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CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 667)

ANNOUNCEMENT OF 2021 ANNUAL RESULTS

HIGHLIGHTS	Year ended 31 December		Change Increase/ (Decrease)
	2021	2020	
Number of new students enrollments and new customers registered	154,259	145,472	6.0%
Average number of students enrolled and customers registered	144,365	133,310	8.3%
Revenue (RMB million)	4,140	3,649	13.5%
Gross profit (RMB million)	2,112	1,969	7.3%
Net profit (RMB million)	302	258	17.3%
Adjusted net profit (RMB million) ⁽¹⁾	432	500	(13.6%)
Adjusted EBITDA (RMB million) ⁽²⁾	1,380	1,436	(3.9%)
	As at	As at	Change Increase/ (Decrease)
	31 December 2021	31 December 2020	
Number of schools and centers	231	206	25
Net assets (RMB million)	5,739	6,040	(5.0%)
Total assets (RMB million)	9,636	9,821	(1.9%)

(1) Adjusted net profit was derived from the net profit for the year excluding the effect of (i) non-cash share-based payment expenses; and (ii) the net foreign exchange losses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

(2) Adjusted EBITDA was derived from the adjusted net profit for the year excluding finance costs, income tax expenses and depreciation expenses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

The board (the “**Board**”) of directors (the “**Director(s)**”) of China East Education Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	Year ended 31 December	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	4,139,700	3,648,892
Cost of revenue		(2,027,540)	(1,680,059)
Gross profit		2,112,160	1,968,833
Other income and expenses	5	130,857	190,802
Other gains and losses	6	(52,299)	(127,266)
Selling expenses		(988,265)	(829,039)
Administrative expenses		(541,756)	(569,750)
Research and development expenses		(30,797)	(43,779)
Finance costs	7	(161,123)	(146,053)
Profit before taxation		468,777	443,748
Income tax expense	8	(166,611)	(186,134)
Profit and total comprehensive income for the year	9	302,166	257,614
Earnings per share	11		
– Basic (<i>RMB cents</i>)		13.79	11.75
– Diluted (<i>RMB cents</i>)		13.28	11.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property and equipment		1,934,515	1,415,733
Right-of-use assets		2,322,911	1,926,746
Deferred tax assets		5,772	5,360
Deposits paid for acquisition of leasehold lands		27,000	133,186
Deposits for rental		23,506	25,332
Deposits for utilities and others		7,963	7,991
		<u>4,321,667</u>	<u>3,514,348</u>
CURRENT ASSETS			
Inventories		65,134	56,250
Trade and other receivables	12	275,300	180,103
Other financial assets	13		
– measured at fair value through profit or loss (“FVTPL”)		612,268	509,173
– measured at amortised cost		–	390,000
Tax recoverable		5,834	1,079
Time deposits		2,143,226	2,198,016
Bank balances and cash		2,212,294	2,972,325
		<u>5,314,056</u>	<u>6,306,946</u>
CURRENT LIABILITIES			
Trade and other payables	14	676,006	577,561
Tax liabilities		90,994	126,107
Lease liabilities		387,774	338,510
Contract liabilities		1,390,853	1,384,697
		<u>2,545,627</u>	<u>2,426,875</u>
NET CURRENT ASSETS		<u>2,768,429</u>	<u>3,880,071</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,090,096</u>	<u>7,394,419</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		1,305,514	1,279,378
Contract liabilities		40,751	65,136
Government grants		5,101	9,867
		<u>1,351,366</u>	<u>1,354,381</u>
NET ASSETS		<u>5,738,730</u>	<u>6,040,038</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	192	193
Reserves		<u>5,738,538</u>	<u>6,039,845</u>
TOTAL EQUITY		<u>5,738,730</u>	<u>6,040,038</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law (Chapter 22) of the Cayman Islands on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 12 June 2019 (the “**Listing**”). Its ultimate controlling parties are Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, collectively referred as the “**Controlling Equity Holders**”. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in the People’s Republic of China (the “**PRC**”) is No. 1009 Xuelin Road, Vocational Education Town, Yaohai District, Hefei City, Anhui Province, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions. The Company and its subsidiaries are collectively referred as the “**Group**”.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company and its subsidiaries. These consolidated financial statements have been approved for issue by the Board on 24 March 2022.

2. BASIS OF PREPARATION AND REORGANISATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) 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 (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

Pursuant to the group reorganisation (the “**Reorganisation**”) as more fully explained in the paragraph under the sections headed “History and Corporate Structure” and “Structured Contracts” in the prospectus of the Company dated 30 May 2019, the Company became the holding company of the companies now comprising the Group on 30 November 2018. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity.

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
-------------------------------------------------------------------------------------------------	------------------------------------------

In addition, the Group has early applied the Amendment to HKFRS 16 “*Covid-19-Related Rent Concessions beyond 30 June 2021*”.

In addition, the Group applied the agenda decision of the International Financial Reporting Standards Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

Notes:

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF AMENDMENTS TO HKFRSs (CONTINUED)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB1,706,457,000 and RMB1,693,288,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

4. REVENUE AND SEGMENT INFORMATION

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

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

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

The majority of the contracts for provision of vocational education services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers, the Board, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments:

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, desserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

The management of the Group assesses the performance of the operating and reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years ended 31 December 2021 and 2020:

For the year ended 31 December 2021

	New East	Xinhua	Wontone	Omick	Wisezone		Other		Total
	Culinary	Internet	Automotive	Education	Data	Cuisine	miscellaneous	Elimination	
	Education	Education	Education	of Western	Technology	Academy	businesses		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Cuisine and	Education	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				Pastry					
Revenue									
External sales	2,082,286	791,487	634,722	431,029	43,681	74,261	82,234	-	4,139,700
Inter-segment sales	-	-	-	-	7,649	-	104,450	(112,099)	-
Segment revenue	<u>2,082,286</u>	<u>791,487</u>	<u>634,722</u>	<u>431,029</u>	<u>51,330</u>	<u>74,261</u>	<u>186,684</u>	<u>(112,099)</u>	<u>4,139,700</u>
Results									
Segment results	<u>463,238</u>	<u>147,847</u>	<u>(22,977)</u>	<u>(8,984)</u>	<u>(19,876)</u>	<u>17,796</u>	<u>(18,502)</u>	<u>-</u>	<u>558,542</u>
Unallocated									
Other income and expenses									82,578
Other gains and losses									(52,299)
Corporate administrative expenses									<u>(120,044)</u>
Profit before tax									468,777
Income tax expense									<u>(166,611)</u>
Profit for the year									<u><u>302,166</u></u>
Other segment information									
Depreciation of property and equipment	116,709	69,120	78,310	37,364	1,896	5,367	4,761	-	313,527
Depreciation of right-of-use assets	123,626	62,428	69,975	32,121	6,772	9,740	2,297	-	306,959
Purchases of property and equipment	178,475	163,356	152,852	16,097	2,074	785	322,348	-	835,987
Additions of right-of-use assets	<u>342,768</u>	<u>55,306</u>	<u>110,646</u>	<u>26,134</u>	<u>4,224</u>	<u>-</u>	<u>170,755</u>	<u>-</u>	<u>709,833</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	New East Culinary Education RMB'000	Xinhua Internet Technology Education RMB'000	Wontone Automotive Education RMB'000	Omick Education of Western Cuisine and Pastry RMB'000	Wisezone Data Technology Education RMB'000	Cuisine Academy RMB'000	Other miscellaneous businesses RMB'000	Elimination RMB'000	Total RMB'000
Revenue									
External sales	1,954,301	747,583	483,203	325,295	45,819	55,805	36,886	–	3,648,892
Inter-segment sales	–	–	–	–	3,000	–	89,032	(92,032)	–
Segment revenue	<u>1,954,301</u>	<u>747,583</u>	<u>483,203</u>	<u>325,295</u>	<u>48,819</u>	<u>55,805</u>	<u>125,918</u>	<u>(92,032)</u>	<u>3,648,892</u>
Results									
Segment results	<u>565,219</u>	<u>225,685</u>	<u>(54,052)</u>	<u>(65,049)</u>	<u>(9,456)</u>	<u>(17,237)</u>	<u>(13,797)</u>	–	631,313
Unallocated									
Other income and expenses									115,600
Other gains and losses									(126,282)
Corporate administrative expenses									<u>(176,883)</u>
Profit before taxation									443,748
Income tax expense									<u>(186,134)</u>
Profit for the year									<u>257,614</u>
Other segment information									
Depreciation of property and equipment	127,922	64,056	76,008	38,304	4,246	6,648	6,678	–	323,862
Depreciation of right-of-use assets	111,566	58,952	58,603	30,480	7,424	9,669	2,653	–	279,347
Purchase of property and equipment	158,240	79,896	67,578	21,445	118	1,750	9,231	–	338,258
Addition of right-of-use assets	<u>163,076</u>	<u>120,708</u>	<u>145,875</u>	<u>15,883</u>	<u>911</u>	<u>2,755</u>	<u>82,487</u>	–	<u>531,695</u>

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 December 2021 and 2020.

5. OTHER INCOME AND EXPENSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Asset-related government grants	5,182	2,749
Unconditional government grants	43,097	49,831
Interest income from		
– time deposits and bank balances	53,667	104,125
– entrusted loans	22,161	8,323
Covid-19-related rent concessions	–	22,622
Others	6,750	3,152
	<u>130,857</u>	<u>190,802</u>

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gains from changes in fair value of other financial assets measured at FVTPL	21,300	39,581
Gains on disposals of property and equipment	344	640
Losses on termination of lease agreements	(280)	(984)
Net foreign exchange losses	(73,663)	(166,503)
	<u>(52,299)</u>	<u>(127,266)</u>

7. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on lease liabilities	161,123	146,053

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax		
– Current tax	166,347	178,576
– Under provisions in prior years	676	9,276
Deferred tax credit	(412)	(1,718)
	<u>166,611</u>	<u>186,134</u>

9. PROFIT FOR THE YEAR

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	3,427	3,472
Other staff costs		
— salaries and other allowances	1,223,347	1,151,291
— retirement benefit scheme contributions	86,475	82,954
— equity-settled share-based payments expenses	55,727	75,552
Total staff costs	<u>1,368,976</u>	<u>1,313,269</u>
Depreciation of property and equipment	313,527	323,862
Depreciation of right-of-use assets	306,959	279,347
Auditor's remuneration	3,638	3,580

During the year ended 31 December 2021, equity-settled share-based payments expense of approximately RMB56,180,000 (2020: RMB76,166,000) was recognised in profit or loss in respect of share options of the Company.

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK\$0.245 per ordinary share in respect of the year ended 31 December 2021, in an aggregate amount of approximately HK\$533 million, has been proposed by the Directors at the Board meeting held on 24 March 2022 and is subject to approval by the shareholders of the Company (the “Shareholders”) in the forthcoming annual general meeting of the Company to be held on Wednesday, 25 May 2022 (“Annual General Meeting”).

A final dividend of HK\$0.135 per ordinary share and a special dividend of HK\$0.135 per ordinary share in respect of the year ended 31 December 2020, in an aggregate amount of approximately HK\$593 million, were approved by the Shareholders at the annual general meeting held on 26 May 2021 and were paid during the year ended 31 December 2021.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Earnings:		
Profit for the purposes of calculating basic and diluted earnings per share		
– attributable to owners of the Company	<u>302,166</u>	<u>257,614</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,191,911,540	2,192,738,757
Effect of dilutive potential ordinary shares:		
– share options	<u>83,698,096</u>	<u>91,798,911</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,275,609,636</u>	<u>2,284,537,668</u>

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables		
– from government (<i>note i</i>)	24,949	33,010
– from others (<i>note ii</i>)	<u>24,967</u>	<u>15,591</u>
	<u>49,916</u>	<u>48,601</u>
Other receivables		
Prepayments for consumables	18,404	13,762
Prepayments for rental	23,544	17,401
Prepayments for services	16,780	19,271
Prepayments for advertisement	58,292	49,865
Value added tax recoverable	41,243	9,600
Advance to staff	6,718	6,722
Interest receivables from time deposits and bank balances	14,769	7,518
Deposits for development (<i>note iii</i>)	19,992	–
Refundable deposit	11,520	–
Other receivables	<u>14,122</u>	<u>7,363</u>
	<u>225,384</u>	<u>131,502</u>
	<u>275,300</u>	<u>180,103</u>

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- i. The amounts represent receivables from the PRC local governments, which purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.
- iii. The amounts represent the deposits paid to the PRC local government authority for the development of Chengdu Xinhua Future Vocational Skills Training School Co., Ltd. (成都新華未來職業技能培訓學校有限公司). The deposits will be repaid based on the progress of the project development.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB46,949,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Within 3 months	31,147	25,530
Over 3 months but within 12 months	17,634	21,787
Over 1 year	1,135	1,284
	<u>49,916</u>	<u>48,601</u>

In the opinion of the management of the Group, all of the trade receivable balances at the end of each year which have been past due over 90 days are not considered as in default as these are contributed by PRC local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year and no impairment loss on expected credit losses is recognised during both years.

13. OTHER FINANCIAL ASSETS

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Other financial assets measured at FVTPL		
– structured deposits (<i>note i</i>)	249,966	509,173
– unquoted fund investment	362,302	–
	<u>612,268</u>	<u>509,173</u>
Other financial assets measured at amortised cost		
– entrusted loans to related parties (<i>note ii</i>)	–	390,000
	<u>–</u>	<u>390,000</u>

Notes:

- i. The structured deposits are short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.
- ii. The amounts as of 31 December 2020 represented entrusted loans amounted to RMB130,000,000 provided to Anhui Xinhua Investment Group Co., Ltd. (安徽新華投資集團有限公司), a company controlled by Mr. Wu Junbao, and RMB260,000,000 provided to Anhui Xinhua Holdings Group Investment Co., Ltd. (安徽新華控股集團投資有限公司), a company controlled by Mr. Xiao Guoqing, respectively, at a fixed interest rate of 7% per annum and with maturity on 31 December 2021, for earning interests via the bank with predetermined return.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables	136,222	122,288
Payable for property and equipment	153,558	83,576
Value added tax and other taxes payable	7,626	3,511
Payroll payable	206,537	222,619
Discretionary subsidies received on behalf of students	40,216	30,948
Miscellaneous deposits received from students – within 12 months	86,790	77,947
Other payables	45,057	36,672
	<u>676,006</u>	<u>577,561</u>

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the invoice dates:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Within 90 days	<u>136,222</u>	<u>122,288</u>

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$</i>	Shown in the consolidated financial statements <i>RMB'000</i>
<i>Ordinary shares of HK\$0.0001 each</i>				
Authorised:				
At 1 January 2020, 31 December 2020 and 31 December 2021	<i>i</i>	3,800,000,000	380,000	
Issued:				
At 31 December 2019		2,191,092,104	219,109	193
Issue of new shares upon the exercise of share options	<i>ii</i>	4,011,602	401	–
At 31 December 2020		2,195,103,706	219,510	193
Issue of new shares upon the exercise of share options	<i>iii</i>	7,144,096	714	1
Shares repurchased and cancelled	<i>iv</i>	(27,566,000)	(2,756)	(2)
At 31 December 2021		2,174,681,802	217,468	192

Notes:

- i. The Company was incorporated in the Cayman Islands on 4 October 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. During the year ended 31 December 2020, 4,011,602 share options were exercised at a subscription price of HK\$2.25 per share (approximately equivalent to RMB1.99 per share), resulting in the issue of 4,011,602 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.
- iii. During the year ended 31 December 2021, 7,036,186 and 107,910 share options were exercised at a subscription price of HK\$2.25 and HK\$11.25 per share (approximately equivalent to RMB1.91 and RMB9.36 per share) respectively, resulting in the issue of 7,144,096 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.
- iv. During the year ended 31 December 2021, the Company repurchased a total of 27,566,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$225 million (excluding expenses). These ordinary shares were cancelled after repurchase.

16. CAPITAL COMMITMENTS

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment and leasehold land	<u>779,784</u>	<u>82,717</u>

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We have a leading position in vocational training education segment in China. Moreover, we also have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 231 schools and centers in operation as of 31 December 2021, covering almost all of the provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under seven renowned school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Cuisine Academy, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and On-mind Fashion & Beauty Education.

We are a pioneer in providing vocational training education in China in culinary arts, information technology and internet technology, as well as auto services. These industry sectors are areas in China where there is significant unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels.

OUR BUSINESS SEGMENTS

As at 31 December 2021, we operated 231 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
New East Culinary Education (“ New East ”)	72	New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. Each of our schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands.

Segments and Brands	No. of schools/ centers	Description
Omick Education of Western Cuisine and Pastry (“ Omick ”)	45	Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. We offer a variety of courses, including baking, desserts, western cuisines, bartending and barista training.
Cuisine Academy	20	Cuisine Academy has been providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs.

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet Technology Education (“ Xinhua Internet ”)	33	Xinhua Internet Technology Education provides, information technology and internet technology-related training programs. We provide a wide range of information technology and internet technology-related training to students with different course lengths.
Wiszone Data Technology Education (“ Wiszone ”)	22	Wiszone Data Technology Education primarily provides short-term information technology and internet technology programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we train professional data technology engineers.

AUTO SERVICES

Wontone Automotive Education (“ Wontone ”)	38	Wontone Automotive Education focuses on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce.
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FASHION AND BEAUTY

On-mind Fashion & Beauty Education (“ On-mind ”)	1	On-mind Fashion & Beauty Education focuses on cultivating high skills fashion and beauty professionals.
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SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments/new customers registered under each segment and brand for the years ended 31 December 2021 and 2020:

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2021	2020	
CULINARY ARTS				
New East	Long-term	31,224	31,220	0.0%
	– One to less than two years	2,892	3,390	(14.7%)
	– Two to less than three years	15,264	17,219	(11.4%)
	– Three years	13,068	10,611	23.2%
	Short-term	31,023	37,319	(16.9%)
	Subtotal	62,247	68,539	(9.2%)
Omick	Long-term			
	– One to less than two years	1,161	695	67.1%
	Short-term	15,648	14,218	10.1%
	Subtotal	16,809	14,913	12.7%
Cuisine Academy	Short-term	13,980	10,649	31.3%
CULINARY ARTS	Subtotal	93,036	94,101	(1.1%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	23,307	20,719	12.5%
	– One to less than two years	1,338	762	75.6%
	– Two to less than three years	5,517	7,669	(28.1%)
	– Three years	16,452	12,288	33.9%
	Short-term	3,762	2,515	49.6%
	Subtotal	27,069	23,234	16.5%
Wisezone	Short-term	4,073	4,402	(7.5%)

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2021	2020	
INFORMATION				
TECHNOLOGY				
AND INTERNET				
TECHNOLOGY				
	Subtotal	31,142	27,636	12.7%
AUTO SERVICES				
Wontone	Long-term	15,817	12,672	24.8%
	– One to less than two years	1,012	914	10.7%
	– Two to less than three years	2,083	3,026	(31.2%)
	– Three years	12,722	8,732	45.7%
	Short-term	13,021	10,504	24.0%
AUTO SERVICES	Subtotal	28,838	23,176	24.4%
FASHION AND BEAUTY				
On-mind	Long-term	315	124	154.0%
	– One to less than two years	–	14	(100.0%)
	– Two to less than three years	–	5	(100.0%)
	– Three years	315	105	200.0%
	Short-term	928	435	113.3%
FASHION AND BEAUTY	Subtotal	1,243	559	122.4%
THE GROUP				
	Long-term	71,824	65,430	9.8%
	– One to less than two years	6,403	5,775	10.9%
	– Two to less than three years	22,864	27,919	(18.1%)
	– Three years	42,557	31,736	34.1%
	Short-term	82,435	80,042	3.0%
THE GROUP	Total	154,259	145,472	6.0%

Notes:

- (1) New students enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new students enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) Number of new customers registered represents the total number of new customers attending our customized catering experience programs of Cuisine Academy.

The following table sets forth the average number of students enrolled and customers registered under each segment and brand for the years ended 31 December 2021 and 2020:

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2021	2020	
CULINARY ARTS				
New East	Long-term	58,951	57,897	1.8%
	– One to less than two years	3,542	4,098	(13.6%)
	– Two to less than three years	32,342	37,066	(12.7%)
	– Three years	23,067	16,733	37.9%
	Short-term	5,266	5,603	(6.0%)
	Subtotal	64,217	63,500	1.1%
Omick	Long-term			
	– One to less than two years	1,125	398	182.7%
	Short-term	5,060	4,310	17.4%
	Subtotal	6,185	4,708	31.4%
Cuisine Academy	Short-term	1,376	1,012	36.0%
CULINARY ARTS	Subtotal	71,778	69,220	3.7%

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2021	2020	
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	42,480	40,917	3.8%
	– One to less than two years	1,631	1,194	36.6%
	– Two to less than three years	13,451	18,025	(25.4%)
	– Three years	27,398	21,698	26.3%
	Short-term	590	472	25.0%
	Subtotal	43,070	41,389	4.1%
Wisezone	Short-term	833	758	9.9%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
	Subtotal	43,903	42,147	4.2%
AUTO SERVICES				
Wontone	Long-term	26,186	20,100	30.3%
	– One to less than two years	1,363	1,441	(5.4%)
	– Two to less than three years	4,885	6,761	(27.7%)
	– Three years	19,938	11,898	67.6%
	Short-term	2,002	1,689	18.5%
AUTO SERVICES	Subtotal	28,188	21,789	29.4%
FASHION AND BEAUTY				
On-mind	Long-term	254	55	361.8%
	– One to less than two years	–	6	(100.0%)
	– Two to less than three years	–	4	(100.0%)
	– Three years	254	45	464.4%
	Short-term	242	99	144.4%
FASHION AND BEAUTY	Subtotal	496	154	222.1%

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2021	2020	
THE GROUP	Long-term	128,996	119,367	8.1%
	– One to less than two years	7,661	7,137	7.3%
	– Two to less than three years	50,678	61,856	(18.1%)
	– Three years	70,657	50,374	40.3%
	Short-term	15,369	13,943	10.2%
THE GROUP	TOTAL	144,365	133,310	8.3%

Notes:

- (1) As our schools provide various vocational training education programs during a year and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average number of students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average number of students enrolled for a year is only an approximation of the average number of students enrolled during a certain year, representing the sum of the number of students enrolled at our operating schools at the end of each month divided by the number of months during such year, without taking into account any transfer or withdrawal.
- (2) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such year, without taking into account any withdrawal. The courses for one month or shorter are regarded as one-month programs for the purpose of calculation.

Tuition Fees/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each segment and brand for the years ended 31 December 2021 and 2020:

Segments and Brands	Program ⁽¹⁾	Tuition/Service fee	
		Year ended 31 December	
		2021	2020
		<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>	
CULINARY ARTS			
New East	Long-term	8,833-102,320	10,400-99,400
	Short-term ⁽²⁾	280-68,000	380-82,000
Omick	Long-term	46,000-72,000	46,000-72,000
	Short-term ⁽²⁾	800-39,000	800-39,000
Cuisine Academy ⁽³⁾	Customized catering experience program	300-38,800	777-15,600
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	7,600-38,800	16,800-38,800
	Short-term ⁽²⁾	240-48,000	3,280-28,800
Wisezone	Short-term ⁽²⁾	999-29,800	999-26,800
AUTO SERVICES			
Wontone	Long-term	6,800-38,800	4,800-38,600
	Short-term ⁽²⁾	800-37,500	1,000-37,500
FASHION AND BEAUTY			
On-mind	Long-term	13,800-23,900	11,800-29,600
	Short-term ⁽²⁾	3,600-29,600	3,600-15,800

Notes:

- (1) We charge tuition fee to students enrolled at our schools. Tuition fee of our long-term programs are typically charged based on the yearly tuition standards of different programs that students enrolled in such period.
- (2) Tuition fee of our short-term programs are typically charged by each program that students enrolled in.
- (3) We typically charge customers service fees by each program that customers registered in Cuisine Academy.

Recommended Employment and Entrepreneurship Rate

We are committed to assisting our students in developing their careers. Our average recommended employment and entrepreneurship rate of our long-term program graduates from New East and Wontone reached over 95%, while Xinhua Internet and Omick reached over 90% for the year ended 31 December 2021. The following table sets forth the recommended employment and entrepreneurship rate of our long-term program graduates by brands for the year ended 31 December 2021:

Brands⁽¹⁾	Recommended employment and entrepreneurship rate⁽²⁾
New East	98.4%
Xinhua Internet	94.3%
Wontone	95.6%
Omick	94.0%

Notes:

- (1) As the schools of other brands had not provided long-term programs of one year or more and there was no graduate of long-term programs of the schools of On-mind during the year ended 31 December 2021, the recommended employment and entrepreneurship rate of these brands were not included. We also provide graduate placement service or entrepreneurial service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or to study for interests, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to setting up their own businesses.
- (2) We provide graduate placement service and entrepreneurial service to all students of our long-term programs. The recommended employment and entrepreneurship rate represents the total number of students of long-term programs who are hired through our graduate placement service program or who set up their own business through our entrepreneurial service in a certain period, excluding students who are employed through other channels divided by the total number of graduates of long-term programs during such year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, there was an increase in the number of new students enrollments and new customers registered of approximately 6.0% as compared with that for the year ended 31 December 2020. Accordingly, the Group recorded an increase in revenue from RMB3,649 million for the year ended 31 December 2020, to RMB4,140 million for the year ended 31 December 2021, representing an increase of 13.5%.

The following table sets forth a breakdown of our revenue and average tuition/service fee per student/customer by segments and brands for the years indicated:

	Year ended 31 December				Change	
	2021		2020			
	Revenue	Average Tuition/Service Fee per Student/Customer ⁽¹⁾	Revenue	Average Tuition/Service Fee per Student/Customer ⁽¹⁾	Revenue Increase/(Decrease)	Average Tuition/Service Fee per Student/Customer ⁽¹⁾
	RMB'000	RMB'000	RMB'000	RMB'000		
CULINARY ARTS						
New East	2,082,286	32.4	1,954,301	30.8	6.5%	5.4%
Omick	431,029	69.7	325,295	69.1	32.5%	0.9%
Cuisine Academy ⁽²⁾	74,261	54.0	55,805	55.1	33.1%	(2.1%)
	<u>2,587,576</u>	<u>36.0</u>	<u>2,335,401</u>	<u>33.7</u>	<u>10.8%</u>	<u>6.8%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	791,487	18.4	747,583	18.1	5.9%	1.7%
Wisezone	43,681	52.4	45,819	60.4	(4.7%)	(13.2%)
	<u>835,168</u>	<u>19.0</u>	<u>793,402</u>	<u>18.8</u>	<u>5.3%</u>	<u>1.1%</u>
AUTO SERVICES						
Wontone	634,722	22.5	483,203	22.2	31.4%	1.5%
Other Miscellaneous Businesses ⁽³⁾	82,234	N/A	36,886	N/A	122.9%	N/A
Total⁽⁴⁾	<u>4,139,700</u>	<u>28.2</u>	<u>3,648,892</u>	<u>27.1</u>	<u>13.5%</u>	<u>4.0%</u>

Notes:

- (1) For illustration purposes only, the average tuition/service fee revenue per student/customer for the years ended 31 December 2021 and 2020 are calculated on a basis as revenue generated from tuition or service fees for the year divided by the average number of students enrolled and customers registered in the year.
- (2) During the years ended 31 December 2021 and 2020, revenue generated from Cuisine Academy mainly represents service fees collected from customers who attended our customized catering experience programs.
- (3) Other miscellaneous businesses primarily include fashion and beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.
- (4) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

The Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses/depreciation of right-of-use assets, campus maintenance and depreciation, utilities and office expenses. The cost of revenue increased from approximately RMB1,680 million for the year ended 31 December 2020 to approximately RMB2,028 million for the year ended 31 December 2021, representing an increase of 20.7%.

The following table sets forth a breakdown of our cost of revenue for the years indicated:

	Year ended 31 December			
	2021		2020	
	Cost	% of Total	Cost	% of Total
	<i>RMB'000</i>		<i>RMB'000</i>	
Teaching staff salaries and benefits	687,785	33.9%	540,447	32.2%
Teaching related consumables and other costs	498,736	24.6%	385,837	23.0%
Leasing expenses/Depreciation of right-of-use assets	316,984	15.6%	285,876	17.0%
Campus maintenance and depreciation	352,232	17.4%	342,997	20.4%
Utilities	92,632	4.6%	72,638	4.3%
Office expenses	79,171	3.9%	52,264	3.1%
Total	2,027,540	100.0%	1,680,059	100.0%

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB2,112 million for the year ended 31 December 2021 as compared to RMB1,969 million in 2020. The gross profit margin was 51.0% for the year ended 31 December 2021 as compared to 54.0% in 2020. The decrease in gross profit margin was mainly due to the significant increase in teaching staff salaries and benefits and teaching related consumables and other costs for the year ended 31 December 2021.

	Year ended 31 December			
	2021		2020	
	Gross profit <i>RMB'000</i>	Gross profit margin ⁽¹⁾ <i>percentage</i>	Gross profit <i>RMB'000</i>	Gross profit margin ⁽¹⁾ <i>percentage</i>
CULINARY ARTS				
New East	1,098,715	52.8%	1,111,934	56.9%
Omick	221,968	51.5%	141,917	43.6%
Cuisine Academy	34,052	45.9%	17,486	31.3%
	<u>1,354,735</u>	<u>52.4%</u>	<u>1,271,337</u>	<u>54.4%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	440,856	55.7%	454,557	60.8%
Wisezone	12,400	28.4%	18,576	40.5%
	<u>453,256</u>	<u>54.3%</u>	<u>473,133</u>	<u>59.6%</u>
AUTO SERVICES				
Wontone	281,831	44.4%	198,645	41.1%
Other Miscellaneous Businesses ⁽²⁾	22,338	27.2%	25,718	69.7%
Total	<u><u>2,112,160</u></u>	<u><u>51.0%</u></u>	<u><u>1,968,833</u></u>	<u><u>54.0%</u></u>

Notes:

- (1) The establishment of new schools and centers under a segment/brand has a negative impact on our gross profit margin for the relevant segment/brand. During the initial ramp-up period after a new school or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the schools and centers.
- (2) Other miscellaneous businesses primarily include fashion and beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.

Other Income and Expenses

For the year ended 31 December 2021, other income and expenses amounted to approximately RMB131 million (2020: RMB191 million) which primarily included government grants, interest income from time deposits and bank balances and entrusted loans. The decrease in other income was mainly due to the decrease in interest income from time deposits and bank balances of approximately RMB50 million during the year ended 31 December 2021.

Other Gains and Losses

The other gains and losses were recorded as net losses of approximately RMB52 million for the year ended 31 December 2021 (2020: net losses of RMB127 million) which was mainly attributable to net foreign exchange losses of approximately RMB74 million as a result of mainly the depreciation of Hong Kong dollars possessed by the Group, which consists of proceeds from the initial public offering of shares of the Company, against Renminbi during the year ended 31 December 2021 (2020: net foreign exchange losses of RMB167 million).

Selling Expenses

The Group's selling expenses was approximately RMB988 million for the year ended 31 December 2021 as compared to approximately RMB829 million for the year ended 31 December 2020. The increase in selling expenses incurred for the year ended 31 December 2021 was mainly related to the promotions of new curriculum and the inclusion of the selling expenses of newly established schools and centers.

Administrative Expenses

The Group's administrative expenses was approximately RMB542 million for the year ended 31 December 2021 as compared to approximately RMB570 million for the year ended 31 December 2020. It represented approximately 13.1% of the revenue for the year ended 31 December 2021 and decreased as compared to that of 15.6% for the year ended 31 December 2020. The decrease in administrative expenses was mainly due to the decrease of equity-settled share-based payment expenses from approximately RMB76 million for the year ended 31 December 2020 to approximately RMB56 million for the year ended 31 December 2021.

Finance Costs

The finance costs of approximately RMB161 million for the year ended 31 December 2021 represented the interest expenses on lease liabilities recognised following the adoption of HKFRS 16 – Leases (2020: RMB146 million).

Adjusted Net Profit and Adjusted EBITDA

To supplement this announcement which is presented in accordance with HKFRSs, we also presented the following unaudited non-HKFRSs adjusted net profit and adjusted EBITDA as additional financial measures which we believes that it can also provide useful information to help investors and others understand and evaluate the Company's financial performance:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit	302,166	257,614
Adjustments for: Non-cash share-based payments	56,180	76,166
Net foreign exchange losses	73,663	166,503
Adjusted net profit	432,009	500,283
Adjustments for: Depreciation	620,486	603,209
Finance costs	161,123	146,053
Income tax expenses	166,611	186,134
Adjusted EBITDA	1,380,229	1,435,679

Note:

- (i) Non-HKFRSs financial measure does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies.

Property and Equipment

Property and equipment as at 31 December 2021 increased by 36.6% to approximately RMB1,935 million from approximately RMB1,416 million as at 31 December 2020. Increase in property and equipment was mainly due to the inclusion of the property and equipment of regional center in Chengdu and newly established schools during the year.

Right-of-use Assets

Right-of-use assets as at 31 December 2021 increased by 20.6% to approximately RMB2,323 million from approximately RMB1,927 million as at 31 December 2020. Increase in right-of-use assets was mainly because the Group entered into several new lease agreements for the use of leasehold lands and several new lease agreements for the use of leased properties during the year.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2021, the Company's issued share capital was approximately RMB192,000 divided into 2,174,681,802 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB5,739 million (31 December 2020: RMB6,040 million).

As at 31 December 2021, the current ratio of the Group, representing current assets divided by current liabilities, was 2.1 times (31 December 2020: 2.6 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 40.4% (31 December 2020: 38.5%).

As at 31 December 2021, the total of time deposits and bank balances and cash of the Group amounted to approximately RMB4,356 million (31 December 2020: RMB5,170 million), representing 45.2% (31 December 2020: 52.6%) of the total assets of the Group of approximately RMB9,636 million (31 December 2020: RMB9,821 million).

For the year ended 31 December 2021, our capital expenditures were approximately RMB1,546 million (2020: RMB870 million) and were primarily related to acquisition of property and equipment and right-of-use assets for upgrading the existing school premises and construction of new campuses and regional center.

It is believed that the Group has sufficient capital to meet its commitment and working capital requirements for future operations and for general business expansion and development.

Other Financial Assets

As at 31 December 2021, the Group held other financial assets of approximately RMB612 million, particulars of which are set out below:

	Fair value as at 31 December 2021 <i>(RMB'000)</i>	Realised gains/(losses) for the year ended 31 December 2021 <i>(RMB'000)</i>	Unrealised gains/(losses) for the year ended 31 December 2021 <i>(RMB'000)</i>	% of total assets of the Group as at 31 December 2021
Financial assets measured at FVTPL				
Structured Deposit				
Bank of Hangzhou				
“Tian Li Bao” Structured Deposits	120,710	–	710	1.3%
Guo Yuan Securities Company Limited				
Guo Yuan Yuanying No. 28 Combined Assets Management Plan	52,237	–	2,237	0.5%
Shanghai Pudong Development Bank				
Weekly Xin Xin No.2 Wealth Management Product	77,019	–	19	0.8%
	<u>249,966</u>	<u>–</u>	<u>2,966</u>	<u>2.6%</u>
Unquoted Fund Investment				
E Fund Management (HK) Co., Ltd.				
E Fund (HK) Select Asia High Yield Bond Fund	177,615	–	(13,656)	1.9%
China International Capital Corporation Hong Kong Asset Management Limited				
CICC Multi-strategy Fixed Income Fund	184,687	–	(6,584)	1.9%
	<u>362,302</u>	<u>–</u>	<u>(20,240)</u>	<u>3.8%</u>

Investment Strategy and Future Prospects

The Group's investments in other financial assets have been conducted on the premise that such investments would not affect our business operation or capital expenditures so as to generate a relatively higher return from such investments than fixed-term bank deposits.

The Group has implemented a set of internal control and risk management measures to manage our risks related to investments in other financial assets.

Regarding the investment in financial assets measured at FVTPL, the measures include, among other things, the followings:

- we analyze such financial assets regularly and keep track of their performance and redemption status;
- such financial assets should be issued by a reputable bank or financial institution; and
- the investment portfolio of such financial assets should generally bear relatively low-risk.

In view of the above, we believe that our internal policies regarding investment in other financial assets and the related risk management mechanism are adequate. It is expected that the Group would continue to improve our capital usage efficiency by investing in such low-risk or principal protected other financial assets using our temporarily idle funds.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2021.

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain time deposits and bank balances, other financial assets and other payables denominated in Hong Kong dollars and United State dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2021. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 31 December 2021 and 2020, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Subsequent Events

The Group had no other significant event subsequent to the reporting period.

The Impact of the Covid-19 Pandemic to the Group

During the year ended 31 December 2021, the physical classes of some of our schools located in mainland China had been temporarily suspended in order to cooperate with the prevention and control of the Covid-19 pandemic (the “**Epidemic**”) according to the instruction of the PRC government. During the suspension of physical classes, the Group conducted its marketing business operation through our online consultation and application systems, etc. and the Group has also arranged online tuitions to our students of our schools located in mainland China.

Despite there may still be risks or uncertainties that the Epidemic will be outbreak again in 2022, our schools of the Group have already taken necessary health precaution measures to safeguard the safety of our employees and students. Moreover, the Group has already developed a comprehensive online learning programmes to our students which can offer online tuitions to our students in case physicals classes were suspended due to the outbreak of the Epidemic. Furthermore, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB4,356 million as at 31 December 2021 which were sufficient for the Group to meet its future commitment and working capital requirements for future operations and for general business expansion and development.

In view of the situation of the Epidemic in mainland China is being controlled, the Directors expected that the impact by the Epidemic in 2022 would not have any material adverse impact to the operation and financials of the Group. Nevertheless, the Group will closely monitor to the development of the situation of the Epidemic and will take necessary precautions to minimise the negative impact to the Group.

OUTLOOK

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business, school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

Establishment of Regional Centers and Provincial Education Bases

We plan to establish five self-owned regional centers in China's five major geographical regions (the "**Regional Centers**"), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an. The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our seven school/center brands, namely, New East, Omick, Cuisine Academy, Xinhua Internet, Wisezone, Wontone as well as On-mind. The Regional Centers will also house our research and development centers, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions. A land parcel located at Chengdu had been acquired by the Group for the development of the regional center in 2020 and it is expected that the construction of phase I regional center of Chengdu can be completed by end of 2022. In addition, the Group intends to establish provincial education bases in cities located at our major students recruitment provinces. As the proportion of our students who study in 3 years long-term courses was increasing in the past few years, to acquire land and construction facilities to establish provincial education bases in cities located at our major students recruitment provinces not only can avoid the increasing pressure in the rental expenses of our school premises and also can improve the environment of our school premises so as to increase the stabilities of our long-term course students.

Expansion of School Network

Our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, auto services as well as fashion and beauty.

Expansion and Diversification of Course Structures

In the four industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, auto services as well as fashion and beauty business, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. We will continue to explore other markets for vocational training education in the service industry and new economy, such as artificial intelligence and healthcare. Based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments.

Actively Applying as the Third-Party Rating Organisation for the Recognition of Vocational Skills

In 2020, the Group has become one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby the Group is allowed to perform the recognition of certain vocational skills for the public. Vocational skill recognition represents the recognition of the skill level of labors by the rating organisation filed by the Ministry of Human Resources and Social Security of the People’s Republic of China (“**Ministry of Human Resources and Social Security**”), which is a way for rating of the skills of talents implemented together with the occupational qualification rating. The third-party organisations for the recognition of vocational skills in China are the unit organisations recognised by the Ministry of Human Resources and Social Security, which are unit organisations with leading positions in the industry with credibility. After procedures such as self-reporting, selection by experts, credit checks, assessment by the local human resources and social security departments at the place where the Group was registered and seeking of views from the society, the Group became one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby it is allowed to perform the recognition of certain vocational skills. This means that the Group is allowed to perform vocational skill recognition for the public in accordance with the standards and regulatory requirements, and issue certificates recognised by the state, which will significantly raise the Group’s reputation and enhance its brand influence, and further strengthen the Group’s leading position in the vocational skill training business in China. By providing corresponding examinations and training for the public targeting vocational skill certificates, the Group can enrich its curriculum in the culinary segment to attract customers who want to obtain such certificates and increase the potential customers of the Group’s overall culinary segment. By issuing vocational skill certificates, the Group can further integrate employment resources to provide better job opportunities to the students. The Group will have a comprehensive understanding of the state’s policy and industry standards, which will facilitate our vocational skill education in accordance with the state’s policy and standards, and effectively enhance our education quality to provide high quality vocational education services.

We believe that with our over 30 years experience in vocational training industry, we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades and to react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings. It is believed that the Group will further strengthen its market leadership and reputation by having the above strategies.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 December 2021, the Company has utilised the net proceeds of approximately RMB2,668 million and the net proceeds have been applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 30 May 2019 and the announcement of the Company dated 23 April 2021. To the extent that the proceeds from the net proceeds are not immediately applied to the purposes, the Group intends to deposit the temporarily idle raised proceeds into interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions or to purchase wealth management or other financial products from reputable authorized financial institutions or investment companies.

The following table sets forth a summary of the utilisation of the net proceeds from Company’s initial public offering as at 31 December 2021:

Purpose	Percentage to total amount	Net proceeds amount* RMB'000	Utilised for the period from 12 June 2019 to 31 December 2020 RMB'000	Utilised for the year ended 31 December 2021 RMB'000	Unutilised amount RMB'000	Schedule for utilisation of remaining proceeds
Acquisition of land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an, or to establish provincial education bases in cities located at our major students recruitment provinces	45%	1,900,433	(43,429)	(980,565)	876,439	To be fully utilised in the next 5 years
Establishment of schools in selected markets	15%	633,478	(203,234)	(177,951)	252,293	To be fully utilised in the next 3 years
Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums	15%	633,478	(55,124)	(357,103)	221,251	To be fully utilised in the next 3 years
Construction of and upgrade our school facilities as well as purchase teaching equipment; and	15%	633,478	(447,466)	(186,012)	–	Fully utilised
Funding of our working capital and general corporate purposes	10%	422,318	(22,199)	(194,461)	205,658	To be fully utilised in the next 3 years
	100%	4,223,185	(771,452)	(1,896,092)	1,555,641	

* Net proceeds after deducting underwriting commission and issuing expenses incurred from the listing and the exercise of the over-allotment option.

The Company will utilise the remaining proceeds in accordance with the progress of the above expansion of our school network and the business development. It is expected that the proceeds will be fully utilised in the next 3 to 5 years but there is no detailed schedule for the utilisation of the remaining proceeds. In particular, it is subject to, among others, negotiations and governmental approvals for the Group to acquire land parcels or establish schools.

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 31 December 2021, we had a total of 12,322 employees. The following table sets forth the numbers of our employees, categorized by function, as at 31 December 2021:

Function	Number of Full-Time Employees	% of Total
Executive Directors and core management	327	2.6%
Full-time teachers and instructors	5,114	41.5%
Student accommodation staff	87	0.7%
Logistic personnel	651	5.3%
Administrative staff	3,491	28.3%
Accounting and finance staff	389	3.2%
Others	<u>2,263</u>	<u>18.4%</u>
Total ^(Note)	<u><u>12,322</u></u>	<u><u>100%</u></u>

Note: Among 12,322 employees, we had 15 employees in Hong Kong and 12,307 employees in mainland China.

Remuneration Policies

The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by PRC local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

Our full-time employees in Hong Kong participate in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) which the assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the MPF Scheme, contributions are made based on a percentage of the participating employees’ relevant income from the Group and the only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

DIVIDENDS

At the Board meeting held on 24 March 2022, the Board proposed the payment of a final dividend of HK\$0.245 (approximately RMB0.2) per ordinary share in respect of the year ended 31 December 2021. The aforesaid proposed payment of final dividend is subject to approval of the Shareholders at the Annual General Meeting to be held on Wednesday, 25 May 2022. Subject to the approval of Shareholders at the Annual General Meeting, the aforesaid proposed final dividend is expected to be paid on or around Thursday, 23 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**CG Code**”). During the year ended 31 December 2021, the Company has complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential to the development of the Group and to safeguard the interests of the Shareholders, potential investors and business partners and is consistent with the Board’s pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the development of the Group and will review such practices from time to time to ensure that the Company complies with statutory and professional standards and aligns with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

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

During the year ended 31 December 2021, the Company repurchased a total of 27,566,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$225 million (excluding expenses). These ordinary shares were cancelled after repurchase. The Board believes that the share repurchase demonstrated the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value to the Shareholders. Details of the repurchase of shares are summarized as follows:

Month of Repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
July	8,998,500	10.34	9.53	88,531,560
August	4,953,000	7.81	7.50	38,014,365
October	464,500	7.50	7.50	3,483,750
November	13,150,000	7.37	6.80	94,628,065
Total	<u>27,566,000</u>			<u>224,657,740</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. HUNG Ka Hai, Clement, Dr. ZHU Guobin and Dr. ZANG Yunzhi. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the consolidated financial statements for the year ended 31 December 2021 of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group. The Audit Committee is in the opinion that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the annual results announcement.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on Wednesday, 25 May 2022. Notice of the Annual General Meeting which will be published and dispatched to the Shareholders in accordance with the Company's articles of association and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the forthcoming Annual General Meeting

The register of members of the Company will be closed from Friday, 20 May 2022 to Wednesday, 25 May 2022 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders' entitlement to attend and vote at the forthcoming Annual General Meeting. The record date for entitlement to attend and vote at the Annual General Meeting shall be Wednesday, 25 May 2022. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 May 2022.

(b) For determining the entitlement to the final dividend

The register of members of the Company will be closed from Wednesday, 1 June 2022 to Monday, 6 June 2022 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders' entitlement for the proposed final dividend. The record date for the proposed final dividend shall be Monday, 6 June 2022. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 May 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeastedu.com). The annual report of the Company for the year ended 31 December 2021 will be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
China East Education Holdings Limited
WU Wei
Chairman

Hong Kong, 24 March 2022

As at the date of this announcement, the Board comprises Mr. WU Wei and Mr. XIAO Guoqing as executive Directors; Mr. WU Junbao and Mr. LU Zhen as non-executive Directors; and Mr. HUNG Ka Hai, Clement, Dr. ZHU Guobin and Dr. ZANG Yunzhi as independent non-executive Directors.