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## 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 2021

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 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020.

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 change
	2021	2020	
	RMB'000	RMB'000	
Adjusted revenue <sup>(1)</sup>	774,046	650,130	+19.1%
Revenue	565,386	478,847	+18.1%
Gross profit	370,132	311,058	+19.0%
Profit for the year	354,482	325,293	+9.0%
	As at	As at	
	31 December	31 December	Percentage change
	2021	2020	
Full-time student enrollment	45,121	42,541	+6.1%

Note:

- (1) The adjusted 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.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*YEAR ENDED 31 DECEMBER 2021*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Revenue</b>	<i>3</i>	<b>565,386</b>	478,847
Cost of sales		<u>(195,254)</u>	<u>(167,789)</u>
<b>Gross profit</b>		<u>370,132</u>	<u>311,058</u>
Other income	<i>4</i>	<b>83,042</b>	107,046
Selling and distribution costs		<b>(14,310)</b>	(10,869)
Administrative expenses		<u>(64,112)</u>	<u>(66,708)</u>
<b>Profit from operations</b>		<b>374,752</b>	340,527
Finance costs	<i>5(a)</i>	<u>(17,413)</u>	<u>(13,081)</u>
<b>Profit before taxation</b>	<i>5</i>	<b>357,339</b>	327,446
Income tax	<i>6</i>	<u>(2,857)</u>	<u>(2,153)</u>
<b>Profit for the year</b>		<u><b>354,482</b></u>	<u>325,293</u>
<b>Other comprehensive income for the year</b>			
<b>(after tax and reclassification adjustments)</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		<b>(21,314)</b>	(66,215)
<b>Other comprehensive income for the year</b>		<u>(21,314)</u>	<u>(66,215)</u>
<b>Total comprehensive income for the year</b>		<u><b>333,168</b></u>	<u>259,078</u>
<b>Earnings per share</b>	<i>7</i>		
Basic and diluted (RMB cents)		<u><b>22.04</b></u>	<u>20.22</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>512,110</b>	533,591
Right-of-use assets		<b>80,206</b>	82,764
Intangible assets		<b>203,793</b>	205,715
Other non-current assets	<i>8</i>	<b>660,000</b>	660,000
Long-term bank time deposits		<b>170,000</b>	268,000
		<b>1,626,109</b>	1,750,070
<b>Current assets</b>			
Trade receivables	<i>9</i>	<b>2,606</b>	2,752
Prepayments, deposits and other receivables	<i>10</i>	<b>1,860,376</b>	906,992
Financial assets measured at fair value through profit or loss		–	154,557
Cash and bank balances		<b>475,892</b>	736,278
		<b>2,338,874</b>	1,800,579
<b>Current liabilities</b>			
Loans and borrowings	<i>11</i>	<b>50,020</b>	50,020
Contract liabilities	<i>12</i>	<b>308,549</b>	267,987
Other payables	<i>13</i>	<b>126,260</b>	141,941
Current taxation		<b>5,326</b>	3,972
		<b>490,155</b>	463,920
<b>Net current assets</b>		<b>1,848,719</b>	1,336,659
<b>Total assets less current liabilities</b>		<b>3,474,828</b>	3,086,729
<b>Non-current liabilities</b>			
Loans and borrowings	<i>11</i>	<b>406,711</b>	265,960
<b>NET ASSETS</b>		<b>3,068,117</b>	2,820,769
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>12,952</b>	12,952
Reserves		<b>3,055,165</b>	2,807,817
<b>TOTAL EQUITY</b>		<b>3,068,117</b>	2,820,769

# 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**”) on 26 March 2018.

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. Significant accounting policies adopted by the Group are disclosed below.

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 2021 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 are measured at fair value through profit or loss.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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**

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS15</b>		
Tuition fees	<b>514,448</b>	448,299
Boarding fees	<b>50,938</b>	30,548
Total	<b><u>565,386</u></b>	<u>478,847</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Rental and property management income	25,182	17,903
Service income	35,717	25,618
Government grants (i)	3,927	8,041
Interest income on financial assets measured at amortised cost	12,815	28,034
Surplus on operation of the School of Clinical Medicine and Hongshan College (ii)	2,570	25,305
Others	2,831	2,145
	<u>83,042</u>	<u>107,046</u>

- (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 for a term of three years 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 to a school owned and operated solely by the Group (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 surplus or deficit to be absorbed by the Group, being the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the year. The Group's advances and other investments to the above two schools are disclosed in intangible assets, notes 8 and 10, representing the Group's related financial exposures prior to the completion of the Conversion. 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:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest expenses on bank loans	<u>17,413</u>	<u>13,081</u>
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	<b>154,142</b>	128,100
Contributions to defined contribution retirement plan (i)	<b>7,923</b>	5,967
Share-based payment expenses	<u>11,349</u>	<u>24,746</u>
	<u><b>173,414</b></u>	<u>158,813</u>

- (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.

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment	<b>58,267</b>	54,515
Amortisation of intangible assets	<b>5,255</b>	4,098
Depreciation of right-of-use assets	<b>2,558</b>	2,559
Auditors' remuneration	<u>2,000</u>	<u>2,150</u>
	<u><b>68,080</b></u>	<u>63,322</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the year	<u>2,857</u>	<u>2,153</u>

- (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 relevant provisions of Implementation Rules for the Law for Promoting Private Education (the “**Implementation Rules**”), private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools that are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing formal educational services, are eligible to enjoy income tax preferential treatment if the school sponsors of such schools do not require reasonable returns or the schools are elected to be not-for-profit schools. Although the detailed Implementation Rules of Law for Promoting Private Education has been announced with effective from 1 September 2021, the Group’s schools have not yet elected to be for-profit or not-for-profit schools since it was not compulsory to be elected, up to the end of the reporting period. 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 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 2021.



## 7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2021 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2021 of RMB354,482,000 (2020: RMB325,293,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2020: 1,608,583,000 shares).

There were no dilutive potential ordinary shares for the year ended 31 December 2021 and 2020, therefore, diluted earnings per share are equivalent to basic earnings per share.

## 8 OTHER NON-CURRENT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayment for investments	<u>660,000</u>	<u>660,000</u>

As at 31 December 2021 and 2020, the prepayment for investments represent the down-payment for acquisition of Hongshan College of RMB660 million.

## 9 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	<u>2,606</u>	<u>2,752</u>

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

## 10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments and deposits	204,977	205,638
Other receivables	<u>1,655,399</u>	<u>701,354</u>
	<u>1,860,376</u>	<u>906,992</u>

As at 31 December 2021, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivables mainly comprise the operating fundings advanced to the School of Clinical Medicine with the amount of RMB846,960,000 (2020: RMB326,256,000) and to Hongshan College with the amount of RMB801,422,000 (2020: RMB364,423,000).

## 11 LOANS AND BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Unsecured bank loan:</b>		
Within 1 year or on demand	50,020	50,020
After 1 year but within 2 years	50,020	50,020
After 2 years but within 5 years	162,920	150,060
After 5 years	–	65,880
	<u>212,940</u>	<u>265,960</u>
<b>Loan from related party:</b>		
After 2 years but within 5 years	193,771	–
	<u>456,731</u>	<u>315,980</u>

As at 31 December 2021, the unsecured bank loans carried interest at annual rates of 4.55% and 4.70% (2020: 4.55% and 4.70%).

In June 2021, the Group entered into a borrowing agreement with its related party Wu Junbao Company Limited with an annual interest rate of 2.00%.

## 12 CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Tuition fees	274,694	240,306
Boarding fees	33,855	27,681
	<u>308,549</u>	<u>267,987</u>

### 13 OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Miscellaneous expenses received from students (i)	20,303	27,638
Accrued expenses	6,486	6,656
Payables to suppliers	68,616	53,936
Accrued staff costs	26,835	23,057
Interest payable	2,456	458
Others	1,564	30,196
	<u>126,260</u>	<u>141,941</u>

- (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.

### 14 DIVIDENDS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK10.78 cents per ordinary share (2020: HK7.23 cents)	<u>141,792</u>	<u>97,587</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.23 cents per share (2020: HK5.53 cents)	<u>97,169</u>	<u>81,335</u>

## 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 2021, the student enrollment of the Group was 56,518, of which the number of full-time students reached 45,121, representing an increase of 6.1% as compared with 31 December 2020. Due to the implementation of the Strategic Cooperation Framework Agreement for the Integrated Development of Higher Quality Education in the Yangtze River Delta Region and the Three-year Action Plan for the Integrated Development of Education in the Yangtze River Delta Region, the Group's influence in terms of running schools will be further expanded, which will improve the quality and accelerate the development of the Group's education business in the future.

“A thriving education makes a thriving country, while a powerful education makes a powerful country.” General Secretary Xi Jinping stressed that building an education powerhouse was the basic project of the great rejuvenation of the Chinese nation, and China should give priority to education, deepen education reform, accelerate education modernization, properly provide satisfactory education, and train socialist builders and successors featuring an all-round development in morality, intelligence, physique and art. The Group actively responds to the call of the party and the state, and firmly adheres to the lofty mission of “Rejuvenating the Country and Serving the People through Xinhua Education”, and the direction of running schools under socialism, and focuses on and properly provides education. The Group vigorously promotes connotative construction, continuously improves the quality of running schools, and plays a great role in improving the quality of workers, promoting employment, upgrading and transforming service industries, etc.

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 to acquire various 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 AND OPERATION UPDATE

#### Our Schools

As at 31 December 2021, 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) 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); (iii) 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**”); and (iv) Anhui Xinhua School\* (安徽新華學校) (“**Xinhua School**”), a private secondary vocational school.

## ***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, and 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 2021, Xinhua University had 10 subordinate colleges and 2 Teaching Department, offering a total of 57 undergraduate majors, and newly approved 2 undergraduate majors in financial technology and artificial intelligence. 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 2021/2022 school year was 7,070, representing a year-on-year increase of 10.5%. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta, as measured by the student enrollment.

In recent years, the ranking of Xinhua University in the Alumni Association's ranking of private universities in China has increased year by year, and it ranks first in the latest ranking of Innovation and Entrepreneurship Competitiveness of private universities in China. It ranks among the top 20 in the country in special rankings such as academic research competitiveness, teacher teaching development index, and academic competitions.

## ***School of Clinical Medicine***

With the sporadic spread of COVID-19 pandemic still in many countries and regions, China attaches great importance to medical education, and emphasizes the new medical construction as the starting point, and categorizes and cultivates research, inter-disciplinary and application-oriented talents, so as to provide more outstanding medical innovative talents for the construction of healthy China.

School of Clinical Medicine is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers 11 undergraduate majors, with its major offerings focus on clinical medicine, pharmacy and nursing. During the 2021/2022 school year, midwifery major was added. The approved undergraduate (including the top-up degree) enrollment plan in the 2021/2022 school year representing a year-on-year increase of 44.8%.

Meanwhile, School of Clinical Medicine additionally enrolled students in two provinces, namely Chongqing and Jiangxi. The number of student enrollment reached 4,261 for the 2021/2022 school year, representing a year-on-year increase of 50.5%. Since our operation, students have had a strong desire to apply for admission to School of Clinical Medicine, its lowest admission mark for science was the highest among schools of the same type in Anhui Province for consecutive years, and its admission rate was also the highest among schools of the same type in Anhui Province. Students have won 25 awards above the provincial level, such as the Challenge Cup, and the school ranks fifteenth in the ranking of Ruanke of independent colleges in the China University Rankings.

The construction of the new campus were progressed smoothly. The main building of the new campus project (Phase I) was completed and will be officially put into use in the 2021/2022 school year, and has satisfied the relevant requirements on the conversion. On 7 May 2021, School of Clinical Medicine entered into state-owned construction land use right grant contracts with Hefei Natural Resources and Planning Bureau, pursuant to which School of Clinical Medicine has acquired the land use rights of two piece of land for the purposes of constructing the Phase II of the new campus project of School of Clinical Medicine. Please refer to announcements of the Company dated 7 May 2021 and 17 May 2021 for details of such acquisition.

### ***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, with major offerings focus on economic management, with literature and law characteristics.

The conversion and the construction of the new campus are progressing efficiently. As a two-level key project in Jiangsu and Nanjing, the new campus is constructed smoothly, accordingly, the project (Phase I) was almost completed. The new campus is expected to be officially put into use in 2022, after the approval of the competent authority, and satisfy the relevant requirements on the conversion.

### ***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 2021, Xinhua School offered 16 majors, with 6,180 full-time students. 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 2021	As at 31 December 2020
<b>Xinhua University</b>		
Full-time student enrollment	24,461	23,755
Continuing education	11,397	3,874
Subtotal	<u>35,858</u>	<u>27,629</u>
<b>School of Clinical Medicine</b>		
Full-time student enrollment	<u>4,261</u>	<u>2,831</u>
<b>Hongshan College</b>		
Full-time student enrollment	<u>10,219</u>	<u>9,928</u>
<b>Xinhua School</b>		
Full-time student enrollment	<u>6,180</u>	<u>6,027</u>
<b>Total number of full-time students</b>	<b>45,121</b>	42,541
<b>Total number of students enrolled</b>	<b><u>56,518</u></b>	<b><u>46,415</u></b>

## OPERATION UPDATE AND HIGHLIGHTS

- 1. Focus on quality improvement and establishment of excellent schools, for more remarkable results in construction of majors.** With a focus on high-quality development, the Group made greater efforts for professional training to continuously improve the construction of majors. After Xinhua University of the Group had 2 majors, namely communication engineering and financial management, included in the national first-class undergraduate majors, and 5 majors, namely software engineering, civil engineering, pharmacy, logistics management and animation, included in Anhui provincial first-class undergraduate majors in the previous year, Xinhua University was making efforts to have 3 new majors, namely English, safety engineering, economics and finance included in Anhui provincial and national first-class majors. Xinhua University had 646 provincial and ministerial-level teaching and research projects approved, representing a year-on-year increase of 15.6%, and 167 classes 1 and 2 papers published, representing a year-on-year increase of 15.2%, and 96 patents and copyrights. The nursing major offered by the School of Clinical Medicine was included in Anhui provincial first-class undergraduate majors. Two majors, namely taxation and marketing, offered by the Hongshan College were included in the first-class undergraduate majors in Jiangsu Province.
- 2. Gathering high-quality resources to give further play to the effect of collaborative education.** The Group fully tapped high-quality cooperation resources to achieve the organic integration of industry, knowledge and education chains. With a focus on the integration with local economic and social development and in consideration of its advantage in disciplines and majors, Xinhua University of the Group deepened the integration of industry and education by establishing 4 modern industrial colleges with famous enterprises such as Yonyou Seentao (用友新道), ZTE and Huawei. The School of Clinical Medicine gave full play to the role of synergy of hospital and school, by signing directly affiliated hospitals to cooperate with many local hospitals in education, thus continuously serving the local health care development while providing high-quality medical education resources for students. Hongshan College actively cooperated with famous universities in the UK, the USA and other countries, by adding 2 overseas cooperative universities, and organized study, internship, online training and other projects for students.
- 3. The training of teachers should be strengthened to build a team of excellent teachers.** Under the philosophy of “talents make schools thrive”, the Group continuously strengthens the training of teachers, and implements the “Doctoral Project”, “Teaching Ability Training Project” and “Heartwarming Cohesion Project”, etc., thus continuously improving the ability of teachers. Some teachers have been awarded many honors, including “National Excellent Teacher” and “National Excellent Counselor of Private Colleges and Universities”, and achieved remarkable results in various teaching competitions.
- 4. Serving regional development and delivering high-quality applied talents.** In line with the needs of regional industrial development, the Group trained high-quality applied talents with social responsibility awareness, sufficient academic attainments, practical skills, innovative spirit and international vision. Students from the Group have won more than 2,000 awards in various discipline competitions and arts and sports competitions at the provincial level and above. During the COVID-19 pandemic, students contributed to the fight against the pandemic by actively participating in volunteer services. The graduate employment rate of the three universities of the Group exceeded 93.6%, and their employment quality was higher than the national average. Among them, Xinhua University ranked third among universities in Anhui Province in terms of graduate employment rate in 2021, and was awarded Incentive and Commendation by Anhui Province in 2021 as an Outstanding University in Higher Education Graduate Employment Achievement, and it is the only Private University in Anhui Province that has won this honor. In the past three years, the admission rate for postgraduate entrance examination has been continuously improved.



## **FUTURE PROSPECTS**

### **I. Persistence in the classified characteristic development and enhancement of endogenous development momentum.**

The national “14th Five-Year Plan” proposes that China should promote classified management of higher education and comprehensive reform of colleges and universities, carry out classified construction of first-class universities and disciplines, develop high-quality undergraduate education, and promote the transformation of certain ordinary undergraduate colleges and universities to application-oriented ones. With a focus on the construction of high-quality application-oriented undergraduate education, the Group adhered to the construction strategy of “one school with one characteristic”, and caused its colleges and universities to develop school-running characteristics based on their existing school running advantages and the new needs of regional economic development. The Group continuously made greater efforts in the construction of majors, strengthened the training of high-level teachers, and provided better education and teaching resources. Meanwhile, under the philosophy of “coordinated development”, the Group promoted the co-construction and sharing of high-quality resources, so as to achieve high-quality development with strong connotation.

### **II. Seizing the opportunities from favorable policies of vocational education and exploring new sources of growth.**

The Opinions on Promoting the High-quality Development of Modern Vocational Education issued in 2021 and the main points of work of the Ministry of Education in 2022 both point clearly that listed companies and leading enterprises in the industry will be further encouraged to carry out vocational education. The Group will take the development of vocational education as a new “source of growth” and innovate its business development model and expand its business network by coordination between different types of education (promoting mutual selection of courses and mutual recognition of credits between secondary vocational schools and ordinary high schools, and between higher vocational schools and application-oriented universities), carry out market-oriented social training based on schools, etc.

We will persist in high-quality development, continuously meet the needs of the people for more types of higher-quality selective education, and continuously establish the competitiveness and influence of the Group in the higher education sector.

## FINANCIAL REVIEW

### Revenue

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

The Group's revenue increased by 18.1% from RMB478.8 million for the year ended 31 December 2020 to RMB565.4 million for the year ended 31 December 2021. This increase was primarily due to the increase in tuition fees from RMB448.3 million for the year ended 31 December 2020 to RMB514.4 million for the year ended 31 December 2021, representing a year-on-year increase of 14.7%. This was primarily attributed to the increase in the Group's full-time student enrollment and average tuition fees.

### Adjusted revenue

The adjusted 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 adjusted revenue of the Group for the years presented below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	565,386	478,847
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	<u>208,660</u>	<u>171,283</u>
Adjusted revenue	<u><u>774,046</u></u>	<u><u>650,130</u></u>

### Other Income

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

Other income decreased by 22.4% from RMB107.0 million for the year ended 31 December 2020 to RMB83.0 million for the year ended 31 December 2021, primarily due to decrease in the operation result of the School of Clinical Medicine and Hongshan College with the effect of depreciation and amortization of new buildings, land use right and so on.

### Cost of Sales

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

Our cost of sales increased by 16.4% from RMB167.8 million for the year ended 31 December 2020 to RMB195.3 million for the year ended 31 December 2021, mainly due to the increase in salaries and benefits paid to our staff and teaching activities due to recovery from COVID-19.

## **Gross Profit**

Our gross profit increased by 19.0% from RMB311.1 million for the year ended 31 December 2020 to RMB370.1 million for the year ended 31 December 2021, which was attributable to the increase in revenue.

## **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 31.2% from RMB10.9 million for the year ended 31 December 2020 to RMB14.3 million for the year ended 31 December 2021, 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 3.9% from RMB66.7 million for the year ended 31 December 2020 to RMB64.1 million for the year ended 31 December 2021, mainly due to the combined effects of decrease in foreign exchange differences occurred during the Reporting Period and decrease in share-based payment expenses.

## **Finance Costs**

Finance costs primarily consist of interest expenses on bank loans.

The finance costs incurred for the year ended 31 December 2021 amounted to approximately RMB17.4 million (31 December 2020: RMB13.1 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 2021 was RMB357.3 million, as compared with RMB327.4 million for the year ended 31 December 2020, representing a year-on-year increase of 9.1% which was primarily due to the increase in revenue.

## **Income Tax**

The Group's income tax increased by 31.8% from RMB2.2 million for the year ended 31 December 2020 to RMB2.9 million for the year ended 31 December 2021, which was in line with the increase 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 RMB354.5 million for the year ended 31 December 2021, representing an increase of 9.0% as compared with RMB325.3 million for the year ended 31 December 2020.

## Adjusted 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 and adjusted net profit of the Group for the years:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	354,482	325,293
Add:		
Foreign exchange gain	(24,438)	(29,223)
Share-based payment expenses	<u>11,349</u>	<u>24,746</u>
Adjusted net profit	<u><u>341,393</u></u>	<u><u>320,816</u></u>

## Working Capital and Source of Capital

During the year ended 31 December 2021, the Group had cash and cash equivalents and time deposits of RMB645.9 million (31 December 2020: RMB1,004.3 million), the fund of the Group was mainly arising from net cash inflow generated from operating activities, bank loans and loans from related party.

## Net Current Assets

As at 31 December 2021, the Group recorded net current assets of RMB1,848.7 million (31 December 2020: RMB1,336.7 million), the increase of which was primarily attributable to the increase of other receivables.

## 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 2021, the Group's capital expenditures were RMB997.7 million (for the year ended 31 December 2020: RMB482.6 million).

## **Bank Loans and Other Borrowings**

Bank loans and other borrowings of the Group were mainly working capital loans and specific loans. The bank loans of the Group amounted to RMB263.0 million as at 31 December 2021 (31 December 2020: RMB316.0 million). The borrowing from Wu Junbao Company Limited amounted to RMB193.8 million as at 31 December 2021 (31 December 2020: nil).

## **Contingent Liabilities and Guarantees**

As at 31 December 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

## **Gearing Ratio**

Our gearing ratio remained stable as 23% as at 31 December 2021 as compared to that of 21% as at 31 December 2020.

## **Future Plan for Material Investments and Capital Assets**

The Group did not have other plans for material investments and capital assets as at the date of this announcement.

## **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 2021.

## **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 2021.

## **Foreign Exchange Risk Management**

The Group's presentation currency is in RMB. Most revenues and expenditures of the Group are denominated in RMB. As at 31 December 2021, 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 2021, no assets of the Group were pledged.

## **Human Resources**

As at 31 December 2021, the Group has approximately 1,995 employees (31 December 2020: 1,797). All of our employees are based in the PRC. In accordance with the relevant laws and regulations in the PRC, 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 2021, the Group has not entered into any off-balance sheet transaction.

## **EVENTS AFTER THE REPORTING PERIOD**

There was no event occurred subsequent to 31 December 2021 and up to the date of this announcement that would cause material impact on the Group.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “AGM”) will be held on Thursday, 16 June 2022 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 HK10.78 cents per share (equivalent to approximately RMB8.8 cents per share) for the year ended 31 December 2021 (2020: HK7.23 cents per share). The final dividend is subjected to the approval of the Shareholders at the AGM and the final dividend will be payable on or around Wednesday, 6 July 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 24 June 2022.

## **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 Monday, 13 June 2022 to Thursday, 16 June 2022, 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 Thursday, 16 June 2022, 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, 10 June 2022.

### **For Determining the Eligibility to the Proposed Final Dividend**

The register of members of the Company will also be closed from Wednesday, 22 June 2022 to Friday, 24 June 2022, 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 Tuesday, 21 June 2022.

## **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 2021.

## **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 2021 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 2021 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2021. 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 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](http://www.hkexnews.hk)) and the Company ([www.chinaxhedu.com](http://www.chinaxhedu.com)). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the Shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 31 March 2022

*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.*