishan and Mr. Ma Shuchao shall retire at the AGM to be held on 28 May 2026. Mr. He Huishan and Mr. Ma Shuchao, being eligible, will offer themselves for re-election as Directors at the same AGM.

Board Committees

The Board has established (i) Audit Committee, (ii) Remuneration Committee, and (iii) Nomination Committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.scvedugroup.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this report.

Audit Committee

The Company established an audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 23 June 2021. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditor, and to assist the Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. Their composition and written terms of reference are in line with the CG Code. The Audit Committee comprises of three members, namely, three independent non-executive Directors, Mr. Luo Pan (resigned with effect from 29 August 2025), Ms. Yang Yang (appointed with effect from 29 August 2025), Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, with Ms. Yang Yang being the chairperson of the Audit Committee.

During the Reporting Period, the Audit Committee reviewed the Group's audited annual results for the year ended 31 December 2024 and unaudited interim results for the six months ended 30 June 2025, which the Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditor. In addition, the Audit Committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout for the year ended 31 December 2025. The Audit Committee also made recommendations to the Board on the retirement of Ernst & Young and appointment of AOGB CPA Limited during the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

Since 1 January 2025 to 31 December 2025, three meetings were held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

	Attendance/ Number of Committee Meeting(s) during the director's tenure
Name of Director	
Mr. Luo Pan (<i>resigned with effect from 29 August 2025</i>)	3/3
Ms. Yang Yang (<i>appointed with effect from 29 August 2025</i>)	N/A
Mr. Yeh Zhe-Wei	3/3
Mr. Ma Shuchao	3/3

Remuneration Committee

The Company established a Remuneration Committee on 23 June 2021 with written terms of reference. The primary duties of the Remuneration Committee are to evaluate and make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group as well as their specific remuneration packages, review performance based remuneration, ensure none of the Directors determine their own remuneration, and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. Their composition and written terms of reference are in line with the CG Code. The Remuneration Committee comprises of two independent non-executive Directors, namely, Mr. Yeh Zhe-Wei, Mr. Luo Pan (*resigned with effect from 29 August 2025*) and Ms. Yang Yang (*appointed with effect from 29 August 2025*) and one executive Director, Mr. Lao Hansheng, with Mr. Yeh Zhe-Wei being the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee (i) assessed the performance of the Directors and senior management and (ii) reviewed the Scheme, the remuneration policy and structure of the Company and the remuneration packages of the Directors and the senior management, and made recommendations to the Board in respect of these issues. During the Reporting Period, no material matters relating to share schemes (as defined in Chapter 17 of the Listing Rules) required the Remuneration Committee to review or approve.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

The remuneration of the members of the senior management (including all executive Directors) of the Group by band for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of persons
Nil to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	1

Since 1 January 2025 to 31 December 2025, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s) during the director's tenure
Mr. Yeh Zhe-Wei	1/1
Mr. Luo Pan (<i>resigned with effect from 29 August 2025</i>)	1/1
Ms. Yang Yang (<i>appointed with effect from 29 August 2025</i>)	N/A
Mr. Lao Hansheng	1/1

Nomination Committee

The Company established a Nomination Committee on 23 June 2021 with written terms of reference. The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and to review the Board Diversity Policy. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the CG Code. The Nomination Committee comprises of three independent non-executive Directors, namely, Mr. Yeh Zhe-Wei, Mr. Ma Shuchao (appointed with effect from 30 June 2025), Mr. Luo Pan (resigned with effect from 29 August 2025) and Ms. Yang Yang (appointed with effect from 29 August 2025) and two executive Directors, Mr. He Huishan and Ms. He Huifen (appointed with effect from 30 June 2025), with Mr. He Huishan, being the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee reviewed the structure, size and composition of the Board. The Nomination Committee assessed the independence of independent non-executive directors and assessed each director's time commitment and contribution to the Board.

CORPORATE GOVERNANCE REPORT

Since 1 January 2025 to 31 December 2025, two meetings were held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s) during the director's tenure.
Mr. He Huishan	2/2
Mr. Yeh Zhe-Wei	2/2
Mr. Luo Pan (<i>resigned with effect from 29 August 2025</i>)	2/2
Ms. Yang Yang (<i>appointed with effect from 29 August 2025</i>)	N/A
Ms. He Huifen (<i>appointed with effect from 30 June 2025</i>)	N/A
Mr. Ma Shuchao (<i>appointed with effect from 30 June 2025</i>)	N/A

Company Secretary

Ms. Suen Ka Yan was appointed as the company secretary of the Company on 19 June 2024. Ms. Suen's primary contact person at the Company is Mr. He Huishan, the director of the Company. Ms. Suen's biography details are set out in the section headed "Directors and Senior Management" in this report.

Ms. Suen has been informed of the requirement of the Rule 3.29 of the Listing Rules. Ms. Suen has informed the Company that she took not less than 15 hours of relevant professional training during the Reporting Period. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer (during his term of office) and the finance department, is responsible for the preparation of the consolidated financial statements of the Company and the Group which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for the Reporting Period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of AOGB, the Company's external auditor, on the consolidated financial statements are set out in the section headed "Independent Auditor's Report" in this report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the independent auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 105 to 106 of this report. The external auditor of the Company shall attend the AGM to be held on 28 May 2026 to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence. The remuneration paid or payable to the Company's external auditor in respect of audit services for the year ended 31 December 2025 amounted to approximately RMB1.5 million. For the year ended 31 December 2025, there were no non-audit services provided by the external auditor.

During the Reporting Period, there is no disagreement between the Board and the Audit Committee regarding the selection, appointment or retirement of external auditors.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviews their effectiveness on an ongoing basis. In addition, the Audit Committee assists the Board in reviewing and assessing the Group's risk management and internal control systems. Throughout the period from 1 January 2025 to 31 December 2025, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group.

In order to ensure the effectiveness of our risk management and internal control system, the Company has established various management and control procedures for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objectives. The Company has completed the risk management and internal control procedures with scientific analysis and assessment, to recognise potential risk points. By virtue of such risk management and internal control procedures, the senior management of the Group reviews and evaluates the internal control process, monitors any risk factors on a regular basis, and reports to the Board on any findings and measures taken to address such variances and identified risks. The Board, with the assistance of the senior management of the Company, also conducts regular management meetings and on-site inspections to check and monitor the potential risks associated with the business operation and financial management of the Group.

CORPORATE GOVERNANCE REPORT

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organize the business operation systematically, and to monitor and mitigate possible risks. The Company also distributed staff handbooks which included the compliance requirements to our employees so as to internally require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardized operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout the period from 1 January 2025 to 31 December 2025 and is subject to continuous improvement.

With the assistance of the professional auditor, the Audit Committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control system and the Company's standardized operation and healthy development. In order to comply with the relevant requirements under the CG Code in relation to the corporate risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls.

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

During the Reporting Period, the Company provided inside information training course and self-study materials to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Group continuously monitors the business environment to enhance its systems of internal control and risk management.

The management and the internal audit department have confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the Reporting Period.

During the Reporting Period, the Board, with the assistance of the Audit Committee and management team, has conducted reviews of the risk management and internal control systems of the Company twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal audit and financial reporting functions, and considered them effective and sufficient.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis. shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out above. As regards the procedures for Shareholders to propose a person for election as a director, they are available on the Company's website at www.scvedugroup.com.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong or by email at ir@scvedugroup.com. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

A latest version of the Articles of Association is available on the Company's website and on the Stock Exchange's website.

There had been no significant change in the Company's constitutional documents during the Reporting Period.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.scvedugroup.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be published on the websites of the Stock Exchange and the Company respectively.

To promote effective communication, the Company maintains a website at www.scvedugroup.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

By reviewing the Shareholders' communication channels as explained above, the Board is of view that the Shareholders' communication policy adopted by the Company has been effectively implemented during the Reporting Period.

GOING CONCERN

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT



To the shareholders of South China Vocational Education Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of South China Vocational Education Group Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 107 to 218, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effect of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

During the year ended 31 December 2024, Guangdong Lingnan Institute of Technology (“GLIT”, 廣東嶺南職業技術學院), a wholly-owned subsidiary of the Group, entered into Labor Dispatch Agreements (the “Agreements”) and Supplemental Agreements (the “Supplemental Agreements”) with two vendors (the “Vendors”). Pursuant to the Agreements and Supplemental Agreements, GLIT has settled promotion expenses of RMB12,495,000 with the Vendors during the year ended 31 December 2024 and such expenses have been recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 as selling and distribution expenses.

AOGB CPA Limited, Suite 2501-03, Tesbury Centre, 28 Queen’s Road East, Admiralty, Hong Kong
Tel: 2152-2238, Website: www.aogb.com

BASIS FOR QUALIFIED OPINION *(continued)*

Due to insufficient documentary evidence retained by GLIT to substantiate the services were provided by the Vendors, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the services stipulated in the Agreements and Supplemental Agreements have been provided by the Vendors. There are no alternative procedures that we could perform to satisfy ourselves as to whether the occurrence, accuracy, classification, presentation and related disclosures of such expenses in the consolidated financial statements for the year ended 31 December 2024 were appropriate.

The scope limitation remained unresolved up to date of this report. Although the scope limitation no longer has any effect on the current year's figures in the consolidated financial statements for the year ended 31 December 2025, our opinion on the consolidated financial statements of the Group for the year ended 31 December 2025 is qualified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. 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 qualified 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. In addition to the matters described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Income tax</i>	
As set out in note 10 to the consolidated financial statements, pursuant to the 2016 Decision (as defined in note 10 to the consolidated financial statements), private schools are no longer classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. Pursuant to the 2016 Decision and the 2021 Implementation Rules (as defined in note 10 to the consolidated financial statements), a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.	We performed the following procedures: - discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the PRC Schools for the current year; - evaluated management's assessment on the application of preferential tax or applicable tax rate to the PRC Schools; - discussed with the Group's external PRC legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax on the PRC Schools;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Income tax (continued)</i>	
As at 31 December 2025, the Group's schools in the People's Republic of China (the "PRC Schools") have not yet registered as for-profit private schools or non-profit private schools and remained as private non-enterprise units. During the year ended 31 December 2024, considering that the relevant tax policies remain unchanged and no further new and specific tax implementation regulations were announced, if the school nature has not yet been changed, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the prior years, the Directors determined the PRC Schools' academic education income was non-taxable income and enjoyed the preferential tax treatments for the period from 1 January 2020 to 31 December 2024. As such, no provision for corporate income tax ("CIT") was made for the relevant academic education income for the period from 1 January 2020 to 31 December 2024.	- obtained the Group's external PRC legal advisor's comments on the tax obligations applicable to the PRC Schools, in particular, whether or not the PRC Schools were required by their respective tax authorities to pay income tax, whether the PRC Schools were in compliance with the applicable laws and regulations in China and the uncertainty in respect of the current tax treatment; - examined the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained, where appropriate; - assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have an impact on the tax position of the PRC Schools; - involved our tax experts to assist us in analysing the preferential tax treatments enjoyed by the PRC Schools and assessing the adequacy of tax provisions; and - evaluated the adequacy of the Group's disclosures regarding income tax.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<i>Income tax (continued)</i>	
During the year ended 31 December 2025 and up to the date of approval of these consolidated financial statements, series of tax re-assessments were initiated by the local tax authority in relation to the vocational education industry. During this re-assessment process, the local tax authority requires the PRC Schools to treat their academic education income as taxable for the period from 1 January 2020 to 31 December 2024. Given these new facts and circumstances, a prior years' under-provision of CIT amounting to RMB103,833,000 was recognised in profit or loss for the year ended 31 December 2025. In addition, a late payment surcharge on CIT of approximately RMB58,623,000 was charged and included in "Other expenses". Based on the local practice imposed by the local tax authority, the Group also made a CIT provision for the PRC School's academic education income for the year ended 31 December 2025. Given the significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatments applicable to the PRC Schools, we considered this as a key audit matter. Relevant disclosures are included in notes 3 and 10 to the consolidated financial statements.	

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Revenue recognition</i>	
Revenue mainly comprises the tuition fees and boarding fees from students, and these fees are collected through the official payment channels at the beginning of each academic year. Students' identities and the applicable programs are registered with the relevant education authorities. Tuition and boarding fees are calculated by reference to the number of students and the annual fee of the applicable program for the academic year, and are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding fees received from students but not yet earned is recorded as contract liabilities. Given the significant amount and volume of transactions and the risk of overstatement of revenue, we considered this as a key audit matter. The accounting policy for revenue recognition and disclosures of the amount of revenue are included in notes 2.4 and 5 to the consolidated financial statements.	We performed the following procedures: - gained an understanding of the basis of revenue recognition and the overall process of transactions relating to revenue and evaluated the design and implementation of the controls applied by the Group over the collection of tuition and boarding fees; - performed analytical review to evaluate the revenue recognised regarding the tuition fees and boarding fees; - on a sampling basis, examined the relevant supporting documentation of tuition and boarding fees including students' registration forms, payment records, official student records registered with the relevant PRC education authorities; - checked the payment records of tuition fees and boarding fees received through third-party payment platforms and checked them against bank records; - re-calculated the amount of revenue and contract liabilities recognised during the year; and - checked the number of newly enrolled students during the year and the total number of students at the year end to the records registered with the relevant PRC education authorities.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed a qualified opinion due to limitation of scope on the promotion expenses on those statements on 31 March 2025.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Chun Shing.

AOGB CPA Limited
HO Chun Shing
Certified Public Accountants (Practising)
Practising Certificate Number P07257
Hong Kong

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
REVENUE	5	791,758	683,617
Cost of sales		<u>(563,569)</u>	<u>(493,682)</u>
Gross profit		228,189	189,935
Other income and gains	5	76,382	71,628
Selling and distribution expenses		(31,379)	(42,571)
Administrative expenses		(82,896)	(87,532)
Other expenses		(99,423)	(34,789)
Finance costs	7	<u>(9,411)</u>	<u>(11,812)</u>
PROFIT BEFORE TAX	6	81,462	84,859
Income tax (expense)/credit	10	<u>(140,908)</u>	<u>6,033</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>(59,446)</u></u>	<u><u>90,892</u></u>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(1,604)</u>	<u>248</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		<u>(1,604)</u>	<u>248</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(1,604)</u>	<u>248</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(61,050)</u></u>	<u><u>91,140</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
(Loss)/profit attributable to:			
Owners of the parent		(59,618)	90,892
Non-controlling interests		<u>172</u>	<u>—</u>
		<u>(59,446)</u>	<u>90,892</u>
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(61,222)	91,140
Non-controlling interests		<u>172</u>	<u>—</u>
		<u>(61,050)</u>	<u>91,140</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
— For (loss)/profit for the year		<u>RMB(0.04)</u>	<u>RMB0.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2025

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,823,472	1,648,359
Investment properties	14	45,979	47,909
Right-of-use assets	15(a)	386,634	362,105
Goodwill	16	3,052	3,052
Other intangible assets	17	14,246	10,771
Contract costs	18	10,677	9,055
Prepayments, other receivables and other assets	20	18,456	15,346
Deferred tax assets	25	12,426	12,843
Total non-current assets		2,314,942	2,109,440
CURRENT ASSETS			
Prepayments, other receivables and other assets	20	17,644	13,315
Accounts receivable	21	8,129	9,254
Amounts due from related parties	32(c)	1,961	891
Contract costs	18	11,930	10,641
Financial assets at fair value through profit or loss	19	—	30
Cash and cash equivalents	22	479,592	279,190
Time deposits	22	80,000	85,000
Restricted bank deposits	22	—	22,888
Total current assets		599,256	421,209
CURRENT LIABILITIES			
Contract liabilities	5	321,462	293,790
Other payables and accruals	23	275,718	194,671
Interest-bearing bank and other borrowings	24	103,572	63,079
Lease liabilities	15(b)	23,604	24,632
Tax payable		146,627	15,629
Amount due to a related party	32(c)	557	1,658
Deferred income	26	3,529	5,072
Total current liabilities		875,069	598,531
NET CURRENT LIABILITIES		(275,813)	(177,322)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,039,129	1,932,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 DECEMBER 2025

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,039,129</u>	<u>1,932,118</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	274,423	118,140
Lease liabilities	15(b)	117,999	78,626
Deferred tax liabilities	25	7,722	—
Deferred income	26	<u>82,930</u>	<u>77,923</u>
Total non-current liabilities		<u>483,074</u>	<u>274,689</u>
Net assets		<u>1,556,055</u>	<u>1,657,429</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	11,124	11,124
Reserves	28	<u>1,544,450</u>	<u>1,645,996</u>
		1,555,574	1,657,120
Non-controlling interests		<u>481</u>	<u>309</u>
Total equity		<u>1,556,055</u>	<u>1,657,429</u>

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He Huishan
Director

.....
He Huifen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

Attributable to owners of the parent

	Share capital	Capital reserve – share premium	Capital reserve – others	Statutory and other surplus reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 27	Note 28(a)	Note 28(b)	Note 28(c)					
At 31 December 2023	11,124	346,895	5,593	273,335	(481)	1,014,378	1,650,844	309	1,651,153
Profit for the year	—	—	—	—	—	90,892	90,892	—	90,892
Other comprehensive income for the year:									
Exchange differences on translation of financial statements	—	—	—	—	248	—	248	—	248
Total comprehensive income for the year	—	—	—	—	248	90,892	91,140	—	91,140
Transfer from retained profits	—	—	—	10,945	—	(10,945)	—	—	—
Final 2023 dividend declared	—	(58,076)	—	—	—	—	(58,076)	—	(58,076)
Interim 2024 dividend	—	(26,788)	—	—	—	—	(26,788)	—	(26,788)
At 31 December 2024	<u>11,124</u>	<u>262,031*</u>	<u>5,593*</u>	<u>284,280*</u>	<u>(233)*</u>	<u>1,094,325*</u>	<u>1,657,120</u>	<u>309</u>	<u>1,657,429</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the parent							
	Share capital	Capital reserve — share premium	Capital reserve — others	Statutory and other surplus reserves	Exchange fluctuation reserve	Retained profits	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 27	Note 28(a)	Note 28(b)	Note 28(c)				
At 31 December 2024	11,124	262,031*	5,593*	284,280*	(233)*	1,094,325*	1,657,120	309
Loss for the year	—	—	—	—	—	(59,618)	(59,618)	172
Other comprehensive loss for the year:								
Exchange differences on translation of financial statements	—	—	—	—	(1,604)	—	(1,604)	—
Total comprehensive (loss)/ income for the year	—	—	—	—	(1,604)	(59,618)	(61,222)	172
Transfer from retained profits	—	—	—	1,340	—	(1,340)	—	—
Final 2024 dividend declared	—	(16,004)	—	—	—	—	(16,004)	—
Interim 2025 dividend	—	(24,320)	—	—	—	—	(24,320)	—
At 31 December 2025	11,124	221,707*	5,593*	285,620*	(1,837)*	1,033,367*	1,555,574	481

* These reserve accounts comprise the consolidated reserves of RMB1,544,450,000 (2024: RMB1,645,996,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		81,462	84,859
Adjustments for:			
Finance costs	7	9,411	11,812
Bank interest income	5	(3,638)	(3,252)
Loan interest income	5	—	(434)
Fair value gain, net:			
Financial assets at fair value through profit or loss	5	—	(782)
Government grants released	5	(5,793)	(7,223)
Exchange loss, net	6	247	2,184
Loss on disposal of items of property, plant and equipment, net	6	259	7
Gain on disposal of right-of-use assets	6	(1,793)	—
Provision for expected credit losses on accounts receivable	6	—	636
Depreciation of property, plant and equipment	6	84,082	70,273
Depreciation of investment properties	6	1,930	1,930
Depreciation of right-of-use assets	6	32,258	32,746
Amortisation of other intangible assets	6	3,440	2,633
		201,865	195,389
Decrease/(increase) in accounts receivable		1,125	(4,872)
Increase in prepayments, other receivables and other assets		(39,463)	(1,792)
Increase in contract costs		(2,911)	(1,347)
Release/(placement) of restricted bank deposits		22,888	(5,816)
(Increase)/decrease in the operating portion of amounts due from related parties		(1,070)	15,199
Increase in other payables and accruals		55,747	22,999
(Decrease)/increase in amount due to a related party		(1,101)	1,658
Increase in contract liabilities		27,672	59,673
Increase in deferred income		9,257	2,496
		274,009	283,587
Cash generated from operations			
Bank interest received		1,848	3,252
Mainland China corporate income tax paid		(1,765)	(1,500)
		274,092	285,339
Net cash flows from operating activities			

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Net cash flows from operating activities		<u>274,092</u>	<u>285,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in the investing portion of prepayments, other receivables and other assets		—	13,000
Interest received		1,790	2,503
Release/(placement) of non-pledged time deposits with original maturity of more than three months when acquired		5,000	(85,000)
Purchases of financial assets at fair value through profit or loss		—	(30)
Proceeds from disposal of financial assets at fair value through profit or loss		30	82,352
Placement of restricted bank deposits		—	(17,072)
Additions to other intangible assets		(9,877)	(1,938)
Additions to right-of-use assets		—	(8,586)
Proceeds from disposal of right-of-use assets		3,028	—
Purchases of items of property, plant and equipment		(192,081)	(282,350)
Proceeds from disposal of items of property, plant and equipment		<u>31</u>	<u>142</u>
Net cash flows used in investing activities		<u>(192,079)</u>	<u>(296,979)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		262,947	107,000
Repayments of bank and other borrowings		(66,171)	(135,064)
Interest paid		(16,688)	(15,867)
Principal portion of lease payments		(19,677)	(18,026)
Dividends paid		(40,324)	(84,864)
Withdrawal of pledged deposits		<u>—</u>	<u>18,170</u>
Net cash flows from/(used) in financing activities		<u>120,087</u>	<u>(128,651)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		202,100	(140,291)
Cash and cash equivalents at beginning of year		279,190	421,417
Effect of foreign exchange rate changes, net		<u>(1,698)</u>	<u>(1,936)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	<u>479,592</u>	<u>279,190</u>

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	<u>479,592</u>	<u>279,190</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		<u><u>479,592</u></u>	<u><u>279,190</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

1. CORPORATE AND GROUP INFORMATION

South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司, the “Company”) was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies ACT of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in providing private higher vocational education in the People’s Republic of China (the “PRC”).

In the opinion of the directors of the Company (the “Directors”), the holding company and the ultimate holding company of the Company is Zhihui Guang Limited, which was incorporated in the British Virgin Islands (the “BVI”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lingnan Education Investment Limited	BVI	US\$1	100%	—	Investment holding
South China Vocational Education Group (Hong Kong) Limited 中國華南職業教育集團(香港)有限公司	Hong Kong	HK\$1	—	100%	Investment holding
Lingnan Education Group	Calabasas, California, USA	—	—	100%	Dormant
Guangdong Huguang Education Technology Co., Ltd. 廣東叁一科技有限公司*^ (formerly named “廣東和光教育科技 有限公司”) (“Lingnan WFOE”)	PRC/Mainland China	US\$30,000,000	—	100%	Investment holding and provision of education management and services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Lingnan Education Group Co., Ltd. 廣州嶺南教育集團有限公司** ("Lingnan Education")	PRC/Mainland China	RMB30,000,000	—	100%	Investment holding and provision of education management and services
Guangdong Lingnan Institute of Technology 廣東嶺南職業技術學院**	PRC/Mainland China	RMB34,490,000	—	100%	Provision of junior college education services
Guangdong Lingnan Modern Technician College 廣東嶺南現代技師學院**	PRC/Mainland China	RMB6,000,000	—	100%	Provision of technical education services
Qingyuan Lingnan Driving School Co., Ltd. 清遠嶺南有家汽車培訓有限公司* ("Lingnan Driving")	PRC/Mainland China	RMB3,000,000	—	80%	Provision of driving training of general motor vehicles
Guangzhou Production and Education Integration Industry Service Co., Ltd. 廣州產教融合產業服務有限公司*	PRC/Mainland China	RMB10,000,000	—	100%	Provision of management and services
Guangdong South China Shiye Education Technology Co., Ltd. 廣東華南世業教育科技有限公司*	PRC/Mainland China	RMB5,000,000	—	100%	Dormant

* The English names of these companies or schools established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

^ Lingnan WFOE is registered as a wholly-foreign-owned enterprise under PRC law.

These entities are owned through contractual arrangements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis of going concern. The Group recorded net current liabilities of RMB275,813,000 as at 31 December 2025. Included therein were contract liabilities of RMB321,462,000 as at 31 December 2025, which will be settled by education services to be provided by the Group. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance when assessing whether the Group will have sufficient financial resources to continue as a going concern and meet its liabilities as and when they fall due in the foreseeable future.

The Directors have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the positive cash flows from operations, adequate unutilised loan facilities from reputable financial institutions of approximately RMB469,893,000 and the ability of management in adjusting the pace of its operation expansion, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Therefore, there are no material uncertainties that may cast significant doubt over the going concern assumption and the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to operate for the foreseeable future.

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Basis of consolidation (continued)

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

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

2.2 Amendments to HKFRS accounting standards that are mandatorily effective for the current year

In the current year, the Group has applied for the first time the Amendments to HKAS 21 "Lack of Exchangeability" which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2025.

The amendments to HKAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Besides, the amendments also require an entity to disclose additional information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments did not have a material impact on the Group's consolidated financial statements.

2. ACCOUNTING POLICIES (continued)**2.3 New and amendments to HKFRS accounting standards in issue but not yet effective**

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures and related amendments²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature — dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Annual Improvements to HKFRS Accounting Standards	<i>Annual Improvements to HKFRS Accounting Standards — Volume 11¹</i>
Amendments to Hong Kong Interpretation 5	<i>Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause²</i>

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.3 New and amendments to HKFRS accounting standards in issue but not yet effective (continued)

HKFRS 18 “Presentation and Disclosure in Financial Statements” and related amendments to Hong Kong Interpretation 5

HKFRS 18 replaces HKAS 1 “Presentation of Financial Statements”. It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and HKFRS 7 “Financial Instruments: Disclosures”.

HKFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely “operating profits” and “profits before financing and income tax”), and classifying items into five newly defined categories (namely “operating”, “investing”, “financing”, “income tax” and “discontinued operation”), depending on the reporting entity’s main business activities, in the statement of profit or loss;
- disclosure of management-defined performance measures (“MPMs”) in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.

2. ACCOUNTING POLICIES *(continued)***2.3 New and amendments to HKFRS accounting standards in issue but not yet effective** *(continued)**HKFRS 18 “Presentation and Disclosure in Financial Statements” and related amendments to Hong Kong Interpretation 5 (continued)*

Besides, narrow-scope amendments have been made to HKAS 7 “Statement of Cash Flows”, which includes:

using “operating profit or loss” as the starting point for indirect method for the presentation of operating cash flows purposes; and

the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

HKFRS 18, and the amendments to the other HKFRS Accounting Standards, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are currently working to identify all the impacts of HKFRS 18, particularly with respect to the structure of the Group’s consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including the items currently labelled as “other expenses”.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.3 New and amendments to HKFRS accounting standards in issue but not yet effective (continued)

Amendments to HKFRS 9 and HKFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

The major changes in amendments to HKFRS 9 and HKFRS 7 are summarised as follows:

- clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarified and added further guidance for assessing whether a financial asset meets the sole payments of principal and interest (“SPPI”) criterion;
- added new disclosures for certain instruments with contractual terms that can change cash flows (e.g. some financial instruments with features linked to the achievement of environment, social and governance targets); and
- updated the disclosures for equity instruments designated at fair value through other comprehensive income “FVOCI”.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026 and are applied retrospectively with an adjustment to opening retained earnings. The amendments that relate to the classification of financial assets as well as the related disclosures can be early adopted and the other amendments can be applied later. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 New and amendments to HKFRS accounting standards in issue but not yet effective (continued)

Annual Improvements to HKFRS Accounting Standards — Volume 11

Annual Improvements to HKFRS Accounting Standards — Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.3 New and amendments to HKFRS accounting standards in issue but not yet effective (continued)

Annual Improvements to HKFRS Accounting Standards — Volume 11 (continued)

- *HKAS 7 Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s financial statements.

Hong Kong Interpretation 5 (Revised), Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause

This interpretation specifies that the classification of a term loan as a current or non-current liability in accordance with paragraph 69(d) of HKAS 1 shall be determined by reference to the existence of the borrower’s right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

On this basis, a loan subject to loan agreement which includes a clause that gives the lender the unconditional right to require repayment of the loan from the borrower at any time shall be classified by the borrower as current in its statement of financial position.

2.4 Material accounting policies

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Interests in joint operations (continued)

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain of its financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (continued)**2.4 Material accounting policies (continued)***Related parties (continued)*

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.9%
Education equipment	9.7 to 19.4%
Motor vehicles	9.7%
Furniture and other equipment	4.9 to 32.3%
Leasehold improvements	5.0 to 20.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life or over the remaining lease term.

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment or a right-of-use asset becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life ranged from 3 to 5 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	10 to 50 years
Buildings	5 to 37 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES *(continued)***2.4 Material accounting policies** *(continued)**Leases (continued)**Group as a lessee (continued)***(b) Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases (continued)

Group as a lessee *(continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income and gains in the period in which they are earned.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

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. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other payables and borrowings)

After initial recognition, other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Income tax (continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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 or semester, 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 academic year of the Group's schools is generally from September to August of the following year. Each academic year of the Group's schools is divided into Spring semester and Autumn 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Brand licensing income is recognised on an accrual basis based on the agreed percentage of the revenue of authorised schools.

Training income is recognised from the provision of training services to customers other than students over the period of the applicable programs.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the consolidated statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used by the employer to reduce the existing level of contribution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Foreign currencies

These consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Structured Contracts

Guangdong Lingnan Institute of Technology and Guangdong Lingnan Modern Technician College (the "PRC Schools") are mainly engaged in the provision of private higher vocational education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in the PRC.

The Group exercises control over the PRC Schools and enjoys all economic benefits of the PRC Schools through a series of contractual arrangements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Judgements** *(continued)**Structured Contracts (continued)*

The Group considers that it controls the PRC Schools, notwithstanding the fact that it does not hold direct equity interest in the PRC Schools, as it has power over the financial and operating policies of the PRC Schools and receives substantially all of the economic benefits from the business activities of the PRC Schools through the contractual arrangements. Accordingly, the PRC Schools have been accounted for as subsidiaries during the year.

Joint Operations

Determining whether the collaboration with third parties are joint operations requires judgement and consideration of all relevant facts and circumstances to determine whether the parties have joint control of the arrangement. The Group assesses whether a contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

The Group has established four joint operation programs to integrate the resources from the school and third-party enterprises and institutions to create an effective educational environment that combines practical training with academic learning. The areas of cooperation are broad, ranging from curriculum development to co-establishment and operation of practical training bases. With respect to curriculum formulation, enterprises typically introduce certain industry experts to the Group who will engage with the Group to undertake a series of tasks, including, but not limited to, rendering teaching services at school, providing guidance on course work and majors construction, and participating in formulating talent training schemes, as well as finalising key curriculum systems. In terms of the establishment and operation of external practical training bases, the school-enterprise collaboration scheme of the Group primarily focuses on providing hands-on practical training to students so that the enterprises the Group collaborates with are able to secure a stable source of talents with practical skills to join their workforces upon students' graduation. For the year ended 31 December 2025, revenue generated from joint operations in total amounted to RMB30,884,000 (2024: RMB24,512,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Principal versus agent

Determining whether the Group is acting as a principal or as an agent in the provision of the education services requires judgement and consideration of all relevant facts and circumstances. The Group is acting as a principal if it controls a promised service before transferring that service to the customer and reports revenue on the gross inflows of economic benefits. In evaluation of the Group acting as a principal, the Group considers whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified service and (ii) has discretion in establishing the price for the specified service. Conversely, the Group is an agent when it does not control a promised service before transferring that service to the customer and recognises revenue on the net inflows of economic benefits.

Current and deferred taxes

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax ("CIT"). 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 in which the new information are available based on the executions and local practices by the local tax authority on the Laws for Promoting Private Education and relevant implementation rules, including the 2016 Decision and the 2021 Implementation Rules (as defined in note 10 to the consolidated financial statements) from time to time, as well as other relevant tax rules and regulations.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Judgements** *(continued)**Current and deferred taxes (continued)*

The Group has tax losses of RMB7,643,000 (2024: RMB13,189,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB1,911,000 (2024: RMB3,297,000).

Further details on the current and deferred taxes are disclosed in notes 10 and 25 to the consolidated financial statements, respectively.

Estimation uncertainty

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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assessed whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. 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 unit 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the consolidated financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Estimation uncertainty** *(continued)**Provision for expected credit losses on accounts and other receivables*

The provision rate of receivables is made based on assessment of their recoverability and ageing analysis of receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a debtor's actual default in the future. The information about the ECLs on the Group's other receivables and accounts receivable is disclosed in notes 20 and 21 to the consolidated financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2025 was RMB3,052,000 (2024: RMB3,052,000). Further details are given in note 16 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher vocational education services in the PRC.

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

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the year (2024: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

5. REVENUE, OTHER INCOME AND GAINS

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

	Notes	2025 RMB'000	2024 RMB'000
Revenue			
<i>Revenue from contracts with customers</i>			
Tuition fees	(a)	712,684	615,315
Boarding fees	(a)	64,661	57,656
Other education service fees	(b)	14,413	10,646
Total revenue		791,758	683,617
Other income and gains			
Rental income	15	38,564	36,272
Training income		24,818	21,448
Government grants:			
Related to assets	(c)	4,475	5,587
Related to income	(d)	1,318	1,636
Fair value gain, net:			
Financial assets at fair value through profit or loss		—	782
Bank interest income		3,638	3,252
Loan interest income	(e)	—	434
Brand licensing income	32(b)	1,494	1,852
Gain on disposal of right-of-use assets		1,793	—
Others		282	365
Total other income and gains		76,382	71,628

Notes:

- (a) Tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which were recognised over time, i.e. the academic year, of the services rendered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

5. REVENUE, OTHER INCOME AND GAINS (continued)

Notes: (continued)

- (b) 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 training periods, of the services rendered.
- (c) Government grants related to assets represent the subsidies in connection with certain pieces of leasehold land and the electronic devices relating to teaching activities. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets. There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised.
- (d) Government grants related to income represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which were recognised as other income when the incurred operating expenses fulfilled the conditions attached. There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised.
- (e) Loan interest income consists of nil interest income (2024: RMB434,000) from loans to other companies; which were calculated based on the principal and the corresponding interest rate.

Contract liabilities

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or semester. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to the refund of the payment in relation to the proportionate service not yet provided.

Significant changes in the contract liability balances during the year are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	293,790	234,117
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(291,975)	(232,302)
Increases due to cash received, including amounts recognised as revenue during the year	806,514	760,377
Revenue recognised that was not included in contract liabilities at the beginning of the year	(485,370)	(466,471)
Transfer to refund liabilities	(1,497)	(1,931)
At the end of the year	<u>321,462</u>	<u>293,790</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Contract liabilities *(continued)*

Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current year that were included in the contract liabilities at the beginning of the year:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	258,229	204,475
Boarding fees	33,746	27,827
Total	291,975	232,302

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2025 are as follows:

	2025 RMB'000	2024 RMB'000
Expected to be recognised within one year:		
Tuition fees	287,889	261,407
Boarding fees	33,573	32,383
Total	321,462	293,790

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position as at 31 December 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2025 RMB'000	2024 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		273,407	242,142
Pension scheme contributions (defined contribution scheme)****		18,300	13,830
Total		291,707	255,972
Depreciation of property, plant and equipment	13	84,082	70,273
Depreciation of right-of-use assets	15(a)	32,258	32,746
Depreciation of investment properties	14	1,930	1,930
Amortisation of other intangible assets*	17	3,440	2,633
Auditor's remuneration		1,500	2,300
Donation expenses**		2,466	3,426
Lease payments not included in the measurement of lease liabilities	15(c)	2,323	3,095
Provision for expected credit losses on accounts receivable	21	—	636
Exchange loss, net***		247	2,184
Late payment surcharge**	10	61,371	—
Loss on disposal of items of property, plant and equipment, net**		259	7

* The amortisation of other intangible assets is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

** These amounts are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

*** Exchange loss is included in other expenses and exchange gain is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

7. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank and other borrowings	9,586	9,788
Interest on lease liabilities (note 15(b))	7,102	7,742
Total interest expense on financial liabilities not at fair value through profit or loss	16,688	17,530
Less: Interest capitalised (note 13)	(7,277)	(5,718)
Total	9,411	11,812

During the year, the interest capitalisation amount of the Group's borrowing costs has been included in property, plant and equipment.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 RMB'000	2024 RMB'000
Fees	540	540
Other emoluments:		
Salaries, allowances and benefits in kind	3,476	2,630
Performance related bonuses	1,672	2,625
Pension scheme contributions	4	13
Subtotal	5,152	5,268
Total	5,692	5,808

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Mr. Yeh Zhe-Wei	180	180
Mr. Ma Shuchao	180	180
Ms. Yang Yang (appointed on 29 August 2025)	60	—
Mr. Luo Pan (resigned on 29 August 2025)	120	180
Total	540	540

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

There were no termination benefits paid to any independent non-executive directors at any time during the year (2024: Nil).

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2025					
Executive directors:					
Mr. He Huishan	—	1,360	667	—	2,027
Ms. He Huifen*	—	1,136	607	4	1,747
Mr. Lao Hansheng	—	980	398	—	1,378
Total	—	3,476	1,672	4	5,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Mr. He Huishan	—	708	1,210	13	1,931
Ms. He Huifen*	—	933	977	—	1,910
Mr. Lao Hansheng	—	989	438	—	1,427
Total	—	2,630	2,625	13	5,268

* Ms. He Huifen is the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2024: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	1,719	3,322
Pension scheme contributions	19	47
Total	1,738	3,369

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2025	2024
Nil to HK\$1,000,000	1	—
HK\$1,000,001 to HK\$1,500,000	1	3
Total	2	3

During the year, no emoluments were paid by the Group to the five highest paid employee as an inducement to join or upon joining the Group. None of the five highest paid employee waived or agreed to waive any remuneration during the year.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Lingnan Education Investment Limited, the Company's directly held subsidiary, was incorporated in the BVI as an exempted company with limited liability under the BVI Companies ACT and accordingly is not subject to income tax from business carried out in the BVI.

South China Vocational Education Group (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

10. INCOME TAX (continued)

Pursuant to the decision (the “2016 Decision”) of the Standing Committee of the National People’s Congress on Amending the Private Schools Promotion Law of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》), which was promulgated on 7 November 2016 and came into force on 1 September 2017, private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit.

On 14 May 2021, the State Council released the Regulations for the Implementation of the Private Schools Promotion Law of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the “2021 Implementation Rules”). The 2021 Implementation Rules are the detailed implementation rules of the Private Schools Promotion Law of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under both the 2016 Decision and the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

According to the Implementing Opinions of the Guangdong Provincial Government on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was promulgated by the People’s Government of Guangdong Province on 4 May 2018 and the 2016 Decision, school sponsors of private schools which were established and registered in Guangdong prior to 7 November 2016 may choose for the schools to be for-profit private schools or non-profit private schools at their own discretion, except for the schools providing compulsory education, which must be non-profit. However, the Implementing Measures of Classification Registration for Private Schools (《關於民辦學校分類登記的實施辦法》), which was promulgated by five departments of the Guangdong province government and came into effect on 30 December 2018, does not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools. As at 31 December 2025, the PRC Schools have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

10. INCOME TAX (continued)

During the year ended 31 December 2024, considering that the relevant tax policies regarding schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remain unchanged and no further new and specific tax implementation regulations are announced, if the school nature has not yet been changed, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the prior years, the Directors determined the PRC Schools' academic education income was non-taxable income and enjoyed the preferential tax treatments for the period from 1 January 2020 to 31 December 2024. As such, no provision for CIT was made for the relevant academic education income for the period from 1 January 2020 to 31 December 2024.

During the year ended 31 December 2025 and up to the date of approval of these consolidated financial statements, although there are no new relevant taxation policies and tax implementation regulations announced that require private schools to pay CIT, series of tax re-assessments were initiated by the local tax authority in relation to the vocational education industry in the region. During this re-assessment process, the local tax authority requires the PRC Schools to treat their academic education income as taxable for the period from 1 January 2020 to 31 December 2024. Given these new facts and circumstances, a prior years' under-provision of CIT amounting to RMB103,833,000 was recognised in profit or loss for the year ended 31 December 2025. In addition, a late payment surcharge on CIT and other taxes of approximately RMB58,623,000 and RMB2,748,000 was charged respectively and included in "Other expenses".

Based on the local practice imposed by the local tax authority, provision of CIT of approximately RMB28,938,000 was also made on PRC Schools' academic education income for the year ended 31 December 2025.

Subsequent to the end of the reporting period, the PRC Schools have made provisional payments of approximately RMB74,930,000 and RMB6,255,000 for the aforementioned under-provision of CIT in prior years and the corresponding late payment surcharge, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

10. INCOME TAX (continued)

Pursuant to the PRC CIT Law, the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SMEs) and the respective regulations, Lingnan Driving was entitled to a preferential tax rate of 20% of its respective taxable income during both years ended 31 December 2024 and 2025. Except for Lingnan Driving, the Group's other subsidiaries (2024: other non-school subsidiaries) which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income during the year ended 31 December 2025.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2025 RMB'000	2024 RMB'000
Current — Mainland China		
Charge for the year	28,938	99
Under-provision in prior years	103,833	—
Deferred (note 25)	<u>8,137</u>	<u>(6,132)</u>
Total	<u>140,908</u>	<u>(6,033)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

10. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rate, are as follows:

	2025		2024	
	RMB'000	%	RMB'000	%
Profit before tax	<u>81,462</u>		<u>84,859</u>	
Tax at the statutory tax rate	20,366	25.0	21,215	25.0
Lower tax rates for specific provinces or enacted by local authority	885	1.1	423	0.5
Income not subject to tax	—	—	(27,953)	(32.9)
Expenses not deductible for tax	15,865	19.5	632	0.7
Under-provision in prior years	103,833	127.5	—	—
Tax losses not recognised	<u>(41)</u>	<u>(0.1)</u>	<u>(350)</u>	<u>(0.4)</u>
Tax charge at the Group's effective rate	<u>140,908</u>	<u>173.0</u>	<u>(6,033)</u>	<u>(7.1)</u>

11. DIVIDENDS

	2025	2024
	RMB'000	RMB'000
Interim — HK2 cents (2024: HK2.2 cents) per ordinary share	24,320	26,788
Proposed final — nil (2024: HK1.3 cents) per ordinary share	<u>—</u>	<u>16,004</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,334,000,000 (2024: 1,334,000,000) outstanding during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2025 RMB'000	2024 RMB'000
(Loss)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	<u>(59,618)</u>	<u>90,892</u>
	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted (loss)/earnings per share calculations	<u>1,334,000,000</u>	<u>1,334,000,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RMB'000	Education equipment RMB'000	Motor vehicles RMB'000	Furniture and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025:							
Cost	1,320,146	204,395	6,842	299,776	199,616	106,540	2,137,315
Accumulated depreciation	(135,758)	(156,530)	(3,170)	(142,005)	(51,493)	—	(488,956)
Net carrying amount	<u>1,184,388</u>	<u>47,865</u>	<u>3,672</u>	<u>157,771</u>	<u>148,123</u>	<u>106,540</u>	<u>1,648,359</u>
At 1 January 2025, net of accumulated depreciation	1,184,388	47,865	3,672	157,771	148,123	106,540	1,648,359
Additions	—	16,378	263	33,901	47,584	161,359	259,485
Disposals	—	(104)	—	(186)	—	—	(290)
Transfers	177,065	—	—	—	34,688	(211,753)	—
Depreciation provided during the year (note 6)	(27,140)	(13,937)	(550)	(28,064)	(14,391)	—	(84,082)
At 31 December 2025, net of accumulated depreciation	<u>1,334,313</u>	<u>50,202</u>	<u>3,385</u>	<u>163,422</u>	<u>216,004</u>	<u>56,146</u>	<u>1,823,472</u>
At 31 December 2025:							
Cost	1,494,496	217,803	9,758	327,343	281,887	56,146	2,387,433
Accumulated depreciation	(160,183)	(167,601)	(6,373)	(163,921)	(65,883)	—	(563,961)
Net carrying amount	<u>1,334,313</u>	<u>50,202</u>	<u>3,385</u>	<u>163,422</u>	<u>216,004</u>	<u>56,146</u>	<u>1,823,472</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Property and buildings RMB'000	Education equipment RMB'000	Motor vehicles RMB'000	Furniture and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	1,142,686	195,127	6,995	257,417	143,281	79,241	1,824,747
Accumulated depreciation	(110,969)	(145,941)	(3,321)	(121,299)	(41,357)	—	(422,887)
Net carrying amount	<u>1,031,717</u>	<u>49,186</u>	<u>3,674</u>	<u>136,118</u>	<u>101,924</u>	<u>79,241</u>	<u>1,401,860</u>
At 1 January 2024, net of accumulated depreciation	1,031,717	49,186	3,674	136,118	101,924	79,241	1,401,860
Additions	1,552	10,522	507	31,209	17,193	255,938	316,921
Disposals	—	(91)	(23)	(35)	—	—	(149)
Transfers	175,908	—	—	13,589	39,142	(228,639)	—
Depreciation provided during the year (note 6)	<u>(24,789)</u>	<u>(11,752)</u>	<u>(486)</u>	<u>(23,110)</u>	<u>(10,136)</u>	<u>—</u>	<u>(70,273)</u>
At 31 December 2024, net of accumulated depreciation	<u>1,184,388</u>	<u>47,865</u>	<u>3,672</u>	<u>157,771</u>	<u>148,123</u>	<u>106,540</u>	<u>1,648,359</u>
At 31 December 2024:							
Cost	1,320,146	204,395	6,842	299,776	199,616	106,540	2,137,315
Accumulated depreciation	<u>(135,758)</u>	<u>(156,530)</u>	<u>(3,170)</u>	<u>(142,005)</u>	<u>(51,493)</u>	<u>—</u>	<u>(488,956)</u>
Net carrying amount	<u>1,184,388</u>	<u>47,865</u>	<u>3,672</u>	<u>157,771</u>	<u>148,123</u>	<u>106,540</u>	<u>1,648,359</u>

The Group's buildings are situated in Mainland China.

As at 31 December 2025, certificates of ownership in respect of certain buildings of the Group located in Qingyuan city, Guangdong province, the PRC, with total net carrying amounts of approximately RMB390,595,000 (2024: RMB221,089,000), have not yet been issued by the relevant PRC authorities. As at the date of approval of these consolidated financial statements, the Directors were still in the process of obtaining these certificates. In the opinion of the Directors, there is no major barrier for the Group to obtain the property ownership certificates.

Capitalised borrowing costs

Additions to property, plant and equipment during the year included interest capitalised amounting to RMB7,277,000 (2024: RMB5,718,000) (note 7), in respect of specific bank loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

14. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	47,909	49,839
Depreciation provided during the year (note 6)	(1,930)	(1,930)
Carrying amount at 31 December	45,979	47,909
Carrying amount at 31 December		
Cost	75,263	75,263
Accumulated depreciation	(29,284)	(27,354)
Net carrying amount	45,979	47,909

As at 31 December 2025, the fair values of the investment properties were estimated to be approximately RMB123,338,000 (2024: RMB131,334,000).

These valuations were performed by the management with reference to a valuation working of an independent professionally qualified valuer of prior year. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was mainly determined using the income approach, and discounted cash flow method. The most significant input into this valuation approach is estimated rental value, rental growth, vacancy rate and discount rate. The fair value measurement hierarchy of the investment properties requires certain significant unobservable inputs (Level 3).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties are leased to related parties and third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

15. LEASES**The Group as a lessee**

The Group has lease contracts for property and buildings used in its operations.

Lump sum payments were made upfront to acquire certain land use rights from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. The certain land use rights are amortised on a straight-line basis over lease terms as stated in the relevant land use right certificates.

Leases of other leased lands and buildings generally have lease terms between 5 to 50 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2024	216,405	160,125	376,530
Addition	11,726	6,595	18,321
Depreciation charge (note 6)	(9,926)	(22,820)	(32,746)
As at 31 December 2024 and 1 January 2025	218,205	143,900	362,105
Addition	—	58,022	58,022
Disposal	—	(1,235)	(1,235)
Depreciation charge (note 6)	(9,988)	(22,270)	(32,258)
As at 31 December 2025	208,217	178,417	386,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	103,258	114,689
New leases	58,022	6,595
Accretion of interest recognised during the year (note 7)	7,102	7,742
Payments	(26,779)	(25,768)
Carrying amount at 31 December	<u>141,603</u>	<u>103,258</u>
Analysed into:		
Current portion	23,604	24,632
Non-current portion	<u>117,999</u>	<u>78,626</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities (note 7)	7,102	7,742
Depreciation charge of right-of-use assets (note 6)	32,258	32,746
Expense relating to short-term leases (included in cost of sales) (note 6)	<u>2,323</u>	<u>3,095</u>
Total amount recognised in profit or loss	<u>41,683</u>	<u>43,583</u>

15. LEASES (continued)**The Group as a lessee** (continued)

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14), consisting certain portion of buildings held by the Group as the owner and as the lessee of right-of-use assets in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB38,564,000 (2024: RMB36,272,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	18,629	18,505
After one year but within two years	13,320	8,169
After two years but within three years	7,156	6,582
After three years but within four years	5,214	4,974
After four years but within five years	2,649	3,412
After five years	10	1,537
Total	46,978	43,179

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

16. GOODWILL

	RMB'000
Cost at 1 January 2024, net of accumulated impairment	3,052
Cost and net carrying amount at 31 December 2024	3,052
At 31 December 2024:	
Cost	3,052
Accumulated impairment	—
Net carrying amount	3,052
Cost at 1 January 2025, net of accumulated impairment	3,052
Cost and net carrying amount at 31 December 2025	3,052
At 31 December 2025:	
Cost	3,052
Accumulated impairment	—
Net carrying amount	3,052

Impairment testing of goodwill

Goodwill acquired through the business combination is allocated to the following cash-generating unit for impairment testing:

- Driving training cash-generating unit

The recoverable amounts of the above cash-generating unit have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

16. GOODWILL *(continued)***Impairment testing of goodwill** *(continued)*

The discount rate applied to the cash flow projections was 16% (2024: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 3% (2024: 3%), which was in line with the long-term average growth rate of the PRC driving training industry.

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales amounts — The budgeted revenue are based on the historical data and management's expectation on the future market.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the period/year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Discount rate — The discount rate used is before tax and reflect specific risks relating to the relevant unit, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC driving training industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

During the years ended 31 December 2025 and 31 December 2024, management determines that there is no impairment on the driving training cash-generating unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

17. OTHER INTANGIBLE ASSETS

	2025 RMB'000	2024 RMB'000
Software		
At 1 January		
Cost	45,946	43,387
Accumulated amortisation	(35,175)	(31,921)
Net carrying amount	10,771	11,466
Cost at 1 January, net of accumulated amortisation	10,771	11,466
Additions	6,915	1,938
Amortisation provided during the year (note 6)	(3,440)	(2,633)
At 31 December	14,246	10,771
At 31 December		
Cost	52,861	45,946
Accumulated amortisation	(38,615)	(35,175)
Net carrying amount	14,246	10,771

18. CONTRACT COSTS

	2025 RMB'000	2024 RMB'000
Non-current assets	10,677	9,055
Current assets	11,930	10,641
Total	22,607	19,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

18. CONTRACT COSTS (continued)

Contract costs capitalised related to the incremental commission fees paid to agents for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of the selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related tuition services is recognised.

The amount of capitalised contract costs recognised in profit or loss during the year was RMB14,570,000 (2024: RMB11,766,000). There was no impairment in relation to the capitalised contract costs during the year (2024: Nil).

The contract costs are amortised over the duration of the tuition programmes for 3 years.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Unlisted investments, at fair value	—	30

The above equity investment was classified as financial assets at fair value through profit or loss as they were held for trading.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Current		
Prepaid expenses	4,791	1,606
Advances to employees	1,653	2,271
Deposits	1,655	1,816
Rental receivables	3,737	3,074
Training receivables	1,159	572
Other receivables	4,649	3,976
Total	17,644	13,315
Impairment allowance	—	—
Net carrying amount	<u>17,644</u>	<u>13,315</u>
Non-current		
Prepayment for property, plant and equipment	<u>18,456</u>	<u>15,346</u>

Where applicable, an impairment analysis is performed for financial assets included in prepayments, other receivables and other assets at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts and were categorised in stage 1. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

21. ACCOUNTS RECEIVABLE

	2025 RMB'000	2024 RMB'000
Tuition fees and boarding fees receivables	8,143	9,268
Impairment	(14)	(14)
Net carrying amount	<u>8,129</u>	<u>9,254</u>

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester normally in September or February. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relates to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable is non-interest-bearing.

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

	2025 RMB'000	2024 RMB'000
Within one year	8,129	8,930
One to two years	—	324
Total	<u>8,129</u>	<u>9,254</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

21. ACCOUNTS RECEIVABLE (continued)

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

	2025 RMB'000	2024 RMB'000
At beginning of year	14	536
Impairment losses (note 6)	—	636
Amounts written off as uncollectible	—	(1,158)
At end of year	14	14

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are determined into four categories, and the management groups the student with similar loss patterns into one of the categories. When grouping the students, the assessment adopted by the management is based on several factors, such as days past due, geographical region, performance and behaviour of the students, students' family financial status and continued education service relationship with the students. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable is written off after one year of the graduation of the specific students and are not subject to enforcement activity.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The Group overall considers the credit risk and days past due of the accounts receivable to measure the expected credit losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

21. ACCOUNTS RECEIVABLE (continued)

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

		2025	2025	2024	2024
	Expected credit loss rate %	Gross carrying amount RMB'000	Expected credit losses RMB'000	Gross carrying amount RMB'000	Expected credit losses RMB'000
Category 1	0	8,125	—	9,250	—
Category 2	50	—	—	—	—
Category 3	75	18	14	18	14
Category 4	100	—	—	—	—
Total		<u>8,143</u>	<u>14</u>	<u>9,268</u>	<u>14</u>

There was no change in the ECL rates during the year, which was mainly because no significant changes in the historical default rates of accounts receivable, economic conditions and performance and behaviour of the students were noted, based on which the ECL rates are determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

22. CASH AND CASH EQUIVALENTS, TIME DEPOSITS, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	479,592	279,190
Time deposits	80,000	85,000
Restricted bank deposits	—	22,888
Subtotal	559,592	387,078
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	(80,000)	(85,000)
Restricted bank deposits	—	(22,888)
Cash and cash equivalents	479,592	279,190
Denominated in:		
RMB	558,257	381,982
HK\$	1,332	5,073
US\$	3	23

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB558,257,000 (2024: RMB381,982,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Time deposits with original maturity of more than three months when acquired earn interest at a fixed rate ranging from 1.25% to 1.7% (2024: 1.7%) per annum and will mature in one year. The bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

23. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Payables of salary	46,680	37,696
Payables of social insurance and housing fund	27,793	27,748
Payables of scholarship	3,071	6,292
Payables for purchase of property, plant and equipment	41,802	39,608
Payables of cooperative education fees	23,847	19,337
Payables of late payment surcharge (note (a))	61,371	—
Other tax payables	9,218	4,962
Deposit payables	11,752	9,144
Miscellaneous advances received from students (note (b))	24,257	29,435
Other payables and accruals	25,927	20,449
Total	<u>275,718</u>	<u>194,671</u>

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

Note(a): The amounts represent the late payment surcharge to be imposed with respect to the under-provision of CIT and other taxes in prior years, as detailed in note 10 to the consolidated financial statements.

Note(b): The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2025			2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	2.65–3.80	2026	97,572	3.00–4.10	2025	57,079
Other borrowings — unsecured	4.65	2026	6,000	6.77	2025	6,000
Total — current			103,572			63,079
Non-current						
Bank loans — unsecured	2.65–3.60	2027–2033	272,473	3.10–4.10	2026–2033	110,190
Other borrowings — unsecured	4.65	2027	1,950	6.77	2026–2027	7,950
Total — non-current			274,423			118,140
Total			377,995			181,219

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2025 RMB'000	2024 RMB'000
Fixed interest rate	43,400	11,000
Variable interest rate	334,595	170,219
Total	377,995	181,219

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	97,572	57,079
In the second year	35,200	14,035
In the third to fifth years, inclusive	139,834	55,595
Beyond five years	97,439	40,560
Subtotal	370,045	167,269
Other borrowings repayable:		
Within one year	6,000	6,000
In the second year	1,950	6,000
In the third to fifth years, inclusive	—	1,950
Subtotal	7,950	13,950
Total	377,995	181,219

Notes:

(a) All of the Group's bank and other borrowings and interest accruals are denominated in RMB.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use Assets RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
2025			
At 31 December 2024	2,873	—	2,873
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(248)	5,097	4,849
Gross deferred tax liabilities at 31 December 2025	<u>2,625</u>	<u>5,097</u>	<u>7,722</u>

Deferred tax assets

	Lease liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2024	3,942	11,774	15,716
Exchange adjustments	—	(2)	(2)
Deferred tax charged to profit or loss during the year (note 10)	(238)	(3,050)	(3,288)
Gross deferred tax assets at 31 December 2025	<u>3,704</u>	<u>8,722</u>	<u>12,426</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

25. DEFERRED TAX (continued)

Deferred tax liabilities

2024	Right-of-use Assets RMB'000	Fair value adjustments of financial asset at fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2023	3,312	392	3,704
Deferred tax credited to profit or loss during the year (note 10)	(439)	(392)	(831)
Gross deferred tax liabilities at 31 December 2024	<u>2,873</u>	<u>—</u>	<u>2,873</u>

Deferred tax assets

2024	Lease liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2023	4,356	6,059	10,415
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(414)	5,715	5,301
Gross deferred tax assets at 31 December 2024	<u>3,942</u>	<u>11,774</u>	<u>15,716</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

25. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of RMB7,486,000 (2024: RMB7,733,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB35,045,000 (2024: RMB52,549,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have been recognised in respect of the tax losses of RMB34,888,000 (2024: RMB47,093,000) arising from Lingnan Education, which is expected to be profitable in future that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the tax losses of RMB7,643,000 (2024: RMB13,189,000), as these subsidiaries which the tax losses arising from are expected to be loss-making in future and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

As at 31 December 2025, there was no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (31 December 2024: Nil). In the opinion of the Directors, there is currently no plan that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,055,238,000 (2024: RMB1,123,118,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

26. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grants		
At beginning of year	82,995	87,722
Grants received	9,257	2,496
Released to profit or loss (note 6)	(5,793)	(7,223)
	<u>86,459</u>	<u>82,995</u>
At end of year	<u>86,459</u>	<u>82,995</u>
Current	3,529	5,072
Non-current	<u>82,930</u>	<u>77,923</u>
Total	<u>86,459</u>	<u>82,995</u>

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the teaching activities of the Group's schools and expenditures on certain pieces of leasehold land and teaching facilities. Details of the recognition are included in note 5 (c) and (d) to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

27. SHARE CAPITAL

Shares

	2025 RMB'000	2024 RMB'000
Issued and fully paid:		
1,334,000,000 (2024: 1,334,000,000) ordinary shares	<u>11,124</u>	<u>11,124</u>

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

(a) Capital reserve — premium

The application of the share premium account is governed by the Companies ACT of the Cayman Islands. Under the constitutional documents and the Companies ACT of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Capital reserve — others

Other capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries, after elimination of investments in the subsidiaries.

(c) Statutory and other surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in Mainland China shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) statutory surplus reserve of the limited liability companies and (ii) the development fund of schools.

28. RESERVES *(continued)***(c) Statutory and other surplus reserves** *(continued)*

- (i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.
- (ii) According to the relevant PRC laws and regulations, since 1 September 2021, a for-profit private school is required to appropriate to the development fund not less than 10% of the audited annual net income of the relevant school, while a non-profit private school is required to appropriate to the development fund not less than 10% of the audited annual increase in non-restricted net assets of the relevant school. The development fund is for the construction or maintenance of the school, or procurement or upgrading of educational equipment.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Major non-cash transactions**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB58,022,000 (2024: RMB6,595,000) and RMB58,022,000 (2024: RMB6,595,000), respectively, in respect of lease arrangements for buildings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities:

2025	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2025	181,219	103,258	284,477
Changes from financing cash flows	187,190	(26,779)	160,411
New leases	—	58,022	58,022
Interest expense	9,586	7,102	16,688
At 31 December 2025	<u>377,995</u>	<u>141,603</u>	<u>519,598</u>

2024	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	207,620	114,689	322,309
Changes from financing cash flows	(36,189)	(25,768)	(61,957)
New leases	—	6,595	6,595
Interest expense	9,788	7,742	17,530
At 31 December 2024	<u>181,219</u>	<u>103,258</u>	<u>284,477</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	2,323	3,095
Within financing activities	<u>26,779</u>	<u>25,768</u>
Total	<u>29,102</u>	<u>28,863</u>

30. CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (2024: Nil).

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	<u>157,365</u>	<u>91,791</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

32. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following persons and companies are related parties that had material transactions or balances with the Group during the year.

(a) Name and relationship of related parties

Name	Relationship
Mr. He Huishan (賀惠山)	Director of the Company and one of the shareholders
Ms. Zhou Lanqing (周蘭慶)	Spouse of Mr. He Huishan and one of the shareholders
Ms. He Huifen (賀惠芬)	Director of the Company, one of the shareholders and sister of Mr. He Huishan
Mr. Han Liqing (韓利慶)	Spouse of Ms. He Huifen
Mr. Du Wenyu (杜文宇)	One of the shareholders of the Company
Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司) and Tongwen School (Guangzhou) Education Investment Co., Ltd. (同文學堂(廣州)教育投資有限公司), together "Tongwen Investment")	A limited liability company indirectly owned by Ms. He Huifen, Mr. Han Liqing and Ms. Zhou Lanqing
Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司, "Health Valley")	A limited liability company controlled by Mr. He Huishan and Ms. Zhou Lanqing
Guangzhou Tianhe Lingnan Kindergarten (廣州市天河區嶺南幼兒園, "Lingnan Kindergarten") (formerly named Guangzhou Tianhe Lingnan International Kindergarten)	A school controlled by Mr. He Huishan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

32. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship of related parties (continued)

Name	Relationship
Guangzhoushi Huangpuqu Lingnan Shuyuan Academy Training Center* (廣州市黃埔區嶺南書院培訓中心, “Huangpu Training Center”)	A company controlled by Mr. Du Wenyu
Guangzhou Nanguo Study Abroad Services Co., Ltd.* (廣州南國交留學服務有限公司, “Guangzhou Nanguo”)	A limited liability company indirectly controlled by Ms. He Huifen and Mr. Han Liqing
Guangzhou China-Foreign Aipei Education Investment Co., Ltd.* (廣州華外愛培教育投資有限公司, “Aipei Education”)	A limited liability company indirectly controlled by Ms. He Huifen and Mr. Han Liqing

* The English names of these companies established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2025 RMB'000	2024 RMB'000
Rental income		
Tongwen Investment	668	646
Health Valley	6,877	6,565
Guangzhou Nanguo	1,031	—
Aipei Education	356	—
Total	8,932	7,211

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

32. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

The rental income was made according to the published prices and conditions offered to the other third-party lessees of the Group.

	2025 RMB'000	2024 RMB'000
Brand licensing income		
Lingnan Kindergarten	<u>1,494</u>	<u>1,852</u>

The brand licensing income was received for the brand name used by Lingnan Kindergarten. The fees were charged pursuant to the normal commercial terms in the agreements signed between the Group and Lingnan Kindergarten.

(c) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due from/to related parties as at 31 December 2025 as follows:

Amounts due from related parties:

Name	2025 RMB'000	2024 RMB'000
Mr. He Huishan	530	—
Health Valley	1,075	516
Lingnan Kindergarten	—	375
Aipei Education	<u>356</u>	<u>—</u>
Total	<u>1,961</u>	<u>891</u>

Details of the Group's loans to the companies controlled by directors as at the end of the reporting period are included in note 33 to the financial statements.

As at 31 December 2025, the amounts due from the related parties were unsecured, interest-free and repayable within one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 DECEMBER 2025

32. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties *(continued)*

Amount due to a related party:

Name	2025 RMB'000	2024 RMB'000
Tongwen Investment	<u>557</u>	<u>1,658</u>

The amount due to a related party was unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	4,237	3,337
Performance related bonuses	2,027	3,045
Pension scheme contributions	<u>23</u>	<u>31</u>
Total compensation paid to key management personnel	<u>6,287</u>	<u>6,413</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of rental income and brand licensing income above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

33. LOANS TO THE COMPANIES CONTROLLED BY DIRECTORS

Loans to the companies controlled by directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2025 RMB'000	Maximum amount outstanding during the year RMB'000	As at 31 December 2024 and 1 January 2025 RMB'000	Maximum amount outstanding during the prior year RMB'000	At 1 January 2024 RMB'000
Health Valley	1,075	7,347	516	7,788	3,472
Lingnan Kindergarten	—	1,192	375	1,852	85
Total	<u>1,075</u>	<u>8,539</u>	<u>891</u>	<u>9,640</u>	<u>3,557</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

	Financial asset at fair value through profit or loss — Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	—	11,200	11,200
Accounts receivable	—	8,129	8,129
Amounts due from related parties	—	1,961	1,961
Cash and cash equivalents	—	479,592	479,592
Time deposits	—	80,000	80,000
Total	—	580,882	580,882

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	169,162
Interest-bearing bank and other borrowings	377,995
Lease liabilities	141,603
Amount due to a related party	557
Total	689,317

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2024

Financial assets

	Financial asset at fair value through profit or loss — Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	—	9,438	9,438
Accounts receivable	—	9,254	9,254
Amounts due from related parties	—	891	891
Financial asset at fair value through profit or loss	30	—	30
Cash and cash equivalents	—	279,190	279,190
Time deposits	—	85,000	85,000
Restricted bank deposits	—	22,888	22,888
Total	30	406,661	406,691

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	88,538
Interest-bearing bank and other borrowings	181,219
Lease liabilities	103,258
Amount due to a related party	1,658
Total	374,673

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2025 the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of financial assets included in prepayments, other receivables and other assets, accounts receivable, amounts due from related parties, cash and cash equivalents, time deposits, pledged deposits, restricted bank deposits, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and amount due to a related party approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period were assessed to be insignificant. The fair values of the non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts as at 31 December 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial asset at fair value through profit or loss	—	—	30	30

Liabilities for which fair values are disclosed:

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank and other borrowings	—	274,423	—	274,423

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS*(continued)***Fair value hierarchy (continued)***Liabilities for which fair values are disclosed: (continued)*

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank and other borrowings	—	118,140	—	118,140

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents, time deposits, restricted bank deposits and financial asset at fair value through profit or loss. The main purpose of the financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as accounts receivable, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and amount due to a related party, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in note 24 to the financial statements.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank loans at the end of the reporting period and assumed that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year without considering the impact of interest capitalised. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB1,673,000 (2024: RMB851,000).

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, time deposits, pledged deposits, restricted bank deposits, accounts receivable, amounts due from related parties and financial assets included in prepayments, other receivables and other assets.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)***Cash and cash equivalents, time deposits, pledged deposits and restricted bank deposits*

As disclosed in note 22 to the financial statements, substantially all of the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the provisions for impairment of cash and cash equivalents and time deposits were assessed to be minimal based on 12-month ECLs.

Accounts receivable

The Group's accounts receivable are due from a number of individual students, the credit quality of each student is assessed and the outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21 to the financial statements. The Group does not hold collateral as security.

Amounts due from related parties

The Group analysed the credit risk related to amounts due from related parties and categorised all the amounts in stage 1 at the end of the reporting period. During the year, the Group estimated the expected credit loss rate for amounts due from related parties is minimal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Financial assets included in prepayments, other receivables and other assets

Financial assets included in prepayments, other receivables and other assets were mainly loans receivables, rental receivables, deposits and other receivables. The Group considers the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as the reporting date with the historical loss record. It considers available reasonable and supportive forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset other than accounts receivable is when the counterparty fails to make contractual payments within one year after they fall due.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categories a receivable for write-off when a debtor fails to make contractual payments which are more than two years past due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
— Normal**	11,200	—	—	—	11,200
Accounts receivable*	—	—	—	8,143	8,143
Amounts due from related parties					
— Normal**	1,961	—	—	—	1,961
Cash and cash equivalents					
— Not yet past due	479,592	—	—	—	479,592
Time deposits					
— Not yet past due	80,000	—	—	—	80,000
Total	<u>572,753</u>	<u>—</u>	<u>—</u>	<u>8,143</u>	<u>580,896</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
— Normal**	9,438	—	—	—	9,438
Accounts receivable*	—	—	—	9,268	9,268
Amounts due from related parties					
— Normal**	891	—	—	—	891
Cash and cash equivalents					
— Not yet past due	279,190	—	—	—	279,190
Time deposits					
— Not yet past due	85,000	—	—	—	85,000
Restricted bank deposits					
— Not yet past due	22,888	—	—	—	22,888
Total	397,407	—	—	9,268	406,675

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** The credit quality of amounts due from related parties and the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and 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”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from accounts receivable are disclosed in note 21 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank and other borrowings.

The Group's policy is that not more than 50% (2024: 50%) of borrowings should mature in any 12-month period. The percentages of the Group's debts that would mature in less than one year as at 31 December 2025 were in consistence with the Group's policy based on the carrying value of borrowings reflected in the financial statements.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2025	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	169,162	—	—	—	—	169,162
Interest-bearing bank and other borrowings	—	6,687	106,371	202,106	101,853	417,017
Lease liabilities	—	6,806	19,452	76,373	76,589	179,220
Amount due to a related party	557	—	—	—	—	557
Total	169,719	13,493	125,823	278,479	178,442	765,956

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2024	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in						
other payables and accruals	88,538	—	—	—	—	88,538
Interest-bearing bank and						
other borrowings	—	23,864	44,839	92,021	42,191	202,915
Lease liabilities	—	6,661	18,901	71,892	30,996	128,450
Amount due to related parties	1,658	—	—	—	—	1,658
Total	<u>90,196</u>	<u>30,525</u>	<u>63,740</u>	<u>163,913</u>	<u>73,187</u>	<u>421,561</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
Total liabilities	1,358,143	873,220
Total assets	<u>2,914,198</u>	<u>2,530,649</u>
Debt-to-asset ratios	<u>47%</u>	<u>35%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	910	5,079
Prepayments, other receivables and other assets	25	17
Amounts due from shareholders	—	9
Amounts due from subsidiaries	219,653	259,460
Total current assets	220,588	264,565
CURRENT LIABILITIES		
Amounts due to subsidiaries	2,493	2,500
Total current liabilities	2,493	2,500
TOTAL ASSETS LESS CURRENT LIABILITIES	218,095	262,065
Net assets	218,095	262,065
EQUITY		
Share capital	11,124	11,124
Reserves (note)	206,971	250,941
Total equity	218,095	262,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2025

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve — share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	346,895	(9,514)	337,381
Loss for the year	—	(1,576)	(1,576)
Total comprehensive loss for the year	—	(1,576)	(1,576)
Final 2023 dividend declared	(58,076)	—	(58,076)
Interim 2024 dividend	(26,788)	—	(26,788)
At 31 December 2024 and 1 January 2025	262,031	(11,090)	250,941
Loss for the year	—	(3,646)	(3,646)
Total comprehensive loss for the year	—	(3,646)	(3,646)
Final 2024 dividend declared	(16,004)	—	(16,004)
Interim 2025 dividend	(24,320)	—	(24,320)
At 31 December 2025	221,707	(14,736)	206,971

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2026.