China Xinhua Education Group Limited
中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China Xinhua Education Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019.

In this announcement, "**we**", "**us**", "**our**" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Percentage
	2020	2019	**change**
	RMB'000	*RMB'000*	
Caliber revenue[(1)]	**650,130**	514,067	26.5%
Revenue	**478,847**	437,732	9.4%
Gross profit	**311,058**	261,221	19.1%
Profit for the year	**325,293**	270,673	20.2%
Adjusted net profit[(2)]	**320,816**	296,002	8.4%
Normalised net profit[(3)]	**342,206**	296,002	15.6%

	As at 31 December 2020	As at 31 December 2019	**Percentage change**
Full-time student enrollment	**42,541**	39,830	6.8%

Notes:

(1) The caliber revenue consists of the revenue of the Group plus the revenue of the School of Clinical Medicine and Hongshan College. This is not an International Financial Reporting Standards ("**IFRSs**") measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

(2) The adjusted net profit is the profit for the year after adjusting for those items which are not indicative of the Group's operating performances. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

(3) The normalised net profit is calculated based on the adjusted net profit plus one-off boarding fee refund under the influence of the coronavirus epidemic. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**478,847**	437,732
Cost of sales		**(167,789)**	(176,511)
Gross profit		**311,058**	261,221
Other income	4	**107,046**	115,436
Selling and distribution costs		**(10,869)**	(7,843)
Administrative expenses		**(66,708)**	(94,212)
Profit from operations		**340,527**	274,602
Finance costs	5(a)	**(13,081)**	(845)
Profit before taxation	5	**327,446**	273,757
Income tax	6	**(2,153)**	(3,084)
Profit for the year		**325,293**	270,673
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**(66,215)**	25,504
Other comprehensive income for the year		**(66,215)**	25,504
Total comprehensive income for the year		**259,078**	296,177
Earnings per share	7		
Basic and diluted (RMB cents)		**20.22**	16.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**533,591**	467,747
Right-of-use assets		**82,764**	85,323
Intangible assets		**205,715**	206,658
Other non-current assets		**660,000**	660,000
Long-term bank time deposits		**268,000**	–
		1,750,070	1,419,728
Current assets			
Trade receivables	*8*	**2,752**	2,768
Prepayments, deposits and other receivables	*9*	**906,992**	488,198
Financial assets measured at fair value through profit or loss		**154,557**	–
Cash and bank balances		**736,278**	1,382,996
		1,800,579	1,873,962
Current liabilities			
Loans and borrowings	*10*	**50,020**	330,000
Contract liabilities	*11*	**267,987**	239,480
Other payables	*12*	**141,941**	102,058
Current taxation		**3,972**	3,872
		463,920	675,410
Net current assets		**1,336,659**	1,198,552
Total assets less current liabilities		**3,086,729**	2,618,280
Non-current liabilities			
Loans and borrowings	*10*	**265,960**	–
NET ASSETS		**2,820,769**	2,618,280
CAPITAL AND RESERVES			
Share capital		**12,952**	12,952
Reserves		**2,807,817**	2,605,328
TOTAL EQUITY		**2,820,769**	2,618,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Xinhua Education Group Limited (the "**Company**") was incorporated in the Cayman Islands on 30 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the formal higher and secondary vocational education business in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets measured at fair value through profit or loss are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) **Changes in accounting policies**

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *Covid-19 Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**448,299**	391,917
Boarding fees	**30,548**	45,815
Total	**478,847**	437,732

Revenue represents the value of service rendered during the year. No service provided to a single customer exceeds 10% or more of the total revenue of the Group during the year.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its tuition and boarding fees received by university and school such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for tuition and boarding fees received by university and school that had an original expected duration of one year or less.

(b) Segment Reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of education services.

4 OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Rental and property management income	**17,903**	31,553
Service income	**25,618**	25,590
Government grants (i)	**8,041**	15,427
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**271**	385
Interest income on financial assets measured at amortised cost	**28,034**	30,238
Gain on operation of the School of Clinical Medicine and Hongshan College (ii)	**25,305**	9,780
Others	**1,874**	2,463
	107,046	115,436

(i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the Group's teaching activities, scientific researches and other expenses.

(ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University to jointly operate the School of Clinical Medicine of Anhui Medical University ("**School of Clinical Medicine**") with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter is responsible for the operation costs of the campus before the conversion.

On 29 April 2019, the Group entered into agreements with Nanjing University of Finance and Economics and Nanjing University of Finance and Economics Education Development Foundation, pursuant to which the Group would jointly operate Hongshan College of Nanjing University of Finance and Economics ("**Hongshan College**") with Nanjing University of Finance and Economics with the eventual goal of converting Hongshan College into a school owned and operated solely by the Group. According to the agreements, the Group is entitled to the tuition fees of Hongshan College from the 2019-2020 school year and thereafter is responsible for the operation costs of the campus before the conversion.

The amount represents the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the year. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expenses on bank loans	**13,081**	845

(b) Staff costs		
Salaries, wages and other benefits	**128,100**	128,803
Contributions to defined contribution retirement plan (i)	**5,967**	8,273
Share-based payment expenses	**24,746**	16,680
	158,813	153,756

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group's contributions to the defined contribution retirement plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	2020	2019
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of property, plant and equipment	**54,515**	54,579
Amortisation of intangible assets	**4,098**	2,894
Depreciation of right-of-use assets	**2,559**	2,557
Auditors' remuneration	**2,150**	1,800
	63,322	61,830

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**2,153**	3,084

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

(ii) 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.

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on its taxable income.

(iv) According to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, when not requiring reasonable returns, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of this announcement, no separate policies, regulations or rules have been introduced by the tax authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the year ended 31 December 2020.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**327,446**	273,757
Tax at the statutory rate	**81,861**	68,439
Tax effect of non-taxable income	**(91,291)**	(66,612)
Tax effect of temporary difference and tax losses not recognized	**11,346**	1,150
Tax effect of non-deductible expenses	**237**	107
Actual income tax expense	**2,153**	3,084

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2020 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2020 of RMB325,293,000 (2019: RMB270,673,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2019: 1,608,583,000 shares).

There were no dilutive potential ordinary shares for the years ended 31 December 2020 and 2019, therefore, diluted earnings per share are equivalent to basic earnings per share.

8 TRADE RECEIVABLES

As at the end of the year, an ageing analysis of the Group's trade receivables, based on the transaction date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**2,752**	2,768

No allowance for doubtful debts was made as at the end of the year.

9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Prepayments and deposits	**205,638**	207,723
Other receivables	**701,354**	280,475
	906,992	488,198

As at 31 December 2020, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivables mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB326,256,000 and the balance due from Hongshan College with the amount of RMB364,423,000.

10 LOANS AND BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Unsecured bank loan:		
Within 1 year or on demand	**50,020**	330,000
After 1 year but within 2 years	**50,020**	–
After 2 years but within 5 years	**150,060**	–
After 5 years	**65,880**	–
	265,960	–
	315,980	330,000

As at 31 December 2020, the unsecured bank loans carried interest at annual rates of 4.55% and 4.70% (2019: 4.35% and 4.90%).

11 CONTRACT LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Tuition fees	**240,306**	211,289
Boarding fees	**27,681**	28,191
	267,987	239,480

12 OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Miscellaneous expenses received from students (i)	**27,638**	27,318
Accrued expenses	**6,656**	8,279
Payables to suppliers	**53,936**	19,716
Accrued staff costs	**23,057**	21,949
Interest payable	**458**	196
Others	**30,196**	24,600
	141,941	102,058

(i) the amount represents miscellaneous expenses received from students which will be paid out on behalf of students.

All other payables are expected to be settled within one year.

13 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2020	2019
	RMB'000	*RMB'000*
Final dividend proposed after the end of the year of HK$7.23 cents per ordinary share (2019: HK$5.53 cents)	**97,587**	81,073

The final dividend proposed after the end of the year has not been recognised as a liability at the end of the year.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$5.53 cents per share (2019: HK$5.59 cents)	**81,335**	79,111

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta, as measured by the total student enrollment. As at 31 December 2020, the student enrollment of the Group was 46,415, of which the number of full-time students reached 42,541, representing an increase of 6.8% as compared with 31 December 2019.

We are committed to providing high-quality application-oriented formal education services to our students, including formal university education and secondary vocational education covering various popular subjects and areas of employment. Through continuous and efficient market research, we actively design comprehensive and diversified courses to meet employers' preferences and employment market demands. Meanwhile, we have been actively adjusting our major offerings, continuously optimizing our teaching conditions by improving our tangible and intangible infrastructure, optimizing the educational environment, and strengthening strategic cooperation with various private enterprises and public institutions, in order to help our students acquire useful skills and seek good employment opportunities. As a whole, our graduate employment rate is higher than the average graduate employment rate in the regions where we operate. The high employment quality will further reinforce our reputation, improve our image in the industry, and enable our schools to attract more talented students. With professional and high-quality education, the Group has been continuously making outstanding contributions to students and their families, employers and economic and social development.

BUSINESS REVIEW

Our Schools

As at 31 December 2020, the Group invested and operated four education institutions, namely (i) Anhui Xinhua University* (安徽新華學院) ("**Xinhua University**"), a private university for formal education; (ii) Anhui Xinhua School* (安徽新華學校) ("**Xinhua School**"), a private secondary vocational school; (iii) School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院) ("**School of Clinical Medicine**"), a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); and (iv) Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院) ("**Hongshan College**"), a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學) ("**Nanjing University of Finance and Economics**").

Xinhua University

Founded in 2000, Xinhua University is a formal university-level education institution, which provides undergraduate education, junior college education and continuing education focusing on applied sciences. Xinhua University is one of the first Fifty National Higher Education Institutions with Typical Experience in Graduate Employment* (全國畢業生就業典型經驗50所高校), the Application-Oriented High-level University Construction Unit in Anhui Province* (安徽省應用型高水準大學建設單位) and Project Construction Unit with the Right to Grant Master's Degree* (碩士學位授予權立項建設單位).

As at 31 December 2020, Xinhua University had 11 subordinate colleges, offering a total of 82 majors for full-time higher education, including 60 undergraduate majors and 22 junior college majors. In addition, Xinhua University also provides the continuing education program to students in the society. The number of undergraduate students newly enrolled by the Xinhua University for the 2020/2021 school year was 6,042, representing a year-on-year increase of 21%. Xinhua University ranks the first among the private higher colleges and universities in the Yangtze River Delta, as measured by the full-time student enrollment.

School of Clinical Medicine

School of Clinical Medicine is an independent college approved by the Ministry of Education to train full-time undergraduate students. During the 2020/2021 school year, the number of majors in the School of Clinical Medicine increased from 7 in the previous school year to 10, with three new majors, namely "medical laboratory technology", "optometry" and "health and service management". Meanwhile, the school additionally enrolled students in two provinces, namely Jiangsu and Sichuan, thus increasing the number of provinces for enrollment to 10. The number of student enrollment of the School of Clinical Medicine reached 2,831 for the 2020/2021 school year, representing a year-on-year increase of 61.7%. As students have had a strong will to apply for admission to the school since our operation, its lowest admission mark for science was the highest among schools of the same type in Anhui Province, and its admission rate was also the highest among schools of the same type in Anhui Province.

The conversion of the School of Clinical Medicine and the construction of the new campus were processed smoothly. As at 31 December 2020, the main building of the new campus project (Phase I) was completed in advance and was at the stage of interior decoration and equipment installation, and the new campus will be officially put into use in the 2021/2022 school year and satisfy the relevant requirements on the conversion to independent colleges.

Hongshan College

Hongshan College is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers 15 undergraduate majors, while its major offerings focus on economic management, with literature and law characteristics. During the 2020/2021 school year, the student enrollment of Hongshan College reached 9,928, representing an increase of 9.7% compared with the previous school year.

The conversion of Hongshan College and the construction of the new campus are promoting efficiently. As a two-level key project in Jiangsu and Nanjing, the new campus of Hongshan College is constructed smoothly, which will be officially put into use in the 2021/2022 school year and satisfy the relevant requirements on the conversion to independent colleges.

Xinhua School

As a secondary vocational school, Xinhua School, which was recognized as National Key Secondary Vocational School* (國家級重點中等職業學校), Model School for School-Enterprise Cooperation in Hefei* (合肥市校企合作示範校), and Experimental School for Moral Education Innovation in Hefei* (合肥市德育創新實驗學校), provides career-oriented general secondary vocational program with deep integration of school and enterprise, undergraduate oriented secondary vocational education program, and five-year junior college oriented secondary vocational education program. All students of Xinhua School take full-time courses. As at 31 December 2020, Xinhua School offered 16 majors, with 6,027 full-time students, representing a year-on-year increase of 8.0%. Xinhua School actively promotes the integration of industry and education, comprehensively promotes management innovation and connotation development, reforms the talent training model and curriculum system, and strengthens practical teaching and skills training. Xinhua School has successively launched a new model of cooperation with well-known enterprises inside and outside the province that includes the co-construction of training rooms, sharing of teachers, and shared management.

Student Enrollment

	As at 31 December 2020	As at 31 December 2019
Xinhua University		
Full-time student enrollment	**23,755**	23,442
Continuing education	**3,874**	5,414
Subtotal	**27,629**	28,856
Xinhua School		
Full-time student enrollment	**6,027**	5,583
School of Clinical Medicine		
Full-time student enrollment	**2,831**	1,751
Hongshan College		
Full-time student enrollment	**9,928**	9,054
Total number of full-time students	**42,541**	39,830
Total number of students enrolled	**46,415**	45,244

Tuition and boarding fees

	Tuition fees *(RMB)*		Boarding fees *(RMB)*	
	2020/2021 school year	2019/2020 school year	**2020/2021 school year**	2019/2020 school year
Xinhua University				
Four-year undergraduate program	**19,800-23,800**	19,800-23,800	**1,500-2,000**	1,500-2,000
Three-year junior college program	**10,700-12,000**	10,700-12,000	**1,500-2,000**	1,500-2,000
Continuing education program	**2,400-6,000**	2,400-11,900	**1,500-2,000**	1,500-2,000
School of Clinical Medicine				
Four-year undergraduate program	**13,200-15,900**	13,200-15,900	**1,000**	1,000
Five-year undergraduate program	**15,900**	15,900	**1,000**	1,000
Hongshan College				
Four-year undergraduate program	**14,000**	14,000	**800-1,500**	800-1,500
Xinhua School				
General secondary vocational program	**9,000-16,000**	9,000-11,400	**1,500-2,000**	1,500
Undergraduate oriented secondary vocational program	**11,400**	11,400	**1,500-2,000**	1,500
Five-year secondary vocational program	**11,400**	11,400	**1,500-2,000**	1,500

OPERATION UPDATE AND HIGHLIGHTS

1. **New full-time student enrollment increased continuously, and the number of enrolled students increased steadily.** In the 2020/2021 school year, the overall full-time enrollment plans of the Group reached 10,789, representing a year-on-year increase of 19.2%. The full-time student enrollment reached 42,541, representing a year-on-year increase of 6.8% and the continuous increase in the undergraduate and junior college student yields.

2. **The school conditions are improved continuously, and the new campuses are constructed smoothly.** The schools of the Group further expands the construction of their new campuses to increase their capacity: (i) with an area of approximately 185 thousand sq.m., the new campus (Phase I) of the School of Clinical Medicine will increase the capacity of the school by 5,000 students after completion and is expected to be put into use in September 2021; and (ii) with an area of approximately 235 thousand sq.m., the new campus (Phase I) of Hongshan College will increase the capacity of the school by 9,000 students after completion and is expected to be put into use in September 2021. After the new campuses (Phase I) are put into use, future construction will be arranged reasonably according to the change in the number of students. The successive completion of the new campuses will bring about a considerable capacity for the arrangements and development of the Group in the Yangtze River Delta in the future.

3. **Substantial progress was made in the conversion of independent colleges.** In May 2020, the Ministry of Education issued the Implementation Plan for Accelerating the Promotion of Conversion of Independent Colleges*(關於加快推進獨立學院轉設工作的實施方案) so as to accelerate the conversion of independent colleges. The conversion of the two independent colleges of the Group, namely the School of Clinical Medicine and Hongshan College was carried out smoothly. The conversion of the School of Clinical Medicine has been approved by the Anhui Education Department and reported to the Ministry of Education, and is subject to approval by the Ministry of Education after an investigation in the school by the expert team organized by the Ministry of Education. The conversion of Hongshan College is also proceeding with high efficiency and is under preparation for the investigation in school by the expert team organized by the Jiangsu Education Department. The Group believes that the successful conversion of independent colleges will contribute to increasing the number of enrolled students of the Group and the revenue level of its schools and further expanding the school influence.

4. **Connotation construction was improved continuously, and the construction of first-class undergraduate majors and modern industry colleges brought about concrete results.** According to the positioning of high level university in applied sciences, the Group deepened the connotation construction, innovated talent cultivation methods and improved the quality of talent cultivation, thus making landmark achievements: (i) according to the Notice on the Publication of the List of National-level and Provincial-level First-class Bachelor Degree Programmes in 2020*(關於公佈2020年度國家級和省級一流本科專業建設點名單的通知) issued by the Ministry of Education, the list of schools under the "Double Ten Thousand Plan (雙萬計劃)" for development of first-class bachelor degree programmes (national-level and provincial-level first-class bachelor degree programmes) in 2020 has been officially published. 7 bachelor degree programmes of Xinhua University of the Group are included in the list, with 2 bachelor degree programmes, namely communication engineering and financial management, included in the list of national-level first-class bachelor degree programmes (national "financial majors"), and 5 bachelor degree programmes, namely software engineering, civil engineering, pharmacy, logistics management and animation included in the list of provincial-level first-class bachelor degree programmes. Xinhua University ranked third among homogeneous colleges and universities in China, in terms of the number of majors included in the list of national-level first-class bachelor degree programmes; and it tied for the first place among homogeneous colleges and universities in the province; and (ii) in accordance with the Guide to the Construction of Modern Industrial Colleges (for Trial Implementation) *(現代產業學院建設指南(試行)) formulated by the Ministry of Education and the Ministry of Industry and Information Technology, Xinhua University actively cooperated with JD.com, Gathering Stars* (聚星超媒) and Yonyou Seentao* (用友新道) and other well-known enterprises, in consideration of local economic and social development, and its advantages of disciplines and majors, so as to build a modern industrial college which integrates talent cultivation, scientific research, technological innovation, enterprise service, student entrepreneurship, etc. Accordingly, the Group will explore an effective mechanism to connect the industry chain, the innovation chain and the education chain, establish a new mechanism for sharing information, talents, technologies and material resources, improve the collaborative education mechanism for the integration of production and education, innovate the mechanism for evaluation and employment of part-time teachers from enterprises, build a mechanism for linking the development of higher education and industrial clusters, and continuously optimize the structure of majors and enhance the school vitality.

FUTURE PROSPECTS

1 New Development Opportunities for Private Colleges and Universities arising out of the Gradual Implementation of Favourable Policy

The Group has always been aiming to cultivate high-quality application-oriented talents with solid academic ability, innovative spirit, international vision and development potential. We believe that the implementation of the above policies and other related measures will help advantageous higher education groups expand their school size and improve their school quality through independent teaching and scientific research innovation as well as software and hardware construction, and effectively give full play to the advantages and features of private higher education.

In early 2019, there were favorable policies and information, including the strategic plan of China Education Modernization 2035 issued by the State Council, the National Vocational Education Reform Implementation Plan, "Enrollment of One Million Students for Vocational Education" and all-around revitalization of undergraduate education. Subsequently, the competent departments at all levels published a number of policies to support colleges and universities in further increasing the enrollment, and encourage the healthy development of vocational education. In terms of implementation, measures including social enrollment of colleges and universities, the construction of "high-level higher vocational" schools and the "1+X" teaching service of colleges and universities have been actively planned and advanced, and have achieved good results. In the first half of 2020, the State Council and the Ministry of Education issued documents to further increase the enrollment for top-up degree programs and master degree programs, thus bringing new opportunities for universities to expand their size.

Since the second half of 2020, the Ministry of Education has made written replies to the proposals and inquiries of the National People's Congress and the Chinese People's Political Consultative Conference with regard to private education. The replies of the Ministry of Education show its opinions that (i) it does not recommend a nation-wide unified transition period for the classified management of private schools, or the development by other relevant government departments of "one-size-fits-all" fiscal, taxation, land and other relevant supporting regulatory policies; (ii) relevant authorities should be open to legally compliant connected transactions, and in principle, fairly treat private schools that elect to be for-profit and not-for-profit, and simplify various relevant approval procedures; and (iii) it suggests that governments at all levels should provide more favorable policies and support for private schools. We believe that the above opinions reflect the recognition of the status of private colleges and universities by the government authorities, and provide strong support for the sustained and healthy development of high-quality private colleges and universities, and the continuous innovation according to the market and industry demand.

Benefiting from aforementioned policy, the enrollment plan of the Group's top-up degree programs increased by more than 1,500 during the 2020/2021 school year, representing an increase of more than 290% over the 2019/2020 school year, which is higher than the average level of private higher colleges and universities nationwide, and it is expected to be further improved in the future. The Group will, based on its high-quality resources and rich experience in the education industry and its position to cultivate high-end application-oriented talents, seize the policy opportunities, strengthen the integration of industry and education and school-enterprise cooperation, and further expand its school network and student enrollment by acquiring high-quality schools.

2 Actively promote the external development strategy to comprehensively expand the school network and the size of schools of the Group

The data in the Statistical Bulletin on National Education Development 2019 show that, at present, there are 757 private higher colleges and universities across China, including 257 independent colleges, and thus there is huge room for integration. At the same time, the Ministry of Education released a policy in May 2020, setting out more detailed requirements on the basic requirements, workflow and completion time for the conversion of independent colleges. The state has promoted the conversion of independent colleges. Based on the principle of "convert as many as possible and as soon as possible", high-quality private higher education institutions have many advantages in merger and acquisition of independent colleges and promotion of conversion, and may take the opportunity to expand their school size. In addition, since higher education in China is being popularized and the development of private colleges and universities varies, advantageous higher education institutions have more market opportunities to invest in, merge and acquire relevant colleges and universities. We believe that the policy changes will continue to bring more opportunities of merger and acquisition for the market, enabling high-quality private colleges and universities to expand their school network through investment, merger and acquisition, thus realizing cross-regional arrangements.

Our mergers and acquisitions will focus on the following two aspects: (1) long-term investment opportunities arising from the conversion of high-quality independent colleges; and (2) high-quality private colleges and universities located in regions highly attractive for talents or with a low gross enrollment rate in higher education. We believe that with our rich experience in running schools, abundant capital reserves and excellent brand reputation, we will be able to acquire higher-quality targets in future investments, mergers and acquisitions, and carry out the implementation through the best acquisition scheme, so that there will be a continuous and rapid growth in the sizes of schools of the Group and its profitability.

3 To meet the various service needs of students and continue to improve endogenous growth space

With the continuous expansion of the school size, the Group will continuously improve the software and hardware facility level and the strength of the teaching and scientific research teams of its colleges and universities, so as to satisfy the growing enrollment demand, with higher-level teaching equipment, teachers and living conditions, and improve the employment quality and school level, thus creating room for continuous growth in tuition and accommodation fees, and continuously expanding the school size.

In addition to building high-quality specialty majors, the Group also actively supports the "1+X" training model advocated by the State by providing value-added services for students in professional qualification examinations, practical training and other areas with the orientation of employment. After years of exploration, the Group has formed an education and service system with a variety of classes, flexible hours and competitive prices in the areas of various professional qualification assessment and professional practice examinations, enabling students to enjoy additional high-quality education services conveniently without going to school. In 2020, the Group established a professional department to further integrate various resources, expand its service categories and promote additional education services in Anhui Province, which has made positive progress. At the same time, the Group has also actively communicated and collaborated with government and enterprises to tailor various professional courses and continuing education related services for its staff. We believe that by satisfying the various learning and living needs of students, we can also enhance the income level of the Group and realize the diversification, differentiation and personalization of our business.

4 Capitalizing on the window for accelerating the conversion of independent colleges, to efficiently and steadily complete the conversion of the two independent colleges of the Group

In May 2020, the Ministry of Education published the Implementation Plan for Accelerating the Promotion of Conversion of Independent Colleges. We believe that the document clearly shows that the education authorities attach great importance to and their determination for the conversion of independent colleges, and specifies a specific schedule.

Currently, efficient progress has been made in the construction and conversion of the two independent colleges of the Group, with various indicators and hardware and software facilities basically satisfying the conversion requirements. We expect that the conversion of the two independent colleges will be completed in 2021, when the enrollment plans and tuition levels of the two colleges are expected to increase significantly.

FINANCIAL REVIEW

Revenue

Revenue consists of the tuition fees and boarding fees the Group received from its students.

The Group's revenue increased by 9.4% from RMB437.7 million for the year ended 31 December 2019 to RMB478.8 million for the year ended 31 December 2020. This increase was primarily due to the increase in tuition fees from RMB391.9 million for the year ended 31 December 2019 to RMB448.3 million for the year ended 31 December 2020, representing a year-on-year increase of 14.4%. This was primarily attributed to the increase in the Group's full-time student enrollment and average tuition fees.

Caliber revenue

The caliber revenue consists of the revenue of the Group plus the revenue of the School of Clinical Medicine and Hongshan College. This is not an IFRSs measure. The Group has presented this item because the Group considers it is an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows caliber revenue of the Group for the years presented below:

	2020	2019
	RMB'000	*RMB'000*
Revenue	**478,847**	437,732
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	**171,283**	76,335
Caliber revenue	**650,130**	514,067

Other Income

Other income primarily consists of rental and property management income, service income, interest income and gain on operation of the School of Clinical Medicine and Hongshan College.

Other income decreased by 7.3% from RMB115.4 million for the year ended 31 December 2019 to RMB107.0 million for the year ended 31 December 2020, primarily due to decrease in rental and property management income provided to other independent third parties under the influence of COVID-19.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staff, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs.

Our cost of sales decreased by 4.9% from RMB176.5 million for the year ended 31 December 2019 to RMB167.8 million for the year ended 31 December 2020, mainly due to the decrease in salaries and benefits paid to our staff and teaching activities under the influence of COVID-19.

Gross Profit

Our gross profit increased by 19.1% from RMB261.2 million for the year ended 31 December 2019 to RMB311.1 million for the year ended 31 December 2020, which was attributable to the combined effects of increase in revenue and decrease in cost of sales.

Selling and Distribution Costs

Selling and distribution costs primarily consist of student admission expenses, salaries and benefits paid to our sales staff, depreciation and amortization, and advertising expenses.

Selling and distribution costs increased by 39.7% from RMB7.8 million for the year ended 31 December 2019 to RMB10.9 million for the year ended 31 December 2020, primarily due to the increase in salaries and benefits paid to our staff and increase in student admission expenses.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to administrative staff, depreciation and amortization, and consultancy expenses.

Administrative expenses decreased by 29.2% from RMB94.2 million for the year ended 31 December 2019 to RMB66.7 million for the year ended 31 December 2020, mainly due to the foreign exchange differences occured during the Reporting Period.

Finance Costs

Finance costs primarily consist of interest expenses on bank loans.

The finance costs incurred for the year ended 31 December 2020 amounted to approximately RMB13.1 million (31 December 2019: RMB0.8 million), mainly due to the increase in weighted average bank loan balances.

Profit before Taxation

The Group's profit before taxation recognized for the year ended 31 December 2020 was RMB327.4 million, as compared with RMB273.8 million for the year ended 31 December 2019, representing a year-on-year increase of 19.6% which was a combined result of increase in revenue and decrease in administrative expenses.

Income Tax

The Group's income tax decreased by 29.0% from RMB3.1 million for the year ended 31 December 2019 to RMB2.2 million for the year ended 31 December 2020, which was in line with the decrease of the Group's taxable income.

Profit for the Year

As a result of the combined effects of the above income, costs and expenses, the Group recorded a profit of RMB325.3 million for the year ended 31 December 2020, representing an increase of 20.2% as compared with RMB270.7 million for the year ended 31 December 2019.

Adjusted Net Profit and Normalised Net Profit

Adjusted net profit was derived from the profit for the year after adjusting the foreign exchange gain or loss and the share-based payment expenses, which are not indicative of the Group's operating performances (as presented in the table below). This is not an IFRSs measure. The Group has presented this item because the Group considers it is an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit, adjusted net profit and normalised net profit of the Group for the years:

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**325,293**	270,673
Add:		
Foreign exchange (gain)/loss	**(29,223)**	8,649
Share-based payment expenses	**24,746**	16,680
Adjusted net profit	**320,816**	296,002
Adjustment for:		
One-off boarding fee refund	**21,390**	–
Normalised net profit	**342,206**	296,002

Working Capital and Source of Capital

During the year ended 31 December 2020, the Group had cash and cash equivalents and bank time deposits of RMB1,004.3 million (31 December 2019: RMB1,383.0 million), the fund of the Group was mainly arising from net cash inflow generated from operating activities and bank loans.

Net Current Assets

As at 31 December 2020, the Group recorded net current assets of RMB1,336.7 million (31 December 2019: RMB1,198.6 million), the increase of which was primarily attributable to the decrease of short-term loans and borrowings.

Capital Expenditures

The Group's capital expenditures were primarily related to the maintenance, renovation and construction of the existing school premises and the new campuses of the School of Clinical Medicine and Hongshan College. During the year ended 31 December 2020, the Group's capital expenditures were RMB482.6 million (for the year ended 31 December 2019: RMB309.1 million).

Bank Loans and Other Borrowings

Bank loans and other borrowings of the Group were mainly working capital loans. The bank loans of the Group amounted to RMB316.0 million as at 31 December 2020 (31 December 2019: RMB330.0 million).

Contingent Liabilities and Guarantees

As at 31 December 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

Gearing Ratio

Our gearing ratio remained stable as 21% as at 31 December 2020 as compared to that of 21% as at 31 December 2019.

Future Plan for Material Investments and Capital Assets

Save as disclosed herein, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed herein, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2020.

Significant Investments Held by the Group

Save as disclosed herein, there was no significant investment held by the Group for the year ended 31 December 2020.

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 31 December 2020, balances of several banks were denominated in USD or HKD. The management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

Pledge of Assets

As at 31 December 2020, no assets of the Group were pledged.

Human Resources

As at 31 December 2020, the Group has approximately 1,797 employees. In accordance with the applicable laws and regulations, the Group has attended the employee social security programs managed by local governments, including housing, retirement pension, medical insurance, maternity insurance and unemployment insurance. The Board believes that the Group is maintaining a favorable working relationship with our employees, and we have experienced no major labor disputes during the Reporting Period.

Off-Balance Sheet Commitments and Arrangements

As at 31 December 2020, the Group has not entered into any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

There was no event which has occurred subsequent to 31 December 2020 and up to the date of this announcement that would cause material impact on the Group.

IMPACT OF COVID-19 EPIDEMIC ON THE GROUP

At the beginning of 2020, the global outbreak of the COVID-19 epidemic was emerging, the PRC government has also taken various measures, including lockdowns, travel restrictions, quarantine and school closures, to curb the spread of COVID-19 in China. The Group has set up a joint prevention and control working group as soon as possible, established a four-level prevention and control system of "Group-University-School-Class", and comprehensively studied and deployed the epidemic prevention and control. The education and teaching was in effective operation and the schools were organized to carry out online courses to ensure the orderly progress of teaching. Most of the students of the Group successively returned to schools from April to June 2020. Prior to the return to schools, the Group has thoroughly cleaned and disinfected all campuses and ensured that there are adequate pandemic supplies, so as to improve the safety in the campuses. After returning to schools, the students and faculty members of each school strictly complied with strict epidemic prevention and control measures implemented by the government authorities.

In combating the COVID-19 epidemic, the Group has actively fulfilled its social responsibilities. The faculty members of the Group and its affiliated schools made donations of several millions of Renminbi in total. In accordance with the relevant guidelines issued by the local education authorities on the refund of student boarding fees under the influence of the COVID-19 epidemic, the schools under the Group refunded a total of approximately RMB21.39 million in boarding fees.

In consideration of the effective actions taken by the Group to reduce risks, the Directors believe that during the Reporting Period, COVID-19 did not materially and adversely affect the operation or finance of the Group, other than such one-off refund of the accommodation fees for the period of the outbreak as required by the PRC education authorities.

REGULATORY UPDATE

The "Law of the People's Republic of China on Foreign Investment" ("**Foreign Investment Law**") was passed and promulgated in the National People's Congress, and became effective on 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. At the same time, the Foreign Investment Law stipulates that any foreign investment activities are granted with the pre-establishment national treatment and shall follow the negative list management system. Foreign investors shall not invest in areas that are prohibited in the Negative List for the Access of Foreign Investment ("**Negative List**"). Foreign investors shall meet the conditions stipulated in the Negative List in order to invest in to the areas that are categorized by the Negative List as restricted category. Foreign investors shall follow the same principle as domestic investors in order to invest in areas that are not on the Negative List. There are no provisions in the Foreign Investment Law that explicitly mention the "actual control" or the "contractual arrangements". Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this announcement, the Foreign Investment Law has not been amended and the Company's operations have not been affected by the Foreign Investment Law.

The Company will continue to pay attention to the update on the Foreign Investment Law and relevant laws and regulations. The Company will make further announcements in this regard 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**").

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 18 June 2021 and a notice convening the AGM will be published and despatched to the shareholders of the Company (the "**Shareholders**") in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$7.23 cents per share (equivalent to approximately RMB6.07 cents per share) for the year ended 31 December 2020 (2019: HK$5.53 cents per share). The final dividend is subject to the approval of the Shareholders at the AGM and the final dividend will be payable on or around Friday, 16 July 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 July 2021.

CLOSURE OF THE REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive, in order to determine the identity of the Shareholders who are eligible to attend and vote at the AGM to be held on Friday, 18 June 2021, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 June 2021.

For Determining the Eligibility to the Proposed Final Dividend

The register of members of the Company will also be closed from Tuesday, 29 June 2021 to Friday, 2 July 2021, both days inclusive, in order to determine the eligibility of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2020.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company (the "**Audit Committee**") and discussed with the management of the Company. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2020. 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 the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaxhedu.com). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the Shareholders of the Company and made available on the above websites in due course.

CHANGE OF BUILDING NAME OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Board of the Company hereby announces that following the change of building name from "Sunlight Tower" to "Dah Sing Financial Centre" with effect from 26 March 2021, the principal place of business of the Company in Hong Kong (the "**Principal Place of Business**") will be known as 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

Save and except for the above change, the location of the Principal Place of Business shall remain unchanged.

By order of the Board
China Xinhua Education Group Limited
Wu Junbao
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises one non-executive Director, namely Mr. Wu Junbao (Chairman); three executive Directors, namely Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai; and three independent non-executive Directors, namely Mr. Jiang Min, Mr. Yang Zhanjun and Mr. Chau Kwok Keung.

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