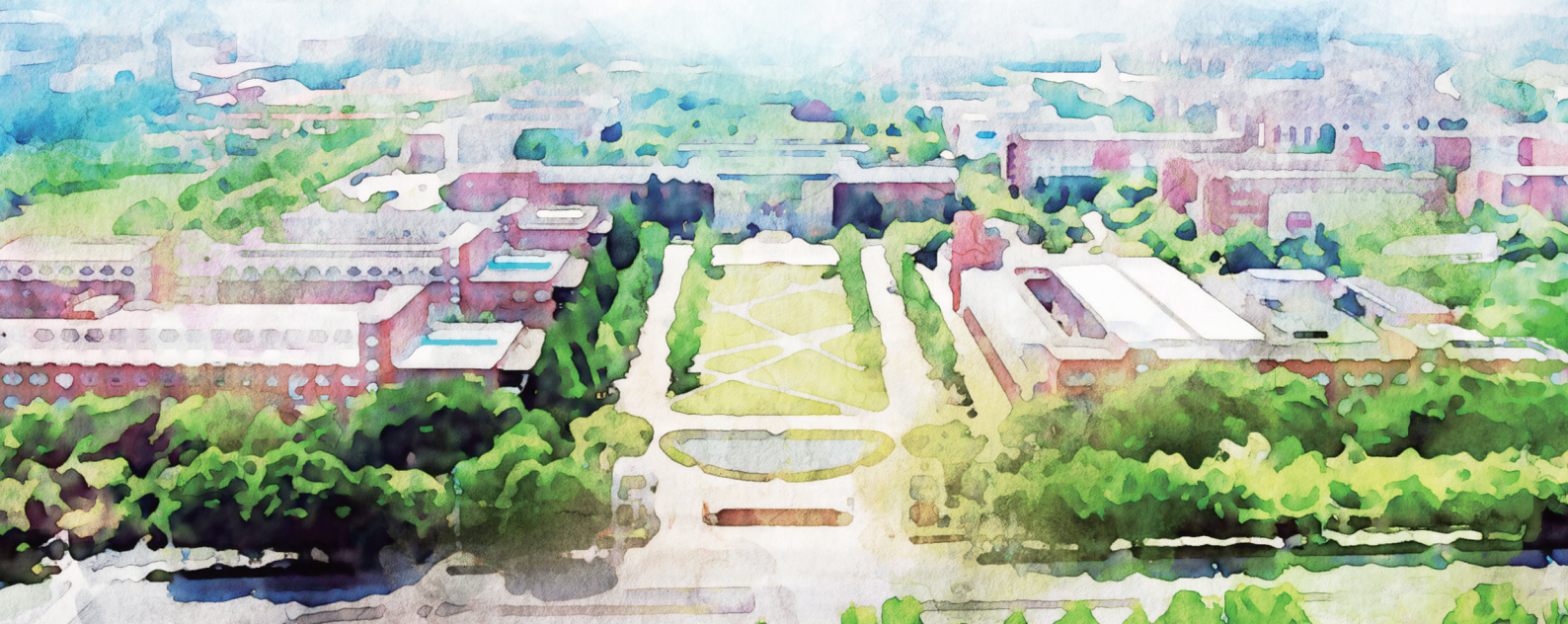




2021

ANNUAL REPORT
年報



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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 02779

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Wu Junbao (吳俊保) (*Chairman*)

Executive Directors

Mr. Zhang Ming (張明)

Mr. Lu Zhen (陸真)

Mr. Wang Yongkai (王永凱)

Independent Non-executive Directors

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

Mr. Chau Kwok Keung (鄒國強)

AUDIT COMMITTEE

Mr. Chau Kwok Keung (鄒國強) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Jiang Min (蔣敏)

REMUNERATION COMMITTEE

Mr. Jiang Min (蔣敏) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Yang Zhanjun

NOMINATION COMMITTEE

Mr. Wu Junbao (吳俊保) (*Chairman*)

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

Mr. Wang Yongkai (王永凱)

Mr. Wong Yu Kit (黃儒傑)

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai

Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

Suites 1902-09, 19th Floor

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITORS

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China

Hefei Science and Technology Rural Commercial Bank

Huishang Bank

Hangzhou Bank

Industrial and Commercial Bank of China

COMPANY WEBSITE

<http://www.chinaxhedu.com>

STOCK CODE

02779

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Xinhua Education Group Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2021.

OVERVIEW OF THE GROUP

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 number of full-time student enrollment of the higher education programs. As of 31 December 2021, the Group invested in and operated four educational institutions, namely, (i) Xinhua University, a private formal university; (ii) School of Clinical Medicine, a university jointly operated by the Group and Anhui Medical University* (安徽醫科大學); (iii) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics; and (iv) Xinhua School, a private secondary vocational school.

The educational mission of the Group is "Rejuvenating the Country and Serving the People through Xinhua Education" (新華教育，興國為民). We are committed to providing applied science education to students and seeks to cultivate high quality talents with applicable skills, potential for future development and an ability and willingness to keep learning. The Group achieved fruitful results in 2021, achieved breakthroughs in outward expansion, continued to expand the size of its students, and achieved steady development in all major operating indicators.

REVIEW OF RESULTS

The total students enrolled in the schools we operated increased from 46,415 as of 31 December 2020 to 56,518 as of 31 December 2021. The revenue of the Group has increased from RMB478.8 million for the year ended 31 December 2020 to RMB565.4 million for the year ended 31 December 2021, while the profit for the year increased from RMB325.3 million for the year ended 31 December 2020 to RMB354.5 million for the year ended 31 December 2021.

FUTURE PROSPECTS

Looking into the future, the Group will, based on its high-quality resources and rich experience accumulated in the education industry and its position to cultivate high-end application-oriented talents, tap the market potential and opportunities in the higher education industry in China, strengthen the integration of industry and education and school-enterprise cooperation. At the same time, the Group will continue to upgrade the management of its existing educational institutions and provide the students with quality services and educational support to enhance their competitiveness in the labour market.

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to our students, their parents, all shareholders and staff who have always supported the development of our Group. Our staff will continue to pursue excellence and progress, insist on carrying out the educational mission of "to serve our country through education", foster high-quality talents and create greater value for shareholders with more excellent results.

Wu Junbao

Chairman

31 March 2022

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) Xinhua University, a private university for formal education; (ii) School of Clinical Medicine, a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); (iii) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學); and (iv) 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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
Xinhua University		
Full-time student enrollment	24,461	23,755
Continuing education	11,397	3,874
Subtotal	35,858	27,629
School of Clinical Medicine		
Full-time student enrollment	4,261	2,831
Hongshan College		
Full-time student enrollment	10,219	9,928
Xinhua School		
Full-time student enrollment	6,180	6,027
Total number of full-time students	45,121	42,541
Total number of students enrolled	56,518	46,415

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations.

	Year ended 31 December	
	2021 (RMB'000)	2020 (RMB'000)
Adjusted revenue⁽¹⁾	774,046	650,130
Revenue	565,386	478,847
Cost of sales	(195,254)	(167,789)
Gross profit	370,132	311,058
Other income	83,042	107,046
Selling and distribution costs	(14,310)	(10,869)
Administrative expenses	(64,112)	(66,708)
Profit from operations	374,752	340,527
Finance costs	(17,413)	(13,081)
Profit before taxation	357,339	327,446
Income tax	(2,857)	(2,153)
Profit for the year	354,482	325,293
Adjusted net profit⁽²⁾	341,393	320,816

(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 IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review".

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

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

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND LIQUIDITY POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
CURRENT ASSETS		
Trade receivables	2,606	2,752
Prepayments, deposits and other receivables	1,860,376	906,992
Financial assets measured at fair value through profit or loss	–	154,557
Cash and bank balances	475,892	736,278
TOTAL CURRENT ASSETS	2,338,874	1,800,579
CURRENT LIABILITIES		
Loans and borrowings	50,020	50,020
Contract liabilities	308,549	267,987
Other payables	126,260	141,941
Current taxation	5,326	3,972
TOTAL CURRENT LIABILITIES	490,155	463,920
NET CURRENT ASSETS	1,848,719	1,336,659

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.

Trade Receivables

Our trade receivables as at 31 December 2021 were RMB2.6 million. The following table sets forth the aging analysis of our trade receivables based on the transaction date as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	2,606	2,752
More than 1 year but less than 2 years	–	–
	2,606	2,752

Trade receivables remained stable as RMB2.6 million as at 31 December 2021, compared to RMB2.8 million as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly represented (i) the amounts due from third parties; and (ii) reimbursable advances to employees for business travel, training, procurement, student recruitment campaigns and other expenses to be incurred in the ordinary course of our business. Advances to employees were unsecured, interest-free and repayable on demand. All of the prepayments are expected to be settled or recognized as profit or loss within one year. The following table sets forth our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments and deposits	204,977	205,638
Other receivables	1,655,399	701,354
	1,860,376	906,992

As at 31 December 2021, prepayment and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivable 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).

Contract Liabilities

Our contract liabilities consists of tuition fees and boarding fees we typically collect from our students prior to the commencement of the upcoming school year or semester. It represents the tuition and boarding payments received from students but not earned. Our students are entitled, however, to a refund of a portion of their tuition and boarding payments pursuant to our refund policy if they withdraw from our schools. The following table sets forth the balance of our contract liabilities as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Tuition fees	274,694	240,306
Boarding fees	33,855	27,681
	308,549	267,987

Contract liabilities increased by 15.1% from RMB268.0 million in 2020 to RMB308.5 million in 2021, attributable to increased tuition fees and boarding fees we received for the 2020/2021 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Payables

Our other payables primarily consist of (i) miscellaneous expenses received from students which will be paid out on behalf of students; (ii) accrued expenses; (iii) payables to suppliers primarily in connection with purchases of property, plant and equipment; (iv) accrued staff costs; and (v) others. The following table sets forth our other payables as at the dates indicated:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Miscellaneous expenses received from students	20,303	27,638
Accrued expenses	6,486	6,656
Payable to suppliers	68,616	53,936
Accrued staff costs	26,835	23,057
Accrued listing expenses	2,456	458
Others	1,564	30,196
Total	126,260	141,941

Our other payables decreased by 11.0% from RMB141.9 million in 2020 to RMB126.3 million in 2021 primarily due to the increase in payables to suppliers.

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.

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).

CAPITAL COMMITMENTS

The Group's capital commitments primarily relate to the acquisition of property, plant and equipment and land use rights. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at 31 December 2021 RMB' 000	As at 31 December 2020 RMB' 000
Authorized but not contracted for	662,693	1,036,352

INDEBTEDNESS AND CONTINGENT LIABILITIES

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.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December	
	2021	2020
Current ratio ⁽¹⁾	4.8	3.9
Return on equity ⁽²⁾	12.0%	12.0%
Return on assets ⁽³⁾	9.4%	10.5%

Notes:

- (1) Current ratio was calculated based on our total current assets divided by our total current liabilities as at the end of the year.
- (2) Return on equity equals profit for the year divided by average total equity amounts as at the end of the year.
- (3) Return on assets equals profit for the year divided by average total assets as at the end of the year.

Current Ratio

Our current ratio increased from 3.9 as at 31 December 2020 to 4.8 as at 31 December 2021, primarily because of the decrease of current liabilities due to repayment of short-term borrowings of the Group.

Return on Assets and Return on Equity

Our return on assets ratio was 12.0% as at 31 December 2021, and return on equity ratio was 9.4% as at 31 December 2021. Both of the return ratios as at 31 December 2021 were higher than the return ratios as at 31 December 2020 primarily due to the increases in our profit for the year.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report.

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 annual report that would cause material impact on the Group.

IMPACT OF COVID-19 EPIDEMIC ON THE GROUP

The outbreak of COVID-19 since January 2020 in different parts of the world has posed significant adverse impact on global economy as a result of the community standstill, extensive disruption of business activities, travel lockdowns as well as the weakened consumer sentiment. The Group's operations, financial position and financial performance would inevitably be affected and the magnitude of impact remains uncertain as the situation is still evolving. The Company will continue to closely monitor the situation and assess and react actively to the impact of COVID-19 on the Group's operations and performance. The Company will also use its best endeavours to take every measure to protect the safety of its employees, tenants and customers while ensuring its operations is maintained at normal level.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Chairman and non-executive Director

Mr. Wu Junbao (吳俊保), aged 56, the founder of the Group, was appointed as the chairman and a non-executive Director of the Company on 27 October 2017.

Mr. Wu has more than 20 years of experience in education. The following table shows the key working experience of Mr. Wu:

Period	Company	Position
September 1999 to September 2017	Xinhua Group	General manager
September 1999 to present	Xinhua Group	Chairman and director
June 2000 to present	Xinhua University	Chairman and director
November 2018 to present	China East Education Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 667)	Non-executive director

Mr. Wu obtained the qualification as a senior economist granted by the Personnel Bureau of Hefei City* (合肥市人事局) in July 2004. He graduated from Anhui Institute of Business Administration* (安徽工商管理學院) in Hefei City, Anhui Province, the PRC with a master's degree in business administration in December 2003.

Executive Directors

Mr. Zhang Ming (張明), aged 44, joined the Group in April 2018 and was appointed as an executive Director on 31 October 2018.

Mr. Zhang has more than 20 years of experience in education management. The following table shows the key working experience of Mr. Zhang:

Period	Company	Position
July 2000 to May 2010	Anhui Xinhua Group Investment Co., Ltd.	Executive deputy principal/principals of the Xinhua computer schools in Jiangxi, Henan and Anhui
May 2010 to April 2018	Xinhua Education Group	Vice president/executive vice president/president
April 2018 to present	Xinhua Group	President

Mr. Zhang graduated from Anhui College of Mechanical and Electrical Engineering* (安徽機電學院, currently known as Anhui Polytechnic University* (安徽工程大學)) in July 2000 with a bachelor's degree in textile engineering, and another executive master's degree in business administration from the University of Science and Technology of China* (中國科學技術大學) in July 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu Zhen (陸真), aged 46, joined the Group in October 2014 and was appointed as an executive Director of the Company on 27 October 2017.

Mr. Lu has more than 10 years of experience in education. The following table shows the key working experience of Mr. Lu:

Period	Company	Position
July 1999 to February 2005	Hefei Meiling Co., Ltd.* (合肥美菱股份有限公司)	Business manager
February 2005 to February 2009	Hefei Meiling Home Appliances Industrial and Trading Company Limited* (合肥美菱家電工貿有限公司)	General manager for Anhui division
August 2009 to November 2011 and December 2013 to October 2014	Xinhua Education Group	Deputy head/marketing operation manager/general manager of computer business department
November 2011 to November 2013	Shandong Xinhua Computer College* (山東新華電腦學院)	Deputy principal/principal
October 2014 to present	Xinhua University	Deputy principal/executive director/executive deputy principal
March 2015 to present	Xinhua Group	Assistant to the president/director/vice president/executive vice president
November 2018 to present	China East Education Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 667)	Non-executive director

Mr. Lu graduated from Zhengzhou Institute of Textile Industry* (鄭州紡織工學院, currently known as Zhongyuan University of Technology (中原工學院)) in Zhengzhou City, Henan Province, the PRC with a bachelor degree majoring in mechanical engineering in July 1999 and graduated from Nanjing University (南京大學) in Nanjing City, Jiangsu Province, the PRC with a degree of master of business administration in March 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Yongkai (王永凱), aged 64, joined the Group in March 2003 and was appointed as an executive Director of the Company on 27 October 2017.

Mr. Wang has more than 17 years of experience in education and financial matters. The following table shows the key working experience of Mr. Wang:

Period	Company	Position
March 2003 to present	Xinhua Group	Chief financial officer/deputy general manager/director/executive president
December 2004 to present	Xinhua University	Director

Mr. Wang obtained the qualification as a senior economist granted by the Personnel Bureau of Hefei City in December 2008. He graduated from Hefei Rural Economic Management Cadre College* (合肥農村經濟管理幹部學院, currently known as Anhui Economic Management Cadre College* (安徽經濟管理幹部學院)) in Hefei City, Anhui Province, the PRC majoring in financial accounting and statistics in July 1989 and graduated from China Europe International Business School* (中歐國際工商學院) in Shanghai, the PRC with a degree of master of business administration in October 2011.

Independent non-executive Directors

Mr. Jiang Min (蔣敏), aged 57, was appointed as an independent non-executive Director of the Company on 30 September 2019. Mr. Jiang has nearly 30 years of experiences in legal practices. Mr. Jiang graduated from Anhui University* (安徽大學) in July 1987 and July 1990 with a bachelor's degree and a master's degree in law, respectively. Mr. Jiang received his lawyer qualification certificate (律師資格證書) from Ministry of Justice of the PRC in March 1989.

The following table shows the key working experience of Mr. Jiang:

Period	Company	Position
September 1990 to December 1995	Anhui Jingji Law Offices* (安徽省經濟律師事務所)	Attorney
January 1996 to present	Anhui Tianhe Law Offices* (安徽天禾律師事務所)	Partner
May 2002 to present	All China Lawyers Association* (中華全國律師協會)	Executive director and vice president
April 2005 to present	Anhui Lawyers Association* (安徽省律師協會)	President and honorary president
May 2012 to June 2016	Fourth and Fifth Merger and Acquisition Audit Committee of listed companies of China Securities Regulatory Commission	Member

DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position
May 2016 to present	Shandong Pharmaceutical Glass Co., Ltd.* (山東省藥用玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600529)	Independent non-executive director
January 2019 to present	Keda Intelligent Technology Co., Ltd.* (科大智能科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 300222)	Independent non-executive director
May 2019 to present	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601298) and the Stock Exchange (stock code: 6198)	Independent non-executive director
June 2014 to June 2020	Tsingtao Brewery Co., Ltd.* (青島啤酒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600600) and the Stock Exchange (stock code: 168)	Independent non-executive director
December 2016 to May 2020	Sunshine Power Co., Ltd.* (陽光電源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300274)	Independent non-executive director

Mr. Yang Zhanjun, aged 52, was appointed as an independent non-executive Director of the Company on 27 October 2017.

The following table shows the key working experience of Mr. Yang:

Period	Company	Position
March 2008 to December 2017	Keiser University	Associate dean of business/vice chancellor of international affairs
February 2018 to present	American Higher Education Alliance	Senior executive

Mr. Yang was awarded a degree of master of business administration from Florida International University in Miami, the U.S., in December 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau Kwok Keung (鄒國強), aged 45, was appointed as an independent non-executive Director of the Company on 27 October 2017.

The following table shows the key working experience of Mr. Chau:

Period	Company	Position
January 2001 to June 2002	Arthur Andersen & Co.	Experienced staff accountant/senior consultant
June 2002 to August 2003	Shanghai Hawei New Material and Technology Co., Ltd.	Financial controller
August 2003 to April 2005	China South City Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1668)	Deputy group financial controller
October 2005 to October 2007	China.com Inc., a company whose shares are listed on the Stock Exchange (stock code: 8006)	Qualified accountant/chief financial officer/ company secretary/authorised representative
May 2010 to June 2013	RIB Software AG, a German software company whose shares are listed in Frankfurt Stock Exchange (stock code: RSTAG)	a member of supervisory board
May 2014 to May 2019	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a company listed on the Shanghai Stock Exchange with stock code of 601298 and the Stock Exchange with stock code of 06198	Independent non-executive director, chairman of the audit committee
October 2015 to present	The9 Limited, whose shares are listed by way of American Depositary Shares on the NASDAQ (stock code: NCTY)	Independent director
November 2007 to January 2020	Comtec Solar Systems Group Limited ("Comtec"), a company whose shares are listed on the Stock Exchange (stock code: 712)	Executive director, chief financial officer and directors of certain subsidiaries of Comtec
June 2008 to May 2020	Comtec, a company whose shares are listed on the Stock Exchange (stock code: 712)	Authorised representative and company secretary
December 2019 to August 2021	Forward Fashion (International) Holdings Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 2528)	Independent non-executive director and the chairman of the audit committee
December 2018 to present	China Tobacco International (HK) Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 6055)	Independent non-executive director, member of the audit committee and member of the connected transactions control committee
April 2020 to present	Bank of Zhangjiakou Co., Ltd	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position
September 2020 to present	BetterLife Holding Limited, a company whose shares are listed on the Stock Exchange (stock code: 6909)	Executive director and chief financial officer
October 2021 to present	Suzhou Basecare Medical Corporation Limited, a company whose shares are listed on the Stock Exchange (stock code:2170)	Independent non-executive director and chairman of the audit committee

Mr. Chau was awarded a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1998. Mr. Chau has been a member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a chartered financial analyst of CFA Institute since September 2003. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by the China Banking Regulatory Commission as a qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020.

SENIOR MANAGEMENT

Mr. Huang Yuan (黃源), aged 58, joined the Group in January 2015. Mr. Huang has been the vice president of the Xinhua Group since January 2015, and the chairman of the board of supervisors of Xinhua University since March 2015.

Mr. Huang has more than 15 years of experience in education. The following table shows the key working experience of Mr. Huang:

Period	Company	Position
September 2002 to March 2004	Anhui Xinhua Real Estate Co., Ltd.* (安徽新華房地產有限公司)	Vice general manager and manager of procurement department
March 2004 to April 2008	Anhui New East Cuisine Education Institute	Principal
April 2008 to January 2015	Xinhua Education Group	Vice general manager
January 2015 to present	Xinhua Group	Vice president
March 2015 to present	Xinhua University	Chairman of the board of supervisors

Mr. Huang graduated from Renmin University of China* (中國人民大學) in Beijing, the PRC with a degree of master of business administration in November 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ni Zheng (倪徵), aged 45, joined the Group in December 2012 and was appointed as the chief officer of international operations on 31 October 2017.

The following table shows the key working experience of Mr. Ni:

Period	Company	Position
December 2012 to April 2016 and July 2017 to September 2018	Xinhua University	Deputy principal
April 2016 to July 2017	Hefei Xinhua Experimental Middle School* (合肥新華實驗中學)	Chairman
August 2016 to January 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	General manager
January 2017 to July 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	Vice general manager, general manager of the business department No. 1 and the head of the branding operation department
July 2017 to August 2018	Xinhua Group	General manager of the investment department and the head of the education development department
August 2018 to present	Xinhua Group	Investment director

Mr. Ni graduated from Huainan Normal College* (淮南師範專科學校, currently known as Huainan Normal University* (淮南師範學院)) in Huainan City, Anhui Province, the PRC majoring in Chinese language and literature in July 2000 and graduated from Guizhou University* (貴州大學) in Guiyang City, Guizhou Province, the PRC with a degree of master of business administration in June 2017.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Jihong (王繼紅) (also known as **Wang Ke** (王可)), aged 63, joined the Group in February 1998 and was appointed as the chief strategic officer of our Company on 31 October 2017.

Ms. Wang has more than 18 years of experience in education. The following table shows the key working experience of Ms. Wang:

Period	Company	Position
August 2002 to June 2004 and March 2005 to present	Xinhua School	Assistant to principal/deputy principal/principal/ council member
July 2004 to March 2005	Xinhua Group	Vice manager of human resource department
June 2014 to April 2016	Hefei Xinhua Experimental Middle School* (合肥新華實驗中學)	Principal/chairman
April 2016 to April 2018	Xinhua University	Deputy principal
April 2018 to present	School of Clinical Medicine	Executive principal

Ms. Wang obtained the qualification as a geological surveying engineer in June 2004 and was awarded with the Outstanding Principal of Private Education in Anhui Province* (安徽省民辦教育優秀校長) jointly by the Private Education Professional Committee of Chinese Society for Taoxingzhi Studies* (中陶會民辦教育專業委員會) and the Education Society of Anhui Province* (安徽省教育學會) in October 2010. She was appointed as the vice president of Anhui Institute of Vocational and Adult Education, Vocational Branch* (安徽省職業與成人教育學會中職分會) in 2007 and as the vice president of Hefei Private Education Association* (合肥市民辦教育協會) in December 2013. She graduated from Anhui Open University* (安徽廣播電視大學) in Hefei City, Anhui Province, the PRC majoring in basic management of Party and government cadres in July 1986.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GLOBAL OFFERING

The Company was incorporated on 30 August 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on 26 March 2018.

PRINCIPAL ACTIVITIES

The Group is a leading private higher education provider in the Yangtze River Delta. Analysis of the principal activities of the Group during the year ended 31 December 2021 is set out in the note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 December 2021 as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 18. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Non-adjusting Events after the reporting period" on page 160.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in note 14 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 106 of this annual report.

DIVIDEND POLICY

Policy on payment of dividend is in place setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to its shareholders. The Company does not have any pre-determined dividend payout ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account the Company's financial performances, working capital requirements, future prospects and other factors and the applicable regulations. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 16 June 2022 and a notice convening the AGM will be published and despatched to 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.



REPORT OF THE DIRECTORS

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.

PRINCIPAL RISK AND UNCERTAINTIES AND RISK MANAGEMENT

The Group is exposed to various risks in operating our business and it believes that risk management is important to its success. Key operational risks faced by it include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC private education industry, its ability to offer quality education to students, its ability to increase student enrollment and/or raising tuition rates, its potential expansion into other regions in China or overseas, availability of financing to fund its expansion and business operations and competition from other school operators that offer similar or higher quality of education and have similar scale.

In addition, the Group faces numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of its business.

Credit Risk

The Group's credit risk is primarily attributable to trade receivables and financial assets which comprise bank balances and investments in wealth management products. Its management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To properly manage these risks, the Group has established the following risk management structures and measures:

- The Board of Directors has the general power to manage the operations of our schools and the overall risks of the Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as the decision to expand the Group's school network into new geographic areas, the raising of tuition fees, and the decision to enter into cooperative business relationships with third parties to establish new schools and/or new programs;
- The Group maintains insurance coverage, as to align with customary practice in the PRC education industry, this includes the school liability insurance; and
- The Group has made arrangements with banks to ensure that it is able to obtain credits to support the business operation and expansion.

ENVIRONMENT, HEALTH AND SAFETY

The business of the Group is not in violation of the PRC environment laws and requisitions in any material aspects.

The Group is dedicated to protecting the health and safety of its students. Each of its schools has adopted and implemented student health and safety measures to protect its students from bodily harm and other health and safety risks. The Group provides routine medical services for the students and faculty by outsourcing such services to third party medical care providers. In the event of any serious and emergency medical situations, the Group will promptly send its students to local hospitals for treatment. With respect to school safety, the Group promotes the security of its schools by employing its own security personnel.

As at the date of this report, the Group did not experience any serious accident, medical situation or safety issue involving its students.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 161 "Financial Highlights" of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the Listing (after deducting underwriting fee and relevant expenses) amounted to approximately HK\$1,239.8 million (equivalent to approximately RMB1,038.0 million), which was intended to be applied in the manner as set out in the section headed “Future Plan and Use of Proceeds” of the Prospectus.

As at 31 December 2021, a total amount of HK\$366.7 million (equivalent to approximately RMB308.0 million) out of the net proceeds had been used by the Group according to the allocation set out in the Prospectus. The following sets forth a summary of the utilization of the net proceeds as at 31 December 2021:

Purpose	Percentage to total amount	Net proceeds HK\$ (million)	Unutilized amount	Utilized amount	Unutilized amount	Expected
			(as at 31 December 2020)	during the Reporting Period	(as at 31 December 2021)	timeframe for full utilisation ⁽¹⁾
		HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	
Acquire other schools to expand our school network, acquire undergraduate colleges that can grant bachelor's degrees and entities that own educational assets or institutions	53.0	657.1	141.2	0	141.2	2021-2023
Improve our school facilities and educational equipment	35.0	433.9	329	329	0	-
Strengthen our market position and enhance our brand recognition	2.0	24.8	24.8	11.5	13.3	2021-2023
Fund our working capital and general corporate purposes	10.0	124.0	26.2	26.2	0	-
Total	100.0	1,239.8	521.2	366.7	154.5	

(1) The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.

MAJOR CUSTOMERS AND SUPPLIERS

The customers primarily consist of our students. For the year ended 31 December 2021, the Group's five largest customers accounted for less than 30% of our revenue, and the Group did not have any single customer who accounted for more than 10% of our revenue.

The Group's suppliers primarily consist of construction companies, textbook suppliers and utility suppliers. For the year ended 31 December 2021, purchases from the Group's five largest suppliers amounted to approximately RMB35.5 million (2020: RMB97.3 million), accounting for approximately 29.1% (2020: 49.5%) of the total purchases for the Reporting Period. For the same period, purchases from the Group's largest supplier amounted to approximately RMB10.0 million (2020: RMB56.7 million), accounting for approximately 8.2% (2020: 28.9%), of the total purchases for the relevant periods. None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, had any interest in any of the Group's five largest suppliers or customers during the Reporting Period.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 109 of this annual report and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2021 comprised the share premium and retained earnings of RMB848,002,000.

BANK LOANS AND OTHER BORROWINGS

The bank loans of the Group amounted to RMB263.0 million as at 31 December 2021. Details of which were disclosed in note 19 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are:

Non-executive Director:

Mr. Wu Junbao (*Chairman*)

Executive Directors:

Mr. Zhang Ming

Mr. Lu Zhen

Mr. Wang Yongkai



REPORT OF THE DIRECTORS

Independent Non-executive Directors:

Mr. Jiang Min

Mr. Yang Zhanjun

Mr. Chau Kwok Keung

In accordance with article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election. Any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by the rotation. Accordingly, Mr. Wu Junbao, Mr. Jiang Min and Mr. Yang Zhanjun shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM to be held in due course.

Details of the Directors to be re-elected at the AGM are set out in the circular which will be sent to the Company's Shareholders in due course.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT" on pages 19 to 26 of this annual report. None of the Directors and senior management have financial, business, family or other material/relevant relationships with each other.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of our Directors since the publication of the 2020 annual report are as below:

Mr. Chau Kwok Keung ("Mr. Chau"), the independent non-executive Director, had the following changes in his information:

1. Mr. Chau has been resigned as an independent non-executive director and the Chairman of the audit committee of Forward Fashion (International) Holdings Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 2528) on 27 August 2021; and
2. Mr. Chau has been appointed as an independent non-executive director and chairman of the audit committee of Suzhou Basecare Medical Corporation Limited, a company whose shares are listed on the Stock Exchange (stock code: 2170) on 21 October 2021.

Please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report for the updated details of his information.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules throughout the year ended 31 December 2021 and remain so as at the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai, being the executive Directors of the Company, has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and 31 October 2018, respectively, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date or 30 September 2019 (as applicable) and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Save as disclosed above, none of the Directors has a service contract or an appointment letter which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, no Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2021 and up to the date of this annual report.

Apart from the contract relating to the reorganization of the Group in relation to the Listing and save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Controlling Shareholder or any of its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2021 and up to the date of this annual report.

No contract of significance for the provision of services to the Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2021 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2021 and up to the date of this annual report.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to page VI-21 of the Prospectus "Share Option Scheme".

Details of the remuneration of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company during the Reporting Period are set out in note 6 to the consolidated financial statements.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the Company

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company as at 31 December 2021
Mr. Wu Junbao ⁽¹⁾	Interest in a controlled corporation	1,154,452,879	71.77%

Note:

- (1) Mr. Wu Junbao is the sole shareholder of Wu Junbao Company Limited (吳俊保有限公司) ("WJB Company") and he is therefore deemed to be interested in the Shares held by WJB Company upon the Listing.

(ii) Long position in associated corporation

Xinhua Group

Name	Capacity/nature of interest	Amount of registered share capital	Approximate percentage of shareholding in the associated corporation as at 31 December 2021
Mr. Wu Junbao	Beneficial owner	RMB100,000,000	95.70%

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company as at 31 December 2021
WJB Company ⁽¹⁾	Beneficial owner	1,154,452,879	Long position	71.77%
Mr. Wu Junbao ⁽¹⁾	Interest in a controlled corporation	1,154,452,879	Long position	71.77%

Note:

(1) Mr. Wu Junbao is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 8 March 2018 (“Adoption Date”) for the purpose of giving eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, which is 160,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the over-allotment option granted by the Company, representing approximately 10% of the issued shares as at the Listing Date. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 92,100,000 Shares, representing approximately 5.73 % of the total issued share capital of the Company.

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

The Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof). Subject to such terms and conditions as the Board may determine (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

REPORT OF THE DIRECTORS

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the eligible person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant eligible person, being a date no later than 28 days after the offer date.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 5 years and 11 months.

Details of the movement of share options granted under the Share Option Scheme during the Reporting Period are as follows:

Category and name of participant	Date of grant	Exercise price per Share	Outstanding as at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 December 2021
Director							
Zhang Ming	30 April 2019	HK\$2.69 ⁽¹⁾⁽²⁾	15,000,000	–	–	–	15,000,000
Lu Zhen	15 July 2019	HK\$2.82 ⁽³⁾⁽⁴⁾	6,000,000	–	–	–	6,000,000
Wang Yongkai	15 July 2019	HK\$2.82 ⁽³⁾⁽⁴⁾	6,000,000	–	–	–	6,000,000
Employees	15 July 2019	HK\$2.82 ⁽³⁾⁽⁵⁾	40,900,000	–	–	–	40,900,000

Notes:

- The closing price of the Share immediately before the date on which share options were granted was HK\$2.71 per Share.
- Share options granted shall vest in accordance with the timetable below, each with an exercise period commencing from the vesting date and ending on the expiration date of five years after the vesting date:

Vesting date	Percentage of Share Options to vest
30 April 2020	20% of the total number of Share Options granted
30 April 2021	20% of the total number of Share Options granted
30 April 2022	20% of the total number of Share Options granted
30 April 2023	20% of the total number of Share Options granted
30 April 2024	20% of the total number of Share Options granted

- The closing price of the Share immediately before the date on which share options were granted was HK\$2.66 per Share.

REPORT OF THE DIRECTORS

- (4) Among the 52,900,000 Share Options granted on 15 July 2019, 33,000,000 Share Options (including Share options granted to Lu Zhen and Wang Yongkai (the "Group A Share Options") shall vest in accordance with the timetable below with an exercise period commencing from the relevant Vesting Date and ending on the expiration date of five years after the Vesting Date (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
15 July 2020	25% of the total number of the Group A Share Options granted
15 July 2021	25% of the total number of the Group A Share Options granted
15 July 2022	25% of the total number of the Group A Share Options granted
15 July 2023	25% of the total number of the Group A Share Options granted

- (5) Among the 52,900,000 Share Options granted on 15 July 2019, 1,500,000 Share Options (the "Group B Share Options") shall vest in accordance with the timetable below with an exercise period commencing from the relevant Vesting Date and ending on the expiration date of five years after the Vesting Date:

Vesting Date	Percentage of Share Options to vest
15 July 2020	30% of the total number of the Group B Share Options granted
15 July 2021	30% of the total number of the Group B Share Options granted
15 July 2022	40% of the total number of the Group B Share Options granted

Among the 52,900,000 Share Options granted on 15 July 2019, 15,200,000 Share Options (the "Group C Share Options") shall vest in accordance with the timetable below with an exercise period commencing from the relevant Vesting Date and ending on the expiration date of five years after the Vesting Date:

Vesting Date	Percentage of Share Options to vest
15 July 2020	50% of the total number of the Group C Share Options granted
15 July 2021	50% of the total number of the Group C Share Options granted

Among the 52,900,000 Share Options granted on 15 July 2019, 1,200,000 Share Options (the "Group D Share Options") shall vest in accordance with the timetable below with an exercise period commencing from the relevant Vesting Date and ending on the expiration date of five years after the Vesting Date:

Vesting Date	Percentage of Share Options to vest
15 July 2020	100% of the total number of the Group D Share Options granted

Among the 52,900,000 Share Options granted on 15 July 2019, 2,000,000 Share Options shall vest on the Date of Grant with an exercise period commencing from the Date of Grant and ending on the expiration date of five years after the Date of Grant.

Other than disclosed above, no other share options were granted, exercised, lapsed or cancelled during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" of this annual report and in the Prospectus, during the year ended 31 December 2021 and up to the date of this annual report, neither the Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DEED OF NON-COMPETITION

Although the Controlling Shareholders have control of formal middle school and informal education businesses that are not included in the Group, the Controlling Shareholders believe that their interests in such businesses will not, directly or indirectly, compete with the Group's business because there is a clear delineation of businesses of the Group and the Controlling Shareholders.

The Controlling Shareholders have entered into the Deed of Non-competition on 8 March 2018 in favour of the Company, pursuant to which the Controlling Shareholders have jointly and severally and irrevocably undertaken with the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time.

As at the date of this annual report, the Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with the business of the Group.

Under the Structured Contracts, Mr. Wu Junbao has provided certain non-competition undertaking in favor of the Company. For details of the non-competition undertaking, please refer to the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-competition during the Reporting Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the Reporting Period based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the Reporting Period and up to the date of this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.



REPORT OF THE DIRECTORS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As at the date of this annual report, the Group has entered into the following continuing connected transactions pursuant to Chapter 14A of the Listing Rule:

Structured Contracts II

A. Overview

The Group currently conducts the private higher education business through the PRC Operating Schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry. In accordance with the existing PRC laws and regulations, the operation of higher education institutions to Sino-foreign cooperation ownership are also subject to restrictions, in addition to imposing qualification requirements on the foreign owners. The Group does not hold any equity interest in the PRC Operating Schools. The Structured Contracts, through which the Group obtains control over and derive the economic benefits from the PRC Operating Schools, have been narrowly tailored to achieve the business purpose and minimize the potential conflict with relevant PRC laws and regulations. The Group had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of the operations. On 31 October 2017, the wholly-owned subsidiary, Xinhua Anhui, entered into various agreements that constitute the Structured Contracts I with, among others, the PRC Operating Schools and the School Sponsor, under which all economic benefits arising from the business of the PRC Operating Schools and the School Sponsor are transferred to Xinhua Anhui to the extent permitted under the PRC laws and regulations by means of service fees payable by the PRC Operating Schools and the School Sponsor to Xinhua Anhui.

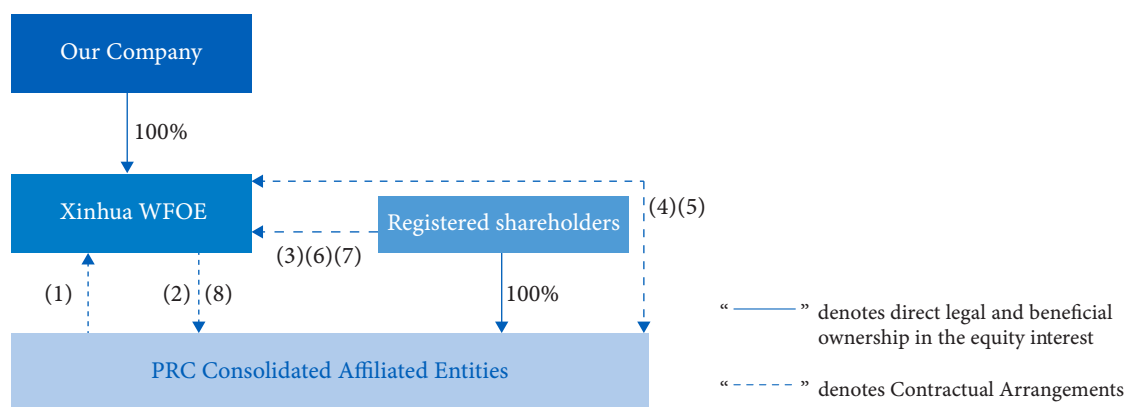
Pursuant to relevant local government tax policy in Khorgos, Xinjiang, an enterprise established in Khorgos between 1 January 2010 and 31 December 2020 and falling within the scope of the Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development* (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) is exempted from enterprise income tax entirely for five years beginning from the first year in which revenue from its principal business is earned and, after this initial period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. In light of this preferential tax policy, on 17 January 2018, Xinhua Xinjiang was established in Khorgos, Xinjiang, the PRC as a wholly foreign owned enterprise and was wholly owned by Xinhua HK. Xinhua Xinjiang is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsor and therefore falls within the scope of the aforesaid catalog. On 7 February 2018, Xinhua Xinjiang made a filing with the relevant local tax authorities in Khorgos for the preferential tax treatments, pursuant to which Xinhua Xinjiang is fully exempted from enterprise income tax from 1 January 2018 to 31 December 2020. See “Financial Information – Description of Major Components of The Combined Statements of Profit or Loss – Income Tax Expenses” in the Prospectus for details.

On 6 February 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of the PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by the PRC Consolidated Affiliated Entities to Xinhua Xinjiang. For the year ended 31 December 2021, the Board had reviewed the overall performance of the Structured Contracts II and believes that the Group had complied with the Structured Contracts II in all material respects.

Although the Registered Shareholders are not consolidated as part of the Group, they are parties to certain agreements which constitute the Structured Contracts to ensure that the Registered shareholders’ rights as shareholders of Xinhua Group are actually controlled by Xinhua WFOE.

REPORT OF THE DIRECTORS

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Schools and/or the School Sponsor to the Group stipulated under the Structured Contracts:



Notes:

1. Payment of service fees. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (2) Exclusive Technical Service and Management Consultancy Agreement” in the Prospectus for details.
2. Provision of exclusive technical and management consultancy services. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (2) Exclusive Technical Service and Management Consultancy Agreement” in the Prospectus for details.
3. Exclusive call option to acquire all or part of the School Sponsor’s interest in the PRC Operating Schools and all or part equity interest in the School Sponsor. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement” in the Prospectus for details.
4. Entrustment of school sponsor’ rights in the PRC Operating Schools by Xinhua Group. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor’s and Directors’ Rights Entrustment Agreement” and “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (5) School Sponsor’s Powers of Attorney” in the Prospectus for details.
5. Entrustment of directors’ rights in the PRC Operating Schools by directors of the PRC Operating Schools including Directors’ Powers of Attorney. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor’s and Directors’ Rights Entrustment Agreement” and “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (6) Directors’ Powers of Attorney” in the Prospectus for details.
6. Entrust of Shareholders’ right including Shareholders’ power of attorney. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (7) Shareholders’ Rights Entrustment Agreement” and “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (8) Shareholders’ Powers of Attorney” in the Prospectus for details.
7. Pledge of equity interest by the Registered Shareholders of their equity interest in Xinhua Group. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (10) Equity Pledge Agreement” in the Prospectus for details.
8. Provision of loans by Xinhua WFOE to Xinhua Group. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (11) Loan Agreement” in the Prospectus for further details.
9. According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “school sponsors” instead of “owners” or “shareholders.” See “Regulatory Overview” in the Prospectus for further details.

Xinhua Group, or the School Sponsor, is a holding company to hold the school sponsor interests in the PRC Operating Schools and it is not engaged in any other business. Under the Structured Contracts, each of the PRC Consolidated Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with, among others, Xinhua WFOE, pursuant to which each of the School Sponsor and the PRC Operating Schools will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Xinhua WFOE to any of the School Sponsor and the PRC Operating Schools, the respective service fee will be paid by such School Sponsor and/or PRC Operating Schools to Xinhua WFOE directly.

In addition, in order to prevent the leakage of assets and values of the PRC Consolidated Affiliated Entities, the Registered Shareholders and the PRC Consolidated Affiliated Entities have undertaken that, without the prior written consent of Xinhua WFOE or its designated party, the PRC Operating Schools shall not, among others, distribute dividends or other payments to the School Sponsor, or the Registered Shareholders.

B. Summary of the Material Terms of the Structured Contracts I

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Xinhua Anhui shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Operating Schools and the School Sponsor shall make payments accordingly.

To ensure the due performance of the Structured Contracts, each of the PRC Operating Schools and the School Sponsor agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure the PRC Operating Schools and the School Sponsor to comply with the obligations as prescribed under the Business Cooperation Agreement.

In order to prevent the leakage of assets and values of the PRC Consolidated Affiliated Entities, the Group has obtained undertakings from the Registered Shareholders, the School Sponsor and each of the PRC Operating Schools that, without the prior written consent of Xinhua Anhui or its designated party, the Registered Shareholders, the School Sponsor or the PRC Operating Schools shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Operating Schools and/or the School Sponsor or (ii) on the ability of the School Sponsor, the Registered Shareholders and each of the PRC Operating Schools to perform the obligations under the Structured Contracts I.

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



REPORT OF THE DIRECTORS

(2) *Exclusive Technical Service and Management Consultancy Agreement*

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Xinhua Anhui agreed to provide exclusive technical services to the PRC Operating Schools and the School Sponsor, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Operating Schools and the School Sponsor; (c) design, development, update and maintenance of management information systems necessary for the education activities of the PRC Operating Schools and the School Sponsor; (d) provision of other technical support necessary for the education activities of the PRC Operating Schools and the School Sponsor; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by the PRC Operating Schools and the School Sponsor.

Furthermore, Xinhua Anhui agreed to provide exclusive management consultancy services to the PRC Operating Schools and the School Sponsor, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services reasonably requested by the PRC Operating Schools and the School Sponsor.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Xinhua Anhui shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Xinhua Anhui to the PRC Operating Schools and the School Sponsor, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Xinhua Anhui and the PRC Consolidated Affiliated Entities.

(3) *Exclusive Call Option Agreement*

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Xinhua Anhui or its designated purchaser the right to purchase all or part of the school sponsor's interest of the School Sponsor in the PRC Operating Schools and all or part of equity interest in the School Sponsor ("Equity Call Option"). The purchase price payable by Xinhua Anhui in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Xinhua Anhui or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest of the PRC Operating Schools and/or equity interest in the School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Xinhua Anhui or us to directly hold all or part of the school sponsor interest in the PRC Operating Schools and/or all or part of the equity interest in the School Sponsor and operate private education business in the PRC, Xinhua Anhui shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Xinhua Anhui or us under PRC laws and regulations.

(4) *School Sponsor's and Directors' Rights Entrustment Agreement*

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, Xinhua Group has irrevocably authorized and entrusted Xinhua Anhui to exercise all its rights as school sponsor of each of the PRC Operating Schools to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable returns as school sponsor of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residue assets upon liquidation of the schools in accordance with the laws and the articles of association of each school; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to choose for the school to be a for-profit school or non-profit school pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time; and (i) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the directors/council members appointed by the School Sponsor in the PRC Operating Schools (the "Appointees") has irrevocably authorized and entrusted Xinhua Anhui to exercise all his/her rights as directors/council members of the PRC Operating Schools and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the School Sponsor; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of the PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of the PRC Operating Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Xinhua Group have authority to sign in his/her capacity as directors of the PRC Operating Schools; (e) the right to instruct the legal representative and financial and business responsible persons of the PRC Operating Schools to act in accordance with the instruction of Xinhua Anhui; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the PRC Operating Schools; (g) the right to handle the legal procedures of registration, approval and licensing of the PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Operating Schools as amended from time to time.

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

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(5) *School Sponsor's Powers of Attorney*

Pursuant to the School Sponsor's Powers of Attorney executed by the School Sponsor in favor of Xinhua Anhui, the School Sponsor authorized and appointed Xinhua Anhui, the director of which is Ms. Fei Yun (費雲) (who is not a director of any of the School Sponsor and PRC Operating Schools and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of the PRC Operating Schools. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" of the Prospectus.

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

(6) *Directors' Powers of Attorney*

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Xinhua Anhui, each of the Appointees authorized and appointed Xinhua Anhui, the sole director of which is Ms. Fei Yun (費雲) (who is not a director of any of the School Sponsor and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors/council members of the PRC Operating Schools.

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

(7) *Shareholders' Rights Entrustment Agreement*

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Xinhua Anhui to exercise all of his/its respective rights as shareholders of Xinhua Group to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Xinhua Group, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Xinhua Group, as the case may be; (c) the right to appoint directors or legal representative of Xinhua Group, as the case may be; (d) the right to propose to convene interim shareholders' meetings of Xinhua Group, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in its capacity as shareholders of Xinhua Group, as the case may be; (f) the right to instruct the directors and legal representative of Xinhua Group, as the case may be to act in accordance with the instruction of Xinhua Anhui; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Xinhua Group, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of Xinhua Group, as the case may be at the education department, the department of civil affairs or other government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Operating Schools as amended from time to time.

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

(8) *Shareholders' Powers of Attorney*

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Xinhua Anhui, each of the Registered Shareholders authorized and appointed Xinhua Anhui, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of the Xinhua Group. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (7) Shareholders' Rights Entrustment Agreement" in the Prospectus.

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

(9) *Spouse Undertakings*

Pursuant to the Spouse Undertakings, the respective spouse of the Registered Shareholders has irrevocably undertaken that:

- (a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts I by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts I in relation to the restrictions imposed on the direct or indirect equity interest in Xinhua Group, pledge or transfer the direct or indirect equity interest in Xinhua Group, or the disposal of the direct or indirect equity interest in Xinhua Group in any other forms;
- (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the School Sponsor and the PRC Operating Schools;
- (c) the spouse authorizes the respective Registered Shareholders or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Xinhua Group (direct or indirect) in order to safeguard the interest of Xinhua Anhui under the Structured Contracts I and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Xinhua Group;



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- (e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Xinhua Anhui and the spouses of the respective Registered Shareholders in writing.

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

(10) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/its equity interest in Xinhua Group together with all related rights thereto to Xinhua Anhui as security for performance of the Structured Contracts I and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Anhui as a result of any event of default on the part of the Registered Shareholders, the School Sponsor or each of the PRC Operating Schools and all expenses incurred by Xinhua Anhui as a result of enforcement of the obligations of the Registered Shareholders, the School Sponsor and/or each of the PRC Operating Schools under the Structured Contracts I (the “Secured Indebtedness”).

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

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

- (a) any of the Registered Shareholders, the School Sponsor or the PRC Operating Schools commits any breach of any obligations under the Structured Contracts I;
- (b) any representations or warranties or information provided by any of the Registered Shareholders, the School Sponsor or the PRC Operating Schools under the Structured Contracts I is proved incorrect or misleading; or
- (c) any provision in the Structured Contracts I becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Xinhua Anhui shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

- (a) to the extent permitted under PRC laws and regulations, Xinhua Anhui may request the Registered Shareholders to transfer all or part of his or her or its equity interest in the School Sponsor to any entity or individual designated by Xinhua Anhui at the lowest consideration permissible under the PRC laws and regulations;
- (b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;
- (c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

Under the Structured Contracts I, there is no equity pledge arrangement between Xinhua Anhui and the School Sponsor over the school sponsor's interest in the PRC Operating Schools held by the School Sponsor. As advised by PRC Legal Advisors, if the Group is to make an equity pledge arrangement with the School Sponsor where the School Sponsor pledges its school sponsor's interest in each of the PRC Operating Schools in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to the School Sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, the Group has implemented various measures which shall remain in place before the Structured Contracts I being unwound, with the aim of further enhancing the control over the PRC Operating Schools and the School Sponsor, in particular:

- (a) as disclosed above, pursuant to the Business Cooperation Agreement, the School Sponsor, the Registered Shareholders and each of the PRC Operating Schools have undertaken that, without prior written consent of Xinhua Anhui or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Operating Schools and/or the School Sponsor or (ii) on the ability of School Sponsor, the Registered Shareholders and each of the PRC Operating Schools to perform the obligations under the Structured Contracts I. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (1) Business Cooperation Agreement" in the Prospectus for details.
- (b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Xinhua Anhui that, among others, each of them shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over school sponsor's interest in any of the PRC Operating Schools and/or equity interest in the School Sponsor without prior written consent of Xinhua Anhui. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement" in the Prospectus for details.



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- (c) the Company has taken measures to ensure that the company seals of the PRC Operating Schools and the School Sponsor are properly secured, are within the full control of the Company and cannot be used by the School Sponsor or the Registered Shareholders or the PRC Operating Schools without the permission. Such measures include arranging for the company seals of the PRC Operating Schools and the School Sponsor to be kept in the safe custody of the finance department of Xinhua Anhui and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of the Company or Xinhua Anhui.

(11) Loan Agreement

Pursuant to the Loan Agreement, Xinhua Anhui agreed to provide interest-free loans to Xinhua Group in accordance with the PRC laws and regulations and Xinhua Group agreed to utilize the proceeds of such loans to contribute as capital of the PRC Operating Schools in its capacity as school sponsor of the schools in accordance with the instructions. Both parties agree that all such capital contribution will be directly settled by Xinhua Anhui on behalf of Xinhua Group.

The terms of the Loan Agreement shall continue until all interest of the PRC Operating Schools and the School Sponsor are transferred to Xinhua Anhui or other parties designated by the Company.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Xinhua Anhui. The loan will become due and payable upon Xinhua Anhui's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Xinhua Group, (ii) a winding-up or liquidation application has been filed by or against Xinhua Group, (iii) Xinhua Group becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, (iv) Xinhua Anhui or its designee exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations, or (v) any of Xinhua Group or the PRC Operating Schools commits any breach of any obligations under the Structured Contracts I, or any warranties provided by any of Xinhua Group or the PRC Operating Schools under the Structured Contracts I is proved incorrect or inaccurate. As advised by PRC Legal Advisors, interest-free loans granted by Xinhua Anhui to Xinhua Group is not in violation of the applicable PRC laws and regulations.

C. Structured Contracts I and Structured Contracts II

Other than the Spouse Undertakings, each of the specific agreements that comprise the Structured Contracts I contains clauses which provide that, to the extent permitted by the PRC laws, Xinhua Anhui shall have the right to designate other entities agreed by the Company (including any wholly foreign-owned enterprise to be established by us from time to time) to enter into and perform the agreements which are on the same terms and conditions as the Structured Contracts I (excluding the Spouse Undertakings) with the other parties to the Structured Contracts I (excluding the Spouse Undertakings), and the other parties to the Structured Contracts I shall unconditionally procure the signing and performance of such agreements. The Structured Contracts I shall be automatically terminated on the date on which the aforementioned agreements are entered into and become effective.

In light of the preferential tax policy in Xinjiang, on 6 February 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of the PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by the PRC Consolidated Affiliated Entities to Xinhua Xinjiang.

D. Business Activities of the PRC Consolidated Affiliated Entities

The business activities of the consolidated affiliated entities of the Group, namely the School Sponsor, Xinhua University and Xinhua School, are primarily to offer higher educational services to the Group's students.

E. Significance and financial contributions of PRC Operating Schools

Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Consolidated Affiliated Entities. The table below sets out the financial contribution of the PRC Consolidated Affiliated Entities to the Group, including revenue, net profit and total assets of the PRC Consolidated Affiliated Entities consolidated into the Group's financial statements pursuant to the Structural Contracts:

	Significances and financial contribution to the Group					
	Revenue		Net profit		Total assets	
	For the year ended		For the year ended		As at 31 December	
	31 December		31 December		2021	2020
2021	2020	2021	2020	2021	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC Consolidated Affiliated Entities	565,386	478,847	329,281	284,792	3,860,951	3,051,027

The table below sets out revenue and net profit of the PRC Consolidated Affiliated Entities as a percentage of the Group's revenue and net profit:

	Revenue	Net profit
	For the year ended	As at
	31 December 2021	31 December 2021
PRC Consolidated Affiliated Entities	100%	92.9%

F. Regulatory Framework

The Group currently conducts its private higher education business through the PRC Operating Schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. In accordance with the existing PRC laws and regulations, the operation of higher education institutions to Sino-foreign cooperation ownership are also subject to restrictions, in addition to imposing qualification requirements on the foreign owners. The Group does not hold any equity interest in its PRC Operating Schools. The Structured Contracts, through which the Group obtains control over and derive the economic benefits from its PRC Operating Schools, have been narrowly tailored to achieve the Group's business purpose and minimize the potential conflict with relevant PRC laws and regulations. The Group had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.



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1. *Higher Education and National Key Secondary Vocational School*

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

While secondary vocational education is not listed in the Foreign Investment Catalog, Xinhua School was recognized by the MOE as a National Key Secondary Vocational School* (國家級重點中等職業學校) and therefore was treated as if it falls within the “restricted” category according to the Anhui Education Department.

The Group had fully complied with the Foreign Control Restriction in respect of the PRC Operating Schools on the basis that (a) the principals and the chief executive officers of the PRC Operating Schools are all PRC nationals; and (b) all the members of the board of directors of the PRC Operating Schools are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group was to apply for any of its schools to be reorganized as a Sino-foreign joint venture private school for PRC students (a “Sino-Foreign Joint Venture Private School”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the “Qualification Requirement”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “Foreign Ownership Restriction”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. With the assistance of PRC Legal Advisors, the Group consulted the Anhui Education Department on 26 June 2017, being the competent authority as advised by PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to the Group. The Group was advised by the director of the department of foreign affairs office* (外事處處長) at the Anhui Education Department that:

- (i) the Foreign Ownership Restriction and Qualification Requirements applies to Sino-Foreign Joint Venture Private Schools in their region;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Anhui Province;
- (iii) as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in Anhui Province after the Sino-Foreign Regulation became effective on 1 September 2003;
- (iv) the Anhui Education Department expects that the possibility of approving the establishment of Sino-Foreign Joint Venture Private Schools (including but not limited to the Sino-Foreign higher education institution and Sino-Foreign national key secondary vocational school) in Anhui in foreseeable future is very low; and
- (v) the execution of the Structured Contracts does not require approval from the education authorities.

PRC Legal Advisors are of the view that the aforesaid officer is competent to provide the confirmation on the basis that they have good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in Anhui Province.

Given that as at the date of this report, the Group does not meet the Qualification Requirement as the Group has no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for the Group to seek to apply to reorganize any of its PRC Operating Schools and the schools to be newly established or invested by the Group as a Sino-Foreign Joint Venture Private School, or convert any of the PRC Operating Schools and the schools to be newly established or invested by the Group into a Sino-Foreign Joint Venture Private School. The Anhui Education Department has confirmed that the possibility of approving the establishment of Sino-Foreign Joint Venture Private schools in Anhui in foreseeable future is very low.



REPORT OF THE DIRECTORS

Notwithstanding the above, the Group is committed to meeting the Qualification Requirement. It has adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. It has undertaken to make periodic inquiries of relevant educational authorities to understand any regulatory developments, including whether there will be any change in policy for approving any Sino-Foreign Joint Venture Private School in Anhui Province, and assess whether it is qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations.

As at the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in its plan to adopt the Structured Contracts and the consolidated financial results of the PRC Operating Schools are consolidated to those of the Group. Each of the PRC Operating Schools and the School Sponsor has been legally established and except for those disclosed under “Structured Contracts – Legality of the Structured Contracts – PRC Legal Opinions” and “Risk Factors – Risks relating to our Structured Contracts” of the Prospectus. PRC Legal Advisors have opined that the contractual arrangements for the operation of higher education do not contravene PRC laws and regulations, and no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of contractual arrangements in the education industry. As disclosed above, the Group has obtained confirmation from the Anhui Education Department during the consultations with them that the Structured Contracts do not require approval from the education authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, as no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

2. *Plan to Comply with the Qualification Requirement*

The Group has adopted a specific plan and begun to take the following concrete steps which it reasonably believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Anhui Education Department, there are no implementing measures or specific guidance on the Qualification Requirement and they are rarely likely to approve an application to convert the PRC Operating Schools into Sino-Foreign Joint Venture Private Schools at this stage and in the foreseeable future.

We have adopted a specific plan and taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus, the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021 for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

There have been no updates to the implementation rules in relation to the Qualification Requirement during the Reporting Period.

Furthermore, the Group has undertaken to the Stock Exchange that the Group will:

- (i) under the guidance of the PRC Legal Advisors appointed by the Group from time to time, continue to keep the Group updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
- (ii) provide periodic updates in the annual and interim reports after Listing to inform the Shareholders of the efforts and actions undertaken with the Qualification Requirement.

3. *Regulatory Updates – Promulgation of the Foreign Investment Law and its Impact*

The Foreign Investment Law came into effect on 1 January 2020, for further details of the Foreign Investment Law, please refer to “Management Discussion and Analysis - Regulatory Update” in this report. As at the date of this report, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

H. Risks associated with the arrangements and the actions taken to mitigate the risks

The Structured Contracts are used to enable the Group to consolidate the financial results of the PRC Consolidated Affiliated Entities which engage in the operation of higher education services where the PRC laws and regulations currently restrict operation of higher education institutions to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

1. *Risks associated with the arrangements*

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject the Group to severe penalties and the Group’s business may be materially and adversely affected. Furthermore, the Group relies on the Structured Contracts to obtain control over and derive the economic benefits from the PRC Consolidated Affiliated Entities, which may not be as effective in providing operational control as direct ownership. The registered owners of the PRC Consolidated Affiliated Entities may have conflicts of interest with the Group or there is deterioration of relations, which may materially and adversely affect the Group’s business and financial condition. The Group may not be able to meet the qualification requirement, according to which the foreign investor in a Sino-foreign joint venture private school offering high school and higher education institution must be a foreign educational institution with relevant qualification that provides high quality education, holds less than 50% of the capital investment in the Sino-foreign joint venture private School and the domestic party shall play a dominant role. The Group’s execution on the option to acquire school sponsor’s interest of the PRC Consolidated Affiliated Entities may be subject to certain limitations and the Company may incur substantial costs and expend significant resources to enforce the Structured Contracts if any of the PRC Consolidated Affiliated Entities fails to perform its obligations thereunder. The Structured Contracts may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group’s results of operation and value of the investment by the Shareholders or potential investors of the Company. Certain terms of the Structured Contracts may not be enforceable under PRC laws. The PRC Consolidated Affiliated Entities may be subject to limitations on their ability to operate private education or make payments to related parties. The Group’s ability to distribute dividends to its Shareholders may be limited due to the unclear definition of “reasonable returns” under PRC laws and regulations. Substantial uncertainties exist regarding the interpretation and application of the 2016 Decision, including treatments of schools in the PRC as non-profit schools or for-profit schools. If any of the Group’s consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which could negatively impact its business and materially and adversely affect its ability to generate revenue. For more details, please refer to the section headed “Risk Factors – Risks relating to our Structured Contracts” in the Prospects.



REPORT OF THE DIRECTORS

2. *Actions taken to mitigate the risks*

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and its compliance with the Structured Contracts:

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) the Company will disclose the overall performance and comply with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) the Company and its Directors undertake to provide periodic updates in its annual and interim reports regarding the Qualification Requirement and its status of compliance with the Foreign Investment Law as stipulated under the section headed “Structured Contracts – Background of the Structured Contracts” and the latest development of the Foreign Investment Law as disclosed under the section headed “Structured Contracts – Development in the PRC Legislation on Foreign Investment”, including the latest relevant regulatory development as well as the Group’s plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and
- (e) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Xinhua WFOE and the PRC Operating Schools and/or the School Sponsor to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that the non-executive Director, Mr. Wu Junbao, is also one of the Registered Shareholders, the Group believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of the Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of the Group;
- (c) the Company has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

- (d) the Company will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

I. Material changes

Save as disclosed above, as at the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

J. Unwinding of the Structured Contracts

As at the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed “Structured Contracts – Operation of the Structured Contracts – Termination of the Structured Contracts” of the Prospectus. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Xinhua WFOE will exercise the Equity Call Option in full to unwind the contractual arrangements so that the Company will be able to directly operate the schools without using the Structured Contracts.

The Stock Exchange has granted a waiver to the Company from strict compliance with certain requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts II. See “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions” in the Prospectus for details.

For details of the above Structured Contracts, please refer to “Structured Contracts” and “Connected Transactions” in the Prospectus.

(3) Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Tenancy Agreements and the Structured Contracts (collectively, the “Continuing Connected Transactions”) on an annual basis to confirm that, during the relevant financial year:

- (i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;
- (ii) the Continuing Connected Transactions are on normal commercial terms; and
- (iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(4) Confirmation of auditors of the Company

KPMG, the Company’s auditors, have carried out procedures annually to report on the Group’s Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing the conclusions in respect of the Group’s Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.



REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2021 are set out in note 26 to the consolidated financial statements.

The related party transactions with regard to the service fee and rental fee paid as set out in note 26(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES

As the well-known leading provider of higher education, the Group strikes to perform its social responsibilities in each major area for a sustainable basis with no exceptions in the fields of environmental protection. Primarily engaged in providing educational services, the Group regards the environment of materials recycling and energies saving as instrumental and desirable for the Group's business successes. The Group therefore advocates the business model with energy efficiency and linear progressions on establishing environmental friendly teaching and learning systems for the students and the teachers.

During the Group's business operations, students and teachers are monitored by the internal guidelines for saving utilities such as turning off electrical appliances, air-conditioning, idle lightings and the water taps whenever it is likely to incur unnecessary waste of electricity and water resources. In addition, the Group has implemented and promoted the online and digital in-classrooms teaching methods at the classrooms which drastically reduce the possibility of paper waster. As at 31 December 2021, the Group has not been subject to any fines or regulatory or legal sanctions as a result of any non-compliance with the applicable PRC Environmental laws and regulations in any material aspects. Supported by the directors and senior management's long term strategy of sustainable development, the Group will continuously maintain its demanding standard for environmental protections and performance of its social responsibilities to the community. For more details, please refer to our separate Environmental, Social and Governance ("ESG") Report in this annual report.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB200,000.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

IMPORTANT EVENTS SINCE THE YEAR END

The important events occurred since the year ended 31 December 2021 are disclosed in note 28 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2021 and the proposed quotation of the auditors for the forthcoming year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 72 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company’s total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as at the date of this report.

AUDITORS

The financial statements have been audited by KPMG who shall retire at AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors will be proposed at the AGM.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If the shareholders of the Company are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

On behalf of the Board

Wu Junbao

Chairman

31 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximizing shareholders' returns. The Company has adopted the Corporate Governance Code as its own code of corporate governance. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, and to comply with increasingly stringent regulatory requirements as well as fulfill its commitment to excellence in corporate governance. After reviewing the Company's corporate governance practices and the relevant regulations of the CG Code, the Board is satisfied that the Company has complied with all applicable code provisions under the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, they have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report and during the Reporting Period, the Board comprises one non-executive Director, three executive Directors and three independent non-executive Directors as follows:

Non-executive Director:

Mr. Wu Junbao (*Chairman*)

Executive Directors:

Mr. Zhang Ming

Mr. Lu Zhen

Mr. Wang Yongkai

Independent Non-executive Directors:

Mr. Jiang Min

Mr. Yang Zhanjun

Mr. Chau Kwok Keung

The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this annual report.

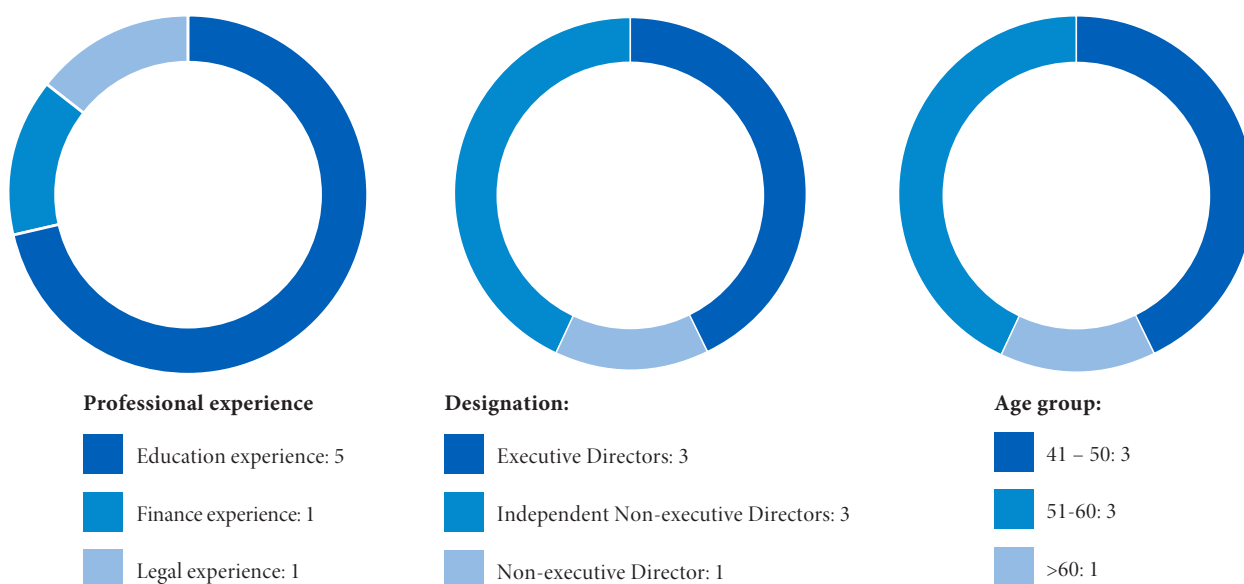
During the Reporting Period, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board. The measurable objectives on board diversity under the Board Diversity Policy include (a) selection of candidates for nomination as a Director be based on the Directors' nomination policy with due regard to the diversity perspectives set out in the policy; (b) to maintain the Board with a majority of independent non-executive directors; and (c) to ensure that the Board be made up of members with diverse backgrounds and experience, including diversity of nationality, ethnicity and gender, with such members demonstrating appropriate knowledge, experience and understanding of the markets in which the Company operates its business.

The following charts indicate the diversity of the Board in terms of professional experience, designation and age group as at the date of this report:



The Nomination Committee monitors the implementation of the Board Diversity Policy and will review the policy from time to time to ensure its continued effectiveness.



CORPORATE GOVERNANCE REPORT

Assessment of independence of independent non-executive Directors is carried out in advance of appointment, annually, and at any other time where the circumstances warrant review. The Nomination Committee undertakes an annual assessment to ensure that all independent non-executive Directors continue to demonstrate strong independence and are free from business or other relationships which could interfere with their ability to discharge their duties effectively.

As each of the independent non-executive Directors has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties. The Board considered that independent Directors can enhance the effectiveness and decision-making of the Board by providing independent view, objective judgement and constructive challenge to the Board and management of the Group.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" and otherwise disclosed in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Gender Diversity at Board Level

The Board currently has no female Director in the Board but we will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to shareholders' expectation and international and local recommended best practices. The Nomination Committee will use its best endeavors and on suitable basis, identify and recommend female candidates to our Board for its consideration on appointment of a Director as and when appropriate with the goal to maintain at least one female Director in our Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment.

We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

The attendance record of professional training received by the Directors for the Reporting Period is as follows:

Name of Directors	Nature of continuous professional development programmes ⁽¹⁾
<i>Executive Directors</i>	
Mr. Zhang Ming	√
Mr. Lu Zhen	√
Mr. Wang Yongkai	√
<i>Non-Executive Director</i>	
Mr. Wu Junbao (<i>Chairman</i>)	√
<i>Independent Non-Executive Directors</i>	
Mr. Jiang Min	√
Mr. Yang Zhanjun	√
Mr. Chau Kwok Keung	√

Note:

(1) Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances



CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals.

Mr. Wu Junbao is the chairman of the Board and also the non-executive Director of the Group, responsible for providing opinion and judgment to the Board, while other executive Directors are responsible for the day-to-day management and operation of the Group. As a result, the roles of the chairman and chief executive are separate and performed by different individuals.

Appointment and Re-election of Directors

Each of Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai, being the executive Directors of the Company, has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and 31 October 2018, respectively, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date or 30 September 2019 (as applicable) and will continue thereafter until terminated by not less than three months' notice in writing by served by either party on the other, which notice shall not expire until the end of the fixed term.

Save as aforesaid, none of the Directors has or is proposed to have a service contract or an appointment letter with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting.

Pursuant to article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 December 2021, four Board meetings and one general meeting were held and the attendance of each Director at the Board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. Wu Junbao	4/4	1/1
Mr. Zhang Ming	4/4	1/1
Mr. Lu Zhen	4/4	1/1
Mr. Wang Yongkai	4/4	1/1
Mr. Jiang Min	4/4	1/1
Mr. Yang Zhanjun	4/4	1/1
Mr. Chau Kwok Keung	4/4	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors), without the presence of executive Directors during the Reporting Period.



CORPORATE GOVERNANCE REPORT

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the Model Code during the Reporting Period and up to the date of this annual report.

At the same time, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently. The Board reviews the implementation and effectiveness of such mechanism annually.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

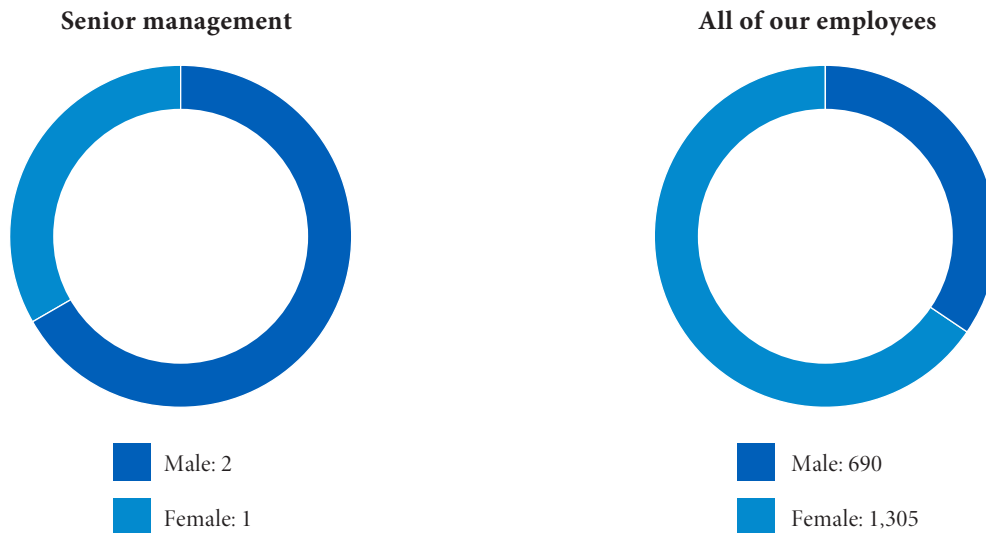
The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

- (a) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (c) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- (d) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

Our diversity philosophy is followed throughout the group. Gender diversity of the senior management and our total workforce as at 31 December 2021 is set out below:



BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, two independent non-executive Directors namely Mr. Chau Kwok Keung (chairman) and Mr. Jiang Min, and the non-executive Director namely Mr. Wu Junbao.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the auditor;
2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board;
3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, two meetings were held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of the Directors	Attendance/Number of committee meeting(s)
Mr. Chau Kwok Keung (Chairman)	2/2
Mr. Wu Junbao	2/2
Mr. Jiang Min	2/2

The Group's unaudited financial results for the six months ended 30 June 2021 and the audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control and internal audit function of the Group and oversaw the risk management and internal control systems of the Group during the year of 2021.

According to code provision D.3.3(e)(i) of the CG Code and the terms of reference of the Audit Committee, the Audit Committee had met, at least twice a year, with the Company's auditors.

Nomination Committee

The Nomination Committee currently comprises three members, including the non-executive Director namely Mr. Wu Junbao (chairman) and two independent non-executive Directors namely Mr. Jiang Min and Mr. Yang Zhanjun.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors;
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and
5. to review the Board Diversity Policy.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, one meeting was held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of the Directors	Attendance/Number of committee meeting(s)
Mr. Wu Junbao (Chairman)	1/1
Mr. Jiang Min	1/1
Mr. Yang Zhanjun	1/1

During the Reporting Period, the Nomination Committee reviewed the structure, size and composition of the Board and discussed the policy for the nomination of directors, which includes the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors namely Mr. Jiang Min (chairman) and Mr. Yang Zhanjun, and the non-executive Director namely Mr. Wu Junbao.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
3. to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of the Directors	Attendance/Number of committee meeting(s)
Mr. Jiang Min (Chairman)	1/1
Mr. Wu Junbao	1/1
Mr. Yang Zhanjun	1/1

During the Reporting Period, the Remuneration Committee reviewed the remuneration packages of the Directors and senior management, assessed performance of executive Directors and discussed and approved the terms of executive Directors' service contracts.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT" on pages 19 to 26 of this annual report, for the year ended 31 December 2021 are set out below:

Remuneration band	Number of individual
NIL – HK\$1,000,000	4
HK\$1,000,001 – HK\$1,500,000	3

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 99 and 105 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining a sound and effective risk management and internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Board conducts review of the effectiveness of the risk management and internal control system of the Group periodically and noted that the Company has established a risk management and internal control department and each of the schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures. In order to comply with the relevant requirements under the CG Code in relation to the risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls. In addition, the Company has adopted a set of internal rules and policies governing the conduct of the employees, including teachers and personnel performing other functions, and also set up a monitoring system to implement anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. The Board has therefore considered the risk management and internal control system as effective and adequate.

ANTI-CORRUPTION POLICY

The Company has also established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on the job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended 31 December 2021 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	2,000
Non-audit services	-
Total	2,000

COMPANY SECRETARY

Mr. Wong Yu Kit is the company secretary of the Company, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company engaged in the business of providing corporate services, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. His primary contact person of the Company is Mr. Wang Yongkai, an executive Director.

For the year ended 31 December 2021, Mr. Wong Yu Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. Accordingly, the chairperson of the Board Committees of the Company will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions regarding the conduct of the audit, the content of the auditor's report, the accounting policies and the auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains the Company's website at (www.chinaxhedu.com), where up-to-date information regarding the Company's business operations and developments, financial information, corporate governance practices and other information are made available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the Board of Directors at No. 555 Wangjiangxi Road, Hefei City, Anhui Province, PRC.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum of association on 8 March 2018 with immediate effect and articles of association on 8 March 2018 with effect from the Listing Date. There was no change in the memorandum and articles of association of the Company during the Reporting Period and up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

The Environmental, Social and Governance Report (the “Report”) has been published by China Xinhua Education Group and its subsidiaries (the “Group” or “we”) every year since 2017 in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report discloses the policies, specific work, future planning, performance and other matters in relation to environmental, social and governance (“ESG”) issues for the period from 1 January 2021 to 31 December 2021 (the “Year” or “Reporting Period”), under the sustainability philosophy. In addition, for gaining more understanding of the governance of the Group, please see the section headed “Corporate Governance Report” in the annual report.

1.1. Scope of the Report

Unless otherwise specified, this ESG Report covers the core business of the Group, with the reporting scope consistent with the annual report. The environmental key performance indicators (“KPIs”) include the performance of two schools operated by the Group, namely Anhui Xinhua School and Anhui Xinhua University (the “Schools”). We will implement the reporting principles of materiality, quantitative, balance and consistency set out in the Guide, and report on the disclosure obligations of relevant issues in accordance with mandatory disclosure requirements or “comply or explain” provisions.

Materiality: The Group has communicated with various stakeholders on the Report and conducted materiality assessment on issues concerned by both parties to identify material ESG issues of the Group during the Year. We have also disclosed the communication process and materiality assessment results with various stakeholders in the Report.

Quantitative: All data and KPIs in this Report are derived from the Group’s statistics. The calculation tools, methodologies, standards and conversion factors used in the Report have been fully disclosed.

Balance: The ESG report has provided an unbiased picture of the Group’s performance during the Year to avoid any selections, omissions or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency: The statistical methods, standards or other factors used in this Report are the same as those in previous years. Any difference or update from previous years will be specified in the Report.

1.2. Contact Information

We attach great importance to your points of view about the Report. In case of any question or suggestion, please don’t hesitate to contact us by the following means.

Address: No. 555 Wangjiangxi Road, High-Tech Development Zone, Hefei City, Anhui Province
E-mail: xhjtbg@xhgroup.cn
Tel: 0551-6587 2266

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ESG SYSTEM

The Group cultivates talents and contributes to the society by adhering to the mission of “Rejuvenating the Country and Serving the People through Xinhua Education” and the spirit of “Unity, Pragmatism, Exploration and Dedication”. We fully integrate the concept of sustainable development into our daily business, and lead our faculty members and students to unite together and take their responsibility for contributing to the society and protecting the environment with a pragmatic attitude, and open up new development and future for our next generation and our country.

2.1. Statement of the Board

The Board of Directors (the “Board”) is aware of the impact of ESG on its business and therefore established the Group’s ESG system and ESG Working Group (the “Working Group”) to be responsible for the Group’s ESG work. The Board assumes full responsibility for the Group’s ESG strategy and reporting, and supervises the work of the Working Group. As authorized by the Board, the Working Group conducts a detailed analysis of the risks and opportunities that may arise from the ESG issues on the Group’s operations, formulates ESG-related objectives, directions and strategies based on the materiality assessment results, and reports to the Board. The Group has formulated a number of ESG-related objectives, and will advance its work and review the results according to such objectives in the future.

The ESG Working Group is responsible for all ESG-related work of the Group and its schools. As guided and directed by the Board, the Working Group formulates the ESG action goals and specific rules, lists material issues that may have an impact on the Group’s operations with reference to the “Guide”, collects stakeholders’ comments on the issues and analyzes the risks or opportunities possibly caused by such issues to operations. The Working Group also carries out materiality analysis, formulates improvement and management plans based on the results, coordinates all units to implement the content of such plans and monitor the results thereof, and reports to the Board in a timely manner. The goals can demonstrate the achievements from ESG management, and will improve the relevant measures according to the progress.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2. Stakeholder Engagement

Stakeholder engagement is an essential part for our business development, and the opinions of all parties are the foundation of our growth. We solicit opinions widely and establish multiple opinion collection channels to collect opinions and suggestions on our daily operations, future development, service feedback, etc.

Main Stakeholders

Engagement Channels

Shareholders/Investors

- Annual general meeting and other shareholders' meetings
- Interim reports and annual reports
- Corporate communications, such as letter or circular to shareholders and meeting notice
- Shareholders' meetings
- ESG meetings
- Senior management meetings

Teachers/Other employees

- Performance appraisals
- Panel discussion
- Business presentation
- Volunteering activities
- Employee intranet

Business partners

- Reports
- Meetings
- Visits
- Lectures

Regulatory authorities

- Meetings
- Compliance reports

Communities/Non-governmental organizations (NGO)

- Volunteering activities
- Donation
- Seminars/lectures/workshops
- Meetings

Suppliers

- Supplier management procedure
- Supplier/contractor evaluation system
- Meetings
- Field inspection

Students/Parents

- Feedback in the classes
- Satisfaction surveys
- Regular visits
- Education fair
- Parents' meetings
- Online platforms
- Telephone

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3. Materiality Assessment

After collecting the opinions of various stakeholders and the Board, we conducted materiality assessment of the Group based on the Group's operations and objectives. In accordance with the materiality assessment standards of the "Guide", the materiality matrix of the Sustainability Accounting Standards Board (SASB) and the opinions of professional advisors, and with reference to common material issues among peers, we have concluded 23 ESG-related material issues based on the Group's operations. Material ESG issues are classified into three levels according to their materiality, and various issues will be reported according to their materiality:

Highly material issues

- Employment management
- Benefits of faculty members
- Health and safety of students
- Development and training of faculty members
- Anti-corruption
- Protection of intellectual property rights
- Teaching quality control
- Dealing with teaching opinions
- Supply Chain Management
- Pollution reduction and emissions reduction
- Wastes management
- Use of materials/resources
- Green building on campus
- Environmental education

Moderately material issues

- Teacher qualifications and professional ethics
- Information privacy protection
- Brand promotion
- Sustainable procurement
- Educational resources
- Student employment rate
- Energy consumption and efficiency
- Community investment and engagement

Generally material issues

- Occupational health and safety

3. PROFESSIONAL TEAM

We believe that good education professionals are our quality assurance and represent our responsibility for the future of the next generation. The Group values and cherishes employees, provides them with appropriate salaries, benefits, guarantees, training, etc., and attract talents to establish a good teacher education team for the Group. The Group strictly complies with the Labor Contract Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Child Labor and other laws and regulations. In accordance with relevant laws and regulations, we have formulated the Group's HR management plan based on the Group's operations. We are committed to creating an equal working environment, which opposes any possible discrimination in any form, including sexual orientation, nationality, religion, disability, gender, family status, race, etc.

During the Year, the Group had a total of 1,995 employees. Please see Appendix 1 for details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1. Recruitment Principle

The Group has formulated the “Administrative Measures of Anhui Xinhua University for Recruitment of High-level Talents” (《安徽新華學院高層次人才引進管理辦法》), the “Management Standards for Human Resource Allocation” (《人力資源分配管理規範》) and the “Recruitment Management Rules of Anhui Xinhua University” (《安徽新華學院招聘管理制度》) to establish standards for recruiting talents. We support diversity and oppose all factors of discrimination based on the principles of meritocracy, fairness and openness.

Each department of the Group will formulate an annual personnel demand plan declaration form according to the needs, and start recruitment upon approval. We will give priority to internal selection and recruitment and then conduct external recruitment via various channels. Qualified candidates will go through rigorous review and undergo primary selection, preliminary examination, job evaluation and re-examination in sequence. We evaluate and review each candidate’s ability, personality, reasons for change, salary, values, job matching and other factors. We also conduct background checks on candidates to ensure the correctness of their information, prevent conflicts of interest and prohibit any form of child or forced labor. We also abide by and respect the contractual spirit, and require every new employee sign an agreement and contract with the Group. The remunerations, benefits, resignation arrangements, working hours, holidays, etc. will be expressly specified in the contract in accordance with the “Management Regulations of Xinhua Group on Attendances and Leaves” (《新華集團考勤請假管理規定》) and the “Implementation Measures for the Management of Benefits of Faculty Members at Anhui Xinhua University” (《安徽新華學院教職員福利管理實施辦法》). For faculty members who propose to resign, we will also respect their intention, make job handovers with them, go through the resignation procedures and arrange resignation interviews according to the contracts to understand the reasons for resignation. The Group’s Supervision & Inspection Department will spot-check the recruitment procedures to ensure their implementation in accordance with the regulations. In case of any violations, the Group will make punishments according to the regulations.

During the Year, the Group did not employ any child or forced labor.

3.2. Employee Benefits

Employees are our crucial assets. We provide benefits to our employees, which shows our emphasis and care for our employees and educators, and stimulates their enthusiasm and motivation in education work. The Group has formulated the “Implementation Measures for the Management of Benefits of Faculty Members at Anhui Xinhua University” (《安徽新華學院教職員福利管理實施辦法》), specifying all the benefits provided by the Group. In addition to the “Five Insurance Funds and One Housing Provident Fund” and statutory holidays required by law, we also provide annual leave, funeral leave, marriage leave, maternity leave, sick leave, etc. In addition, all employees can enjoy physical examination, holiday allowance, communication allowance, working meal allowance, marriage welfare and other benefits.

In terms of remuneration adjustment, promotion and formal employment of employees, in addition to specifying the formal employment system in the contract, we also evaluate the remuneration system of the Group every year and make appropriate adjustments with reference to the labor market.

3.3. Building a Safe Campus

In order to allow teachers and students to study and work in a safe and cozy environment, we are committed to providing the best protection for students. In addition to equipment, we also pay attention to the mental health of students and teachers, and enable them to achieve physical and mental health at school. The Group has formulated safety measures in strict accordance with the Food Safety Law of the People’s Republic of China, the Food Safety Operation Regulations for Catering Services, the Regulations on School Health Work, the Fire Protection Law of the People’s Republic of China and other relevant laws and regulations. During the Year, the Group did not suffer any work-related fatalities. The number of working days lost during the Year was 10 days, and no work-related fatalities occurred in the past three years (including the Reporting Period).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3.1. Campus Security

The Group has always attached great importance to taking preventive measures against any potential safety hazards based on the principle of “leaving no dead corner, no blind spot, no room and no tail”. In terms of campus safety construction, we focus on strict control and rectification to ensure that the campus facilities, fire protection equipment and food safety meet the required safety factors. The Group has established the Leading Group for Safety Inspection and Rectification to regularly conduct large-scale safety inspection on campus, including regular safety inspection of equipment and dangerous goods. In particular, it will carry out storage registration and equipment maintenance for drugs and chemicals used in laboratories and school clinics. The firefighting equipment of the whole schools is maintained by professional personnel. The canteen staff regularly check the environmental hygiene of the canteen and implement the food safety management system. We will also provide food safety trainings for canteen staff. In order to ensure construction safety, we will provide safety supervision for campus construction personnel. We also hold various safety trainings and drills for teachers and students on a regular basis, which has highly guaranteed and improved campus security with the participation of all.

The School Fire Safety Committee is responsible for the fire safety of the Group. On 9 November, the National Fire Prevention Day, the Group also carried out the “119 Fire Prevention Publicity Month” activities for teachers and students and held a large-scale opening ceremony on 9 November. In cooperation with the Hefei Fire Rescue Detachment, the Group held a series of exercises and experience activities for teachers and students of the Schools. All teachers and students had the opportunity to operate fire-fighting equipment on the spot, conduct fire-fighting drills, and experience fire escape. During the Reporting Year, we also held a number of firefighting activities, including lectures on fire safety knowledge and fire emergency evacuation drills, and provided special trainings on fire safety knowledge and first aid knowledge for relevant staff.



“119 Fire Prevention Publicity Month”



Fire Fighting Practice Drill

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3.2. Mental Health Activities

During the COVID-19 pandemic, we should not only pay attention to our physical condition, but also to our mental health. We care about the mental health of our employees and students, and focus on educating students how to deal with emotional problems and relax themselves. During the Year, the Group has strengthened the education and publicity work on mental health. In addition to the psychological counseling room and the mental health education center, we also increased the mental health education for each student. Every college student must take a mental health-related course to learn self-stress management, environmental adaptability and other topics. We also held a number of psychological and spiritual activities, including the “Beautiful Youth For You” World Mental Health Day Publicity Month and the “5.25” College Students’ Mental Health Publicity Month series activities in response to the government’s “Notice on Doing a Good Job in Mental Health Education for College Students in the Fall Semester of 2021”. Teachers and students of each college actively participated in various activities, including reading competitions, cultural festivals, shared reading sessions, speech competitions, etc. Different colleges have also communicated frequently on education and mentoring. This Year, we also invited Clinical College of Anhui Medical University to be our mentor, to conduct trainings and case exchange meetings for our counselors, and to provide valuable opinions, experience and knowledge for our faculty members. Our teachers and counselors have benefited a lot from these activities and learnt a lot for guiding students to think about and deal with psychological crisis.

The School of Urban Construction Holding the First Psychology Book Reading Competition for College Students

To promote mental health and positive attitude, we encourage teachers and students to share with each other and build a healthy campus life together. On 26 May 2021, the School of Urban Construction held the First Psychology Book Reading Competition for College Students, for which each participant recommended the psychology books that they were interested in, introduced the wonderful contents and shared their feelings after reading. The counselor representatives of the School and teachers of the Landscape Architecture major served as judges.



Psychology Book Reading Competition

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The School of Arts Holding the “Light the Heart to Navigate Your Dream” Mental Health Series Activities

In response to the “5.25” College Students’ Mental Health Publicity Month, the School of Arts held a series of mental health education activities to promote healthy psychological quality and give full play to students’ creativity, show various types of mental health publicity activities, and create a warm and loving campus atmosphere, including movie viewing, photo exhibition and knowledge publicity exhibition.

“Good Will Hunting” is one of the film works in this series of movie viewing activities. Students had a deep feeling about the film and they carried out a heated discussion on the content of the film, realizing that only by being brave enough can they experience a completely different life. The School of Arts also gave full play to its artistic characteristics and held a mental health photo exhibition with the theme of “Companionship”, where all kinds of family, study, emotional and life companionship photos were displayed to express their unique styles and their interpretation of “companionship”, attracting many students to stop and watch.



“Good Will Hunting” Movie Sharing Session



“Companionship” Themed Photo Exhibition

3.3.3. Pandemic Prevention

To cope with the pandemic, teachers and students of our schools must strictly abide by the pandemic prevention and control requirements and pay attention to personal hygiene. The Group also organized a leading group to take charge of the campus pandemic prevention work in accordance with the “Notice of the Leading Group for the COVID-19 Pandemic Prevention and Control in the Education System of Anhui Province on Effectively Conducting the Pandemic Prevention and Control Work in the Education System this Winter and Next Spring” (《安徽省教育系統新冠肺炎疫情防控工作領導小組關於切實做好今冬明春教育系統疫情防控工作的通知》) and the “Notice on Adjusting the Members of the Leading Group for Pandemic Prevention and Control” (《關於調整疫情防控工作領導小組成員的通知》). Before the school starts, all faculty members must not leave the province unless necessary. For employees outside the province, self-health management at different levels shall be carried out according to the local risk level. Members of the leading group shall also inform all employees of the latest pandemic information through group message. All faculty members must fill in the itinerary and health status 14 days before the start of school and provide a negative nucleic acid test certificate. We also provide nucleic acid testing for faculty members on campus according to the prevention and control arrangements. Our faculty members have also been actively vaccinated against COVID-19, and over 90% of the Group’s employees have received the COVID-19 vaccines.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4. Training Activities

Learning is boundless, and we encourage faculty members to maintain an attitude of continued learning while teaching students, so as to instruct students the best and latest knowledge and improve the overall quality of education. The Group's training programs are divided into three levels, namely branch campuses, colleges and departments. At the school level, we have formulated "Four Modules" and "Five Plans" to comprehensively improve employees' abilities in various fields such as cultural spirit, morality, values, management ability, teachers' ability, teaching research and practical training. We provide appropriate skill improvement plans for employees with different types of work, and organize trainings in diversified ways such as exchanges, investigations, observations, forums and studies. We hope that employees can participate more and achieve all-round development. We also encourage colleges and departments to formulate appropriate training programs for their staff respectively, so as to move towards diversified development and meet the needs of different employees and their respective schools. Among the training programs held this Year, in addition to the above-mentioned mental health counselor training for faculty members and related employees, we also organized Accelerated Leadership Development Program (ALDP), student innovation and entrepreneurship guidance training, etc.

In order to further enhance the psychological counseling ability of employees, we have held a number of psychological counseling trainings. With the title of "Practical Training on Psychological Crisis Intervention" and "How to Use the Media to Carry out Online Ideological and Political Education Work", we invited the Director of the Mental Health Education and Counseling Center of the University of Science and Technology of China to give lectures for our schools. Starting from practical operations, the lecturer uses years of student counseling experience, case analysis and data to provide students with many suggestions and countermeasures, making students have a deeper understanding of counseling work and crisis intervention.



Training Seminar

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5. Employee Activities

To make employees have a sense of belonging to the school, strengthen communication and solidarity among colleagues, balance work and life, and relax, we hold a number of group activities for employees. In order to make employee activities more in line with the situation of employees in various departments, the employee activities of this Year were mainly divided into two levels of management model, including the cross-departmental activities organized at the school level and the activities self-organized by respective departments. In the past year, a variety of group activities have been organized for our employees, including 8 March Women's Day, Teachers' Day, Party Members' Day Activities, etc.



Party Members' Day Activity



8 March Women's Day Activity

4. COMPLIANCE OPERATIONS

4.1. Clean Operation

The Group focuses on clean operation and has always strictly complied with the Law of the People's Republic of China on Administrative Supervision, the Securities Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other relevant laws and regulations. We have formulated the integrity regulations and systems of the Group, including the "Integrity Construction Management Regulations" (《廉政建设管理规定》), "Procurement Management System" (《采购管理制度》), "Complaints and Whistle-Blowing Management Regulations" (《投诉举报管理規定》), "Audit and Supervision Management Regulations" (《审计督察管理規定》), "Contract Review Management System" (《合同审核管理制度》) and "Seals Management Regulations" (《印章管理規定》) for reference by all employees. During the Year, our employees and directors have carefully read the "Integrity Construction Management Regulations" and the "Complaints and Whistle-Blowing Management Regulations", which are regarded as training materials, so as to understand the Group's integrity code and supervision methods.

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Employees of the Group must abide by the law and are prohibited from any unreasonable and illegal behaviors with persons inside and outside the Group. Unreasonable and illegal behaviors include: illegal use of the Group's assets, receiving commissions, seeking illegitimate interests, illegal reimbursement of personal interests, conflicts of interest, etc. Any employee must learn about the Group's regulations and systems on integrity and sign the "Employee Integrity Practice Undertaking" (《員工廉潔從業承諾書》) when on boarding. The person in charge of each unit is also responsible for its integrity management. The Group's Audit and Supervision Department is responsible for monitoring and investigating the integrity of schools and making decisions at the monthly leadership meetings. When cooperating with external units, we will also require them to sign the "Integrity Undertaking" (《廉潔承諾書》). We also welcome whistle-blowing against any illegal conduct by the Group. We set up a dedicated telephone line for any unit to report any illegal act, dereliction of duty, rumor-mongering or damage to interests of the Group. We will keep the personal information of all whistleblowers confidential and give rewards if the whistle-blowing content is proven true. We have three-level procedures to handle complaints from units, the Group and senior management respectively. We attach great importance to every complaint and whistle-blowing content, and have definite procedures to follow up all whistle-blowing, so as to give feedbacks within the specified time.

During the Year, there were no litigations or convicted cases of corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

4.2. Information Security

The Group strictly abides by the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, the Cybersecurity Law of the People's Republic of China, the Regulations on Technical Measures for Internet Security Protection, the Measures for the Administration of Internet Information Services, the Measures for Security Protection Administration of the International Networking of Computer Information Networks and other relevant laws and regulations. We have formulated the "Regulations of Xinhua Group on Confidentiality Management" (《新華集團保密工作管理規定》) as the regulations for managing and determining collection, processing, storage, analysis and retention period of employees' personal data, thus protecting their information security and personal privacy.

The personal data collected by the Group comes from a wide range of sources, including students, suppliers, employees, partners, etc. In order to protect privacy, we divide different types of data, keep the data confidential and add access authority. Employees cannot access data that do not conform to their authority and, if necessary, they must first obtain the consent of the person concerned. The devices storing data will also be regularly inspected and maintained, using genuine software and anti-virus programs. All data will be backed up regularly to prevent loss. We will also provide trainings for data administrators to get acquainted with data management.

4.3. Protection of Intellectual Property Rights

The Group respects intellectual property rights and has formulated the Group's plan for protecting intellectual property rights to protect the rights and interests of its own and other parties. The Group strictly abides by the Patent Law of the People's Republic of China, the Rules for the Implementation of the Patent Law of the People's Republic of China, the Intellectual Property Law of the People's Republic of China, the Regulations on Protection and Management of Intellectual Property Rights in Institutions of Higher Education, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations.

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In order to ensure the application quality this Year, the Group appointed two intellectual property agencies to register our patents. We encourage innovation and actively promote our independent research and development. We sponsor students and faculty members to implement R&D projects and apply for patents, and provide all the necessary materials for R&D. To show our respect for the rights and interests of authors and protect their personal intellectual property rights, we have formulated the “Patent Management Measures of Anhui Xinhua University” (《安徽新華學院專利管理辦法》) to define methodologies for protecting the rights and interests of invention holders, which have also clarified the application arrangements and ownership of employees’ on-the-job R&D patents, employees’ non-job patents and students’ independent R&D patents. We strictly prohibit any act of plagiarism or infringement of others’ patents. In addition to funding inventions and applying for patents, we will also reward the inventors. The Patent Management Measures also stipulate the methods for handling the transfer of patents and illegal transfer of patents to protect the interests of the Group.

The Brand Management Department of the Group establishes regulations on the review of all publicity documents in accordance with the “Management Regulations for Official Media” (《官方傳播媒介管理規定》) and the “Submission Approval and Publication Process of Propaganda Drafts” (《宣傳稿件報送審批及發佈流程》). The Group’s media managers have a clear division of duties and powers, and will review all information strictly before release to ensure the correctness of any information. All data will be recorded, stored and kept confidential, and the use of copyrighted information will also be managed well to ensure that all data are “authorized before use” and “authorized before dissemination”. During the Year, we also formulated regulations on the standardized use of trademarks. When publicizing about the Group to the outside world, all units must use the registered trademark documents of the Group to prevent counterfeiting, ensure the consistency of trademarks, increase influence and protect the brand image of the Group. We will also provide trainings for various media and copyright managers of the Group.

During the Year, the Group had 99 new patents and maintained 172 patents.

4.4. Quality Assurance

4.4.1. Teaching Quality

Teaching quality is our commitment to education, students, parents and the society. Only with good education quality can we implement and realize our mission and vision for education. We attach great importance to education. In addition to strictly abiding by the “National Standard of Teaching Quality for Undergraduate Majors at Regular Institutions of Higher Education” and the “Opinions on Speeding up the Construction of High-level Undergraduate Education to Improve Talent Development Ability in an All-round Way”, we have also formulated the “Implementation Measures for the Monitoring and Assurance of Teaching Quality in Anhui Xinhua University” (《安徽新華學院教學質量監控與保障實施辦法》) by combining the Group’s education circumstances and with reference to the above standards.

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We have established the Teaching Quality Monitoring and Guarantee Working Committee as an organization to manage and evaluate teaching quality. The Committee works with different departments to control the teaching quality management and audit work of the Schools. The quality management work is roughly divided into “three levels, four supervisions and five systems”:

Three levels	University	The university guides different departments to carry out quality management, drafts quality monitoring and guarantee systems, and formulates education construction and management.
	College	Formulate the teaching indicators of colleges according to the university’s plan and management scheme, and carry out monitoring, inspection, evaluation, training and other work.
	Department	Implement various teaching plans, management and monitoring work, and provide training and curriculum construction.
Four supervisions	Construction supervision	Establish and supervise various quality management projects, including teaching construction, research, reform, etc.
	Management supervision	Manage teaching-related plans, such as enrollment, talent development, teaching planning and assessment.
	Teaching supervision	Supervise teaching capability and level, such as classroom monitoring and assessment, extracurricular tutoring, etc.
	Learning supervision	Evaluate students’ performance in various areas, such as moral education, learning atmosphere, second classroom, employment rate, etc.
Five systems	Teaching objective system	Set teaching objectives, ideas, positioning and planning to guide the cultivation of talents.
	Quality standard system	Formulate education quality standards to ensure that the teaching quality complies with the corresponding indicators.
	Teaching information system	Collect data and analyze quality through lectures, inspections, evaluations, questionnaires and other methods.
	Teaching evaluation system	Analyze the data on teaching, learning, teaching construction and resource support.
	Teaching control system	Compare with the objectives, and adjust or correct deviations according to the analysis results. Provide feedbacks, rewards and punishments to teachers.

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Apart from this, we also provide teachers with a variety of education-related trainings to improve the quality of education through teachers' continued learning. During the Year, we provided a number of teaching ability development trainings for teachers, including: Teachers' Ethics and Morality Training, "How New Teachers Teach Well on the University Platform", "Teaching Innovation and Development Approaches for Teachers under the Background of Information Technology", etc.

4.4.2. Communication of Opinions

The Group attaches great importance to communicating with parents, pays attention to their opinions on our work and keeps improving. We have established a continuous communication platform for parents and expect their feedbacks.

Besides communication of opinions, we also have a complaint handling system. In accordance with the "Measures of Anhui Xinhua University for Handling Students' Complaints" (《安徽新華學院學生申訴處理辦法》), students can legally and reasonably complain against the punishments given by the Schools. We have established a special Student Complaint Handling Committee, which sets a series of handling procedures and time limit. If students are not satisfied with the results, we also provide channels for students to appeal to the provincial education administration authority.

During the Year, we held 15 exchange meetings with students or parents. Parents spoke highly of the work of the Group, with the favorable education rating of 97.73%. During the Year, the Group did not receive any complaints about our education.

4.5. Supply Chain Management

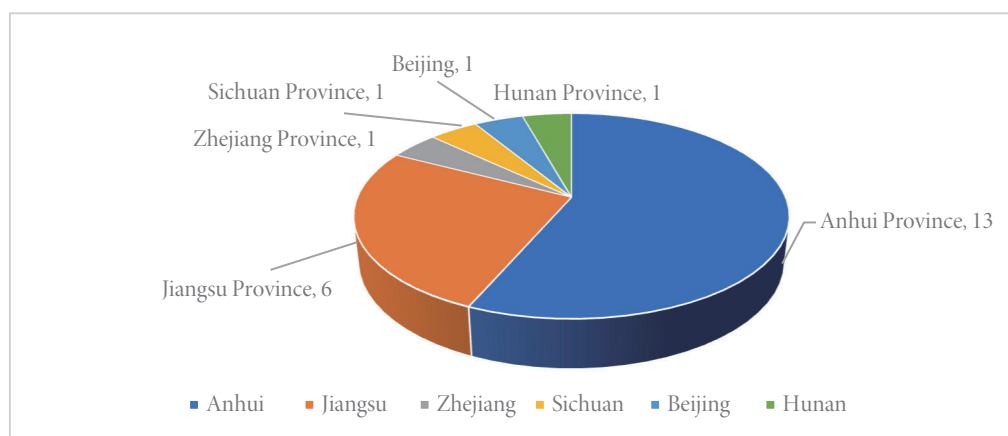
The Group continues to optimize its procurement strategy, and has formulated the "Procurement Management System of Xinhua Group" (《新華集團採購工作管理制度》) and the "Management Measures of the Procurement Department of Xinhua Group for Selection and Evaluation of Suppliers" (《新華集團採購部供應商選擇與評估管理辦法》). Based on this, the Group has further established the "Procurement Management System of Anhui Xinhua University" (《安徽新華學院採購管理制度》), specifying the procurement and supplier management system of the University.

At the time of procurement, each department must submit a procurement request first, and the procurement personnel will be responsible for procurement upon approval. We will select appropriate procurement methods according to the purchased goods or services, including public bidding, invitational bidding, competitive negotiation, single source, fixed-point procurement, online procurement, inquiry procurement, etc. We make comparisons to select suitable suppliers during the procurement process. We will strictly review the technical documents provided by suppliers, and conduct market research and technical analysis to ensure their compliance with our needs and market demands.

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Suppliers are our important partners and stakeholders and a critical part of our education quality. In order for us to have a better partnership with our suppliers, we will score our suppliers on a regular basis. We have developed the "Supplier Assessment Form" (《供應商考評表》) to evaluate our suppliers at least once a year, and those with a lower score will be eliminated from our supplier list. When the procurement is established, we will sign a contract with the supplier to stipulate relevant terms and conditions, for the benefit of future management. In case of any change in the contract later, we will sign a supplemental agreement with the supplier. Suppliers shall also sign the "Integrity Undertaking" (《廉政承諾書》) understand the Group's anti-corruption policy and prove that no corrupt practices are involved in the service and production process. To ensure that suppliers incorporate ESG elements into the value key of services and products, we will consider the social and environmental assessment results in selection of suppliers. In the social aspects, we will avoid suppliers involving child labor and forced labor when selecting suppliers. In the environmental aspects, we will prioritize recyclable products with less packaging and replaceable parts. We will also strengthen the supervision on whether the suppliers strictly implement the Group's anti-corruption policy and other social and environmental policies.

During the Year, we had a total of 23 suppliers, including teaching materials, student apartment supplies, school uniforms, network construction, multimedia construction, student management system, steel doors, laboratory construction and electrical equipment. During the Year, our suppliers mainly came from six cities and provinces, with details as follows:



Geographical Distribution of Suppliers

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5. STUDENT CARE AND EDUCATION

5.1. Students with Five Special Disadvantages

Since 2014, the Group has responded to the national education policy and helped students in need. We started the assistance work for “Students with Five Special Disadvantages” with the ideas of seeking development, solving difficulties and promoting growth for students. The “Students with Five Special Disadvantages” refer to the students with financial difficulties, special physical diseases, special psychological disorders, learning difficulties, and abnormal words and deeds during special sensitive periods. We will give priority to the registration of students with special physical diseases. We will also take the initiative to interview students who apply for suspension or leave from school due to special circumstances, care for students, and provide psychological counseling if necessary. In order to strengthen exchanges between colleges, improve and find more innovative assistance practices, we also carry out mutual learning and mutual inspection between the colleges, so as to intensify cooperation, learn from each other and help more students.

5.2. “Second Classroom”

Since the Group promoted the “Second Classroom”, the “Second Classroom” Steering Committee has actively expanded and implemented its plan for students to increase the reference value of the score. The plan covers various types of activities, including six categories of competitive events, labor education, community activities, etc. The score of the “Second Classroom” is incorporated into the graduation criteria, and such score can also become a reference standard for students. The Group continued to deepen the construction of the “Second Classroom” this Year. The Steering Committee continued to add different activities to the scoring activities, and also increased the supervision of activities. During the Year, the Group has also incorporated the construction of campus environment into the plan, which has, on the one hand, expanded the multi-faceted nature of the plan, and on the other hand, encouraged students to participate in more environmental activities and promote the green concept.

6. GREEN CAMPUS

The Group has been striving for better environmental protection, implementing the concept of sustainable development, and leaving resources for the future and for the next generation while seeking current development, so that they can achieve better development. The Group has always strictly complied with the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China and other relevant laws and regulations. In addition to integrating the concept of environmental protection into campus operations, we also incorporate it into our education, thus contributing to environmental environment in both our life and education. During the Year, the Group did not violate any laws or regulations on environmental protection or caused major accidents affecting the environment and natural resources.

The Group set environmental targets this year, and will gradually promote the reduction of greenhouse gas (GHG) emissions, waste, electricity and water consumption, and resource use at the similar operation level in the future.

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6.1. Air Pollution Emissions

The air pollution emissions of the Group mainly come from wheels. In order to reduce pollution emissions, we carry out regular maintenance for wheels of the Group. We always inflate the tires before travel. We abide by the government's actions to control vehicle emissions, continue to provide low-carbon driving training for our drivers to reduce idling and avoid sudden acceleration, conduct regular vehicle maintenance, and also continuously research better eco-friendly driving options. During the Year, the emissions of nitrogen oxides, sulphur oxides and particulate matters were 318.47 kg, 0.54 kg and 28.54 kg respectively. The emissions of various air pollutants have increased as compared with the previous year due to the resumption of face-to-face courses after the pandemic, and the increase of course tutoring related to postgraduate entrance examination during the summer vacation.

6.2. GHG Emissions

In terms of GHG emissions, the Group has actively promoted green offices measures. In terms of equipment purchase, we give priority to electronic equipment with energy efficiency labels, and upgrade the equipment on campus to energy-saving equipment. In terms of lighting, we use daylight as much as possible, and divide the office area into multiple lighting areas, each controlled by an independent switch to reduce carbon emissions from lighting. In order to reduce electricity consumption in air-conditioning system, we clean the filters regularly and use sealing strips on doors and windows to avoid leakage of temperature-regulated air to reduce carbon emissions. We also set up different lighting areas on campus and install independent switches. We install dynamic sensing devices in unusable areas to reduce electricity consumption. We also encourage staff to wear casual clothes at work to decrease the need for air conditioning.

We conducted the GHG inventory for the Schools according to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development as well as the ISO14064-1 set by the International Organization for Standardization. Our total GHG emissions (Scope 1 & 2) are shown as follows:

GHG Emissions¹

Direct GHG emissions (Scope 1)	Tonnes CO ₂ equivalent (tCO ₂ e)	308.66
Greenhouse gas emissions removals from newly planted trees (Scope 1)	tCO ₂ e	14.03
Indirect GHG emissions (Scope 2)	tCO ₂ e	12,633.19
Total GHG emissions (Scope 1 & 2)	tCO ₂ e	12,927.82
GHG emission intensity (per square meter) (Scope 1 & 2)	tCO ₂ e per square meter	0.03
GHG emission intensity per capita (Scope 1 & 2)	tCO ₂ e per person	0.35

During the Year, the GHG emissions increased as compared with the previous year due to the resumption of face-to-face courses after the pandemic, and the increase of course tutoring related to postgraduate entrance examination during the summer vacation.

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6.3. Waste Generation

During the Year, the Group generated a total of 5,400.00 tonnes non-hazardous wastes, representing a decrease from last year, which is due to the efforts of faculty members and students to implement and support various waste reduction policies over the past year. During the Year, the Group classified the wastes generated by the Schools into “hazardous waste, recyclables, kitchen waste and other wastes” according to the recommendations of the Anhui Provincial Government, and promoted and taught teachers and students how to classify and recycle the wastes. We also placed an appropriate amount of recycling bins in the appropriate locations of the Schools. Recycled wastes will be disposed of with the help of qualified recycling companies. We have also strengthened the implementation of the previous green office measures. When choosing stationery, we give priority to those that are replaceable, recyclable and reusable. We will also take the initiative to contact electronic companies to recycle our old electronic wastes. During the Year, the Group recycled a total of 1,178 pieces of electronic equipment, of which the total generation of non-hazardous wastes decreased by 600 pieces as compared with the previous year.

6.4. Energy-Efficient Water Consumption

The Group’s water resources are all from the municipal water supply system, so there is no water intake problem. During the Year, the Group’s total water consumption in operations was 1,289,151.00 cubic meters, and the water consumption intensity was 2.60 cubic meters per square meter. We have always advocated water conservation. Since being rated as a water-saving university by the Anhui Provincial Government last year, we have continued to make more efforts in efficient utilization of water resources, so as to make the university more efficient and economical in water consumption. We also seek multi-directional and multi-level energy-efficient water consumption methods. During the Year, we implemented the hot water service project with technical support, realized the intelligent water system on campus, reduced the risk of the Schools and enhanced the participation of students in water-saving activities. The new intelligent hot water system adopts new technology and saves energy by 75% compared with the traditional system.

We also strengthen management of daily water consumption. In addition to publicizing and reminding users to reduce water consumption, we also use water equipment with water-saving labels and strengthen inspection and maintenance of water-leakage equipment. In order to reduce the water footprint, plants in the campus are all irrigated by rainwater. The emissions of various air pollutants have increased as compared with the previous year due to the resumption of face-to-face courses after the pandemic, and the increase of course tutoring related to postgraduate entrance examination during the summer vacation. During the Year, our water consumption increased as compared with the previous year due to the resumption of face-to-face courses after the pandemic, and the increase of course tutoring related to postgraduate entrance examination during the summer vacation.

6.5. Environmental Education

As educators, we impart the green concept and environmental education to our students in many ways. On the one hand, we further implement the “Second Classroom” program to encourage students to participate in, explore into and practice more on various issues; on the other hand, we also promote environmental protection education and green living habits on campus. We continue to carry out the “two rooms and four aspects” activities, and present the concepts of culture and greening in the form of labor education in our life. Each school has shown its vitality and spirit in both life and study by combining its own characteristics. In addition to the activities led by the Schools, we also encourage students to organize activities by themselves and learn in practice and planning. During the Year, students have initiated and participated in different types of environmental protection activities on campus, such as green campus themed class meetings, resource conservation filming and publicity activities, energy conservation and emission reduction knowledge contest, “Encouraging Conservation, Opposing Waste” anti-waste signature activities, etc. Students gave full play to their creativity in the activities, promoted and publicized their views and opinions on green campus in various forms of activities, and carried out different studies and practices on green campus.

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6.6. Climate Change Response Policy

To cope with climate change, the Working Group increased the work against climate change this Year. The Working Group analyzes the risks and opportunities arising from climate change and extreme weather for the Group's business, campus, students and employees, and works out many plans to address possible physical and transition risks. Relevant plans will be gradually launched upon approval and feedback by the Board.

Physical risk: Extreme weather arising from climate change, such as typhoons and floods, will have an impact on our operations and teachers and students. To reduce the impact on the environment, we will strengthen the training of teachers and students in coping with extreme weather, and purchase campus facilities to reduce the impact on teachers and students. Existing campus facilities will be reinforced or renovated to withstand extreme weather. We will also back up the data of the Schools to protect any loss. Extreme weather may increase the load on energy and water resource of our school buildings. To ensure energy efficiency, we will review the resource utilization rate of buildings and formulate more efficient solutions.

Transition risk: Climate change may bring reputational risk to the Group's operations. In view of this, the Group will continue to strengthen the concept of green campus, increase new policies to address climate change, and provide more trainings or subsidies for teachers and students.

7. CONTRIBUTION TO THE SOCIETY

The Group actively promotes the idea of labor education, educates students to do more practical actions, and takes the initiative to practice education in labor. During the Year, the Group donated RMB0.2 million to the Anhui Medical University Education Foundation. During the Year, we formulated the "Work Rules and Management Measures for Labor Education Practices of Anhui Xinhua University" (《安徽新華學院勞動教育實踐工作細則與管理辦法》), which set the standards and details for labor education of the Schools. In addition to building a working environment on campus, students also take the initiative to help the social groups in need, thereby cultivating students' labor skills, which is the best example for the Group to promote the all-round development of students. During the Year, besides the programs of the "Second Classroom" and "two rooms and four aspects", we also promoted students to serve the community. We held campus beautification and cultural inspection programs respectively, making students committed to maintaining the campus environment and building a green and healthy campus. In addition, students also actively participate in many voluntary public welfare labor projects, build a volunteer service platform, and work for the community, thus making contributions to the campus, the community and the country. We also promote students to participate in the "Gesang Flowers Western Student Aid" activities, and encourage them to work in underdeveloped areas and learn their fighting spirit. Students with excellent labor performance will be commended for encouragement and set as an example.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX 1: SUSTAINABILITY DATA STATEMENT

Environmental Performance	Unit	2021	2020
Air emissions¹			
Nitrogen oxides	kg	318.47	250.01
Sulphur oxides	kg	0.54	0.42
Particulate matter	kg	28.54	22.63
GHG emissions¹			
Direct GHG emissions (Scope 1)	tCO ₂ e	308.66	295.89
Greenhouse gas emissions removals from newly planted trees (Scope 1)	tCO ₂ e	14.03	8.33
Indirect GHG emissions (Scope 2)	tCO ₂ e	12,633.19	7,654.97
Total GHG emissions (Scope 1 & 2)	tCO ₂ e	12,927.82	7,942.53
GHG emission intensity (per square meter) (Scope 1 & 2)	tCO ₂ e per square meter	0.03	0.02
GHG emission intensity per capita (Scope 1 & 2)	tCO ₂ e per person	0.35	0.26
Refrigerant consumption			
HCFC-22	kg	68.00	–
Energy consumption			
Purchased electricity consumption	MWh	20,706.75	12,547.07
Purchased electricity consumption per square meter	MWh per square meter	0.04	0.03
Purchased electricity consumption intensity per capita	MWh per person	0.56	0.41
Natural gas consumption	m ³	39,630.00	48,777.00
Gasoline consumption	m ³	0.82	1.01
Diesel consumption	m ³	0.51	0.20
Water consumption			
Total water consumption	m ³	1,289,151.00	846,777.00
Water consumption intensity (per square meter)	m ³ per square meter	2.60	1.75
Water consumption intensity per capita	m ³ per person	34.63	27.54
Paper consumption			
Total paper consumption	kg	11,712.50	11,035.63
Paper consumption intensity per capita	kg per person	0.31	0.36

¹ We calculated the Group's air pollution emissions and GHG emissions with reference to "How to Prepare Environmental, Social and Governance Reports – Appendix 2: Environmental Key Performance Indicators (KPIs) Reporting Guide" of the Hong Kong Stock Exchange.

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Environmental Performance	Unit	2021	2020
Waste			
Total non-hazardous waste generation	tonnes	5,400.00	6,000.00
Non-hazardous waste generation intensity per capita	tonnes per person	0.15	0.20
Total hazardous waste generation	set (computer)	1,178	13
Total hazardous waste generation	piece (battery)	1,050	0.00
Total hazardous waste generation	piece (waste ink cartridge and waste toner cartridge)	171	146
Total hazardous waste recycling	set (computer)	1,178	13
Total hazardous waste recycling	piece (waste ink cartridge and waste toner cartridge)	/	146
Social Performance		Unit	2021
Total number of employees		no. of people	1,995
Male employees		no. of people	690
Female employees		no. of people	1,305
Junior employees		no. of people	1,588
Full-time middle management		no. of people	358
Full-time senior management		no. of people	49
Employees below 30		no. of people	536
Employees aged 30-50		no. of people	1,147
Employees above 50		no. of people	312
Employees in East China		no. of people	1,995
Employee turnover rate¹			
Total employee turnover rate		%	15.19
Male employee turnover rate		%	6.52
Female employee turnover rate		%	8.67
Turnover rate of employees below 30		%	5.76
Turnover rate of employees aged 30-50		%	6.47
Turnover rate of employees above 50		%	2.96
Turnover rate of employees in East China		%	15.19
Occupational health and death			
Number of work-related fatalities in each of the past three years (including the Reporting Period)		no. of people	0
Rate of work-related fatalities in each of the past three years (including the Reporting Period)		%	0
Number of working days lost due to work injury		no. of days	10

¹ Calculation method of the turnover rate: Number of turnover employees in the year ÷ Number of employees at the end of the year × 100%

² Percentage of trained employees: Trained employees in this category ÷ Number of employees in this category at the end of the year × 100%

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Social Performance	Unit	2021
Development and training²		
Percentage of employees trained by gender		
Male	%	100
Female	%	100
Percentage of employees trained by employee category		
Junior employees	%	100
Full-time middle management	%	100
Full-time senior management	%	100
Average training hours completed per employee by gender		
Male	hour	26.44
Female	hour	29.15
Average training hours completed per employee by employee category		
Junior employees	hour	29.04
Full-time middle management	hour	24.29
Full-time senior management	hour	21.06

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APPENDIX 2: INDEX TO THE ESG REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

Index		Related Sections
A. Environmental		
A1.	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Emissions		
A1.1		The types of emissions and respective emissions data.
A1.2		Direct (Scope 1) and indirect (Scope 2) GHG emissions in total and intensity.
A1.3		Total hazardous waste produced and intensity.
A1.4		Total non-hazardous waste produced and intensity.
A1.5		Description of emission target(s) set and steps taken to achieve them.
A1.6		Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and steps taken to achieve them.
A2.	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.
Use of Resources		
A2.1		Direct and/or indirect energy consumption by type in total and intensity.
A2.2		Water consumption in total and intensity.
A2.3		Description of energy use efficiency target(s) set and steps taken to achieve them.
A2.4		Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.
A2.5		Total packaging materials used for finished products and, if applicable, with reference to per unit produced.
		6. Green Campus
		6.1. Air Pollution Emissions;
		6.2. GHG Emissions;
		Appendix 1:
		Sustainability Data Statement
		Appendix 1:
		Sustainability Data Statement
		Appendix 1:
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		6. Green Campus;
		6.2 GHG emission
		6. Green Campus;
		6.3 Waste Generation
		6.4. Energy-Efficient Water Consumption
		Appendix 1:
		Sustainability Data Statement
		Appendix 1:
		Sustainability Data Statement
		6. Green Campus;
		6.2 GHG emission
		6. Green Campus;
		6.4 Energy-Efficient Water Consumption
		Not applicable, as the Group's business does not involve any packaging material

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index			Related Sections
A3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6. Green Campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Green Campus
A4. Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.6. Climate Change Response Policy
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.6. Climate Change Response Policy
B. Social			
Employment and Labor Practices			
B1. Employment	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3. Professional Team
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix 1: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statement
B2. Health and Safety	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	3.3. Building a Safe Campus
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1: Sustainability Data Statement
	B2.2	Lost days due to work injury.	Appendix 1: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.3. Building a Safe Campus

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Related Sections

B3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.4. Training Activities
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statement
B4. Labor Standards	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	3.1. Recruitment Principle
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	3.1. Recruitment Principle
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.1. Recruitment Principle
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.5. Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4.5. Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.5. Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.5. Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.5. Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Related Sections

B6. Product Responsibility	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2. Information Security 3.3. Building a Safe Campus 4.3. Protection of Intellectual Property Rights
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As an educational institution, this disclosure is not applicable
	B6.2	Number of products and services related complaints received and how they are dealt with.	4.4.2. Communication of Opinions
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.3. Protection of Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	As an educational institution, this disclosure is not applicable
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2. Information Security
B7. Anti-corruption	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	4.1. Clean Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1. Clean Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.1. Clean Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	4.1. Clean Operation
B8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Contribution to the Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	7. Contribution to the Society
	B8.2	Resources contributed (e.g. money or time) to the focus area.	7. Contribution to the Society

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA XINHUA EDUCATION GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Xinhua Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 160, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Revenue Recognition

Refer to Note 4 to the consolidated financial statements and the accounting policy on pages 123 and 124.

The Key Audit Matter

Revenue comprises primarily tuition fees and boarding fees. The Group's schools generally receive these fees in advance prior to the beginning of each academic year or semester and initially record these fees as contract liabilities. Tuition fees and boarding fees are recognised proportionately over the reporting period of the applicable program.

We identified revenue recognition as a key audit matter because revenue is a key performance indicator of the Group which increases the risk that revenue could be manipulated to meet financial expectations or targets and also because the large volume of transactions processed increases the error in recognising revenue.

How the matter was addressed in our audit

Our audit procedures to assess revenue recognition included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the admission of students and collection of tuition fees and boarding fees;
- performing recalculation of the amount of contract liabilities and the revenue recognised during the year;
- analysing the revenue recognised during the year against the course fees and the number of students enrolled in the courses;
- on a sample basis, inspecting the evidence of payment of tuition fees and boarding fees from the students; and
- reconciling the enrolled student information of university students at the end of the reporting period to the records on the China Credentials Verification website and performing student count on a sample basis to verify the existence of enrolled students.

KEY AUDIT MATTERS (continued)

Income Tax

Refer to Note 7 to the consolidated financial statements and the accounting policy on pages 122 and 123.

The Key Audit Matter

As per the historical tax returns filed with the relevant tax authorities, the Group's schools which do not require reasonable returns claimed preferential corporate income tax exemption treatment since their establishment by not paying corporate income tax on the income from the provision of formal educational services.

This approach was taken with reference to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules") issued by the Ministry of Education. However, up to the date of this report, no separate policies, regulations or rules have been introduced by the tax authorities in this regard and thus management judgement is required in determining whether the Group's schools are entitled to the applicable preferential tax treatment in the relevant accounting periods.

We identified income tax as a key audit matter because management judgement is involved in interpreting the relevant rules and regulation so as to determine whether the Group's schools are entitled to the preferential tax treatment.

How the matter was addressed in our audit

Our audit procedures to assess the adequacy of income tax provisions included the following:

- discussing with the Group's management about the tax position taken by the Group, in particular, whether or not the Group's schools are required by their respective tax authorities to pay income tax during 2021 and whether the Group's schools which enjoy such preferential tax treatment are in compliance with applicable laws and regulations in China;
- inspecting the confirmation issued by local tax authorities, to identify if the Group's schools are default in tax or in violation of PRC tax laws; and
- involving our internal tax specialist to assist us in analysing the eligibility of the preferential tax treatment enjoyed by the Group's schools and assessing the adequacy of income tax provisions.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Impairment Assessment of Intangible Asset with Indefinite Useful Life

Refer to Note 13 to the consolidated financial statements and the accounting policy on pages 119 and 120.

The Key Audit Matter

As at 31 December 2021, the Group recorded an amount of RMB196.0 million for a school operation right for the School of Clinical Medicine of Anhui Medical University ("School of Clinical Medicine") as intangible asset with indefinite useful life. Management performs impairment assessments annually or when indicators of potential impairment are identified. No impairment charge has been recorded during 2021.

In assessing impairment of the intangible asset with indefinite useful life, recoverable amount has been determined by the management using the value in use method, which involves the exercise of significant management judgement and estimation on certain key assumptions and estimates including discount rate and future revenue to estimate the net present value of the future operating cash flows.

We identified impairment assessment of intangible asset with indefinite useful life as a key audit matter because significant management judgement and estimation are involved.

How the matter was addressed in our audit

Our audit procedures to assess impairment assessment of intangible assets with indefinite useful life carried out by the Group included the following:

- with the assistance of our internal valuation specialists, evaluating the methodology adopted by management in the preparation of the value in use calculation with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied were within the range adopted by other companies in the same industry;
- assessing the appropriateness of the key assumptions and estimates adopted in the value in use calculation by comparing to the School of Clinical Medicine's future business plans and financial and operational information of other university or school in the Group;
- comparing the actual results for the current year with management's key estimation for the previous year in order to assess the reliability of management's forecasts process;
- obtaining from management sensitivity analyses of the key assumptions and estimates adopted in the value in use calculation and assessing the impact of changes in the key assumptions and estimates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and
- evaluating the reasonableness of the disclosure in respect of impairment assessment of intangible assets in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.



INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

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

The notes on pages 111 to 160 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	512,110	533,591
Right-of-use assets	12	80,206	82,764
Intangible assets	13	203,793	205,715
Other non-current assets	15	660,000	660,000
Long-term bank time deposits	19	170,000	268,000
		1,626,109	1,750,070
Current assets			
Trade receivables	16	2,606	2,752
Prepayments, deposits and other receivables	17	1,860,376	906,992
Financial assets measured at fair value through profit or loss	18	–	154,557
Cash and bank balances	19	475,892	736,278
		2,338,874	1,800,579
Current liabilities			
Loans and borrowings	20	50,020	50,020
Contract liabilities	21	308,549	267,987
Other payables	22	126,260	141,941
Current taxation		5,326	3,972
		490,155	463,920
Net current assets		1,848,719	1,336,659
Total assets less current liabilities		3,474,828	3,086,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Note	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Capital reserves	Statutory reserves	Exchange reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	12,952	945,910	127,580	347,602	116,130	1,068,106	2,618,280
Changes in equity for 2020:							
Profit for the year	-	-	-	-	-	325,293	325,293
Other comprehensive income	-	-	-	-	(66,215)	-	(66,215)
Total comprehensive income	-	-	-	-	(66,215)	325,293	259,078
Dividends approved in respect of the previous year	23	(81,335)	-	-	-	-	(81,335)
Equity settled share-based transactions	23	-	24,746	-	-	-	24,746
Appropriation to reserves	-	-	-	75,797	-	(75,797)	-
Balance at 31 December 2020 and 1 January 2021	12,952	864,575	152,326	423,399	49,915	1,317,602	2,820,769
Changes in equity for 2021:							
Profit for the year	-	-	-	-	-	354,482	354,482
Other comprehensive income	-	-	-	-	(21,314)	-	(21,314)
Total comprehensive income	-	-	-	-	(21,314)	354,482	333,168
Dividends approved in respect of the previous year	23	(97,169)	-	-	-	-	(97,169)
Equity settled share-based transactions	23	-	11,349	-	-	-	11,349
Appropriation to reserves	-	-	-	84,653	-	(84,653)	-
Balance at 31 December 2021	12,952	767,406	163,675	508,052	28,601	1,587,431	3,068,117

The notes on pages 111 to 160 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021

	Note	2021		2020	
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Cash generated from operations	19(b)	455,275		405,422	
Income tax paid		(1,503)		(2,053)	
Net cash generated from operating activities			453,772		403,369
Investing activities					
Payment for the purchase of property, plant and equipment		(36,700)		(96,548)	
Proceeds from sale of property, plant and equipment		-		-	
Payment for purchase of intangible assets		(3,333)		(3,155)	
Payment for school investments		(957,701)		(382,930)	
Repayment from investments		-		-	
Payment for purchase of financial assets measured at fair value through profit or loss		-		(154,286)	
Proceed from disposal of financial assets measured at fair value through profit or loss		154,286		-	
Payment for purchase of bank time deposits		(1,000)		(278,000)	
Net cash used in investing activities			(844,448)		(914,919)
Financing activities					
Proceeds from bank loans and other borrowings		543,771		336,000	
Repayment of bank loans		(403,020)		(350,020)	
Borrowing costs paid		(15,416)		(12,819)	
Dividends paid to equity shareholders of the Company		(96,975)		(80,362)	
Net cash generated from/(used in) financing activities			28,360		(107,201)
Net decrease in cash and cash equivalents			(362,316)		(618,751)
Cash and cash equivalents at 1 January			726,278		1,382,996
Effect of foreign exchange rate changes			2,930		(37,967)
Cash and cash equivalents at 31 December	19(a)		366,892		726,278

The notes on pages 111 to 160 form part of these financial statements.

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 of Hong Kong Limited. 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 measured at fair value through profit or loss (see Note 2(e)) are stated at their fair value.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 24(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(r)(iv)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment and right-of-use assets

Property, plant and equipment, other than construction in progress and right-of-use assets, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment and right-of-use assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings	20 – 40 years
- Motor vehicles	4 – 10 years
- Furniture and fixtures	3 – 5 years
- Electronic devices	3 – 5 years
- Leasehold land	50 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer software	5 years
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Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (other than goodwill) (continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(i)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(r)(iii).

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(i)).

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(r)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Tuition and boarding fee

Tuition and boarding fees received by university and school are generally in advance prior to the beginning of each academic year or semester, and initially recorded as contract liability. Tuition and boarding fees are recognised proportionately over the reporting period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's university and school is generally from September to June of the following year.

(ii) Service income

Service income is recognised when the Group satisfies a performance obligation by transferring a promised service to a customer.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Structured contracts

The Group conducts a substantial portion of the business through Anhui Xinhua University ("Xinhua University"), Anhui Xinhua School ("Xinhua School") and Anhui Xinhua Group Investment Co., Ltd ("Xinhua Group") (the "PRC Operating Entities") under a series of structured contracts (the "Structured Contracts"), due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the PRC Operating Entities. The directors assessed whether or not the Group has control over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. After assessment, the directors concluded that the Group has control over the PRC Operating Entities as a result of the Structured Contracts and accordingly the financial position and their operating results of the PRC Operating Entities are included in the Group's consolidated financial statements throughout the year.

Nevertheless, the Structured Contracts may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. The directors, based on the advice of its other legal counsel, consider that the Structured Contracts among the PRC Operating Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 13, 23(e) and 24(d) contain information about the assumptions and their risk factors relating to intangible asset impairment, fair value of share options granted and fair value of financial assets. Other significant sources of estimation uncertainty are as follows:

(i) Depreciation

As described in Note 2(f), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(i)(ii). The carrying amounts of the Group's non-current assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's non-current assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 OTHER INCOME

	2021	2020
	RMB'000	RMB'000
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
	83,042	107,046

(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.

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. During the conversion period, the schools are governed by a board in which the Group has board seats but not control. The Group's advances and other investments to the above two schools are disclosed in notes 13, 15 and 17, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

- (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 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 RMB'000	2020 RMB'000
Current tax		
Provision for PRC income tax for the year	2,857	2,153

- (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.

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	357,339	327,446
Tax at the statutory rate	89,335	81,861
Tax effect of non-taxable income	(92,377)	(91,291)
Tax effect of temporary difference and tax losses not recognized	5,809	11,346
Tax effect of non-deductible expenses	90	237
Actual income tax expense	2,857	2,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

(c) Deferred tax assets not recognized

As at 31 December 2021, the Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses with total amount of RMB88,330,000 (2020: RMB65,094,000), as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognized

The PRC Enterprise Income Tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

As at 31 December 2021, the Group has not recognized deferred tax liabilities in respect of undistributed earnings generated by its PRC entities, with approximate total amount of RMB1,494,615,000 (2020: RMB1,202,059,000). In the opinion of the directors, the Group's undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2021 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and non-executive Director							
Mr. Wu Junbao	-	-	-	-	-	-	-
Executive directors							
Mr. Zhang Ming	-	482	657	-	1,139	2,696	3,835
Mr. Lu Zhen	-	369	184	8	561	1,183	1,744
Mr. Wang Yongkai	-	362	144	-	506	1,183	1,689
Independent non-executive directors							
Mr. Jiang Min	150	-	-	-	150	-	150
Mr. Yang Zhanjun	150	-	-	-	150	-	150
Mr. Chau Kwok Keung	150	-	-	-	150	-	150
	450	1,213	985	8	2,656	5,062	7,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2020 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and non-executive Director							
Mr. Wu Junbao	-	-	-	-	-	-	-
Executive directors							
Mr. Zhang Ming	-	483	420	-	903	4,530	5,433
Mr. Lu Zhen	-	369	300	7	676	2,214	2,890
Mr. Wang Yongkai	-	363	144	-	507	2,214	2,721
Independent non-executive directors							
Mr. Jiang Min	150	-	-	-	150	-	150
Mr. Yang Zhanjun	150	-	-	-	150	-	150
Mr. Chau Kwok Keung	150	-	-	-	150	-	150
	450	1,215	864	7	2,536	8,958	11,494

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(o)(ii).

The details of share-based payment transactions, including the principal terms and number of options granted, are disclosed in Note 23(e).

Except for Mr. Wu Junbao, no directors of the Group waived or agreed to waive his or her emolument during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group, three of them are directors of the Company (2020: three). The aggregate of the emoluments in respect of the remaining two individuals (2020: two) are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowance and benefits in kind	738	738
Discretionary bonuses	444	600
Share-based payments	2,366	4,428
Contributions to retirement benefit schemes	17	14
	3,565	5,780

The emoluments of the two (2020: two) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	2	–
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	2

10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic devices RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2020	639,043	13,591	148,787	84,812	13,538	899,771
Additions	3,703	261	15,182	9,060	92,153	120,359
Disposals	-	(16)	-	-	-	(16)
Transfers	22,603	-	-	-	(22,603)	-
At 31 December 2020	665,349	13,836	163,969	93,872	83,088	1,020,114
At 1 January 2021	665,349	13,836	163,969	93,872	83,088	1,020,114
Additions	3,176	69	7,129	6,593	20,499	37,466
Disposals	(680)	-	-	-	-	(680)
Transfers	81,847	-	-	-	(81,847)	-
At 31 December 2021	749,692	13,905	171,098	100,465	21,740	1,056,900
Accumulated depreciation:						
At 1 January 2020	(242,871)	(7,739)	(121,031)	(60,383)	-	(432,024)
Charge for the year	(32,341)	(1,215)	(10,508)	(10,451)	-	(54,515)
Disposal	-	16	-	-	-	16
At 31 December 2020	(275,212)	(8,938)	(131,539)	(70,834)	-	(486,523)
At 1 January 2021	(275,212)	(8,938)	(131,539)	(70,834)	-	(486,523)
Charge for the year	(34,319)	(1,297)	(11,703)	(10,948)	-	(58,267)
Disposal	-	-	-	-	-	-
At 31 December 2021	(309,531)	(10,235)	(143,242)	(81,782)	-	(544,790)
Net book value:						
At 31 December 2020	390,137	4,898	32,430	23,038	83,088	533,591
At 31 December 2021	440,161	3,670	27,856	18,683	21,740	512,110

The Group's buildings are situated in the PRC. Certificates of ownership in respect of certain buildings of the Group with total net carrying amounts of RMB78,109,000 as at 31 December 2021 (2020: RMB95,019,000) have not yet been issued by the relevant PRC authorities. As at the end of the year, the directors were in the process of obtaining these certificates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RMB'000

12 RIGHT-OF-USE ASSETS

Cost:

At 1 January 2020, 31 December 2020 and 2021	127,872
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Accumulated depreciation:

At 1 January 2020	(42,549)
Charge for the year	(2,559)

At 31 December 2020	(45,108)
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At 1 January 2021	(45,108)
Charge for the year	(2,558)

At 31 December 2021	(47,666)
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Net book value:

At 31 December 2020	82,764
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At 31 December 2021	80,206
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As at 31 December 2021, the right-of-use assets represent the land use rights in respect of land located in the PRC with lease term of 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Computer software RMB'000	School operation right RMB'000	Total RMB'000
Cost:			
At 1 January 2020	21,637	195,961	217,598
Additions	3,155	–	3,155
At 31 December 2020	24,792	195,961	220,753
At 1 January 2021	24,792	195,961	220,753
Additions	3,333	–	3,333
At 31 December 2021	28,125	195,961	224,086
Accumulated amortisation:			
At 1 January 2020	(10,940)	–	(10,940)
Charge for the year	(4,098)	–	(4,098)
At 31 December 2020	(15,038)	–	(15,038)
At 1 January 2021	(15,038)	–	(15,038)
Charge for the year	(5,255)	–	(5,255)
At 31 December 2021	(20,293)	–	(20,293)
Net book value:			
At 31 December 2020	9,754	195,961	205,715
At 31 December 2021	7,832	195,961	203,793

As at 31 December 2021, intangible assets mainly represent a school operation right for the School of Clinical Medicine acquired from Anhui Medical University with the amount of RMB195,961,000.

The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite, and the Group performs impairment assessment annually or when indicators of potential impairment are identified. The school operation right is allocated to the cash-generating unit (“CGU”) of the School of Clinical Medicine, and the recoverable amount of this CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the six-year period are extrapolated by using an estimated growth rate of 3% (2020: 3%) which is based on the relevant industry growth forecasts. The discount rates applied to the cash flow projections is 17% (2020: 17%). Key assumptions used for value in use calculations are the growth rates for sales, corresponding gross margin rates and working capital changes, based on management’s projection and expected market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN SUBSIDIARIES

The Company, either through legal ownership or implementation of the Structured Contracts, has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation/ business	Registered capital/ issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinhua Education International Limited	British Virgin Islands 31 August 2017	USD 500/ USD0.01	100%	–	Investment holding
Hong Kong Xinhua Education Limited	Hong Kong 8 September 2017	HKD 1/ HKD1	–	100%	Investment holding
Xinhua Education, Inc.	The United States 22 August 2017	USD 0.1/ USD0.01	–	100%	Investment holding
Anhui Ronghua Education Technology Co., Ltd* 安徽融華教育科技有限公司(Note (a)(c))	The PRC 30 September 2017	RMB10,000,000/ –	–	100%	Provision of technical and management consultancy services
Xinjiang Ronghua Education Technology Co., Ltd* 新疆融華教育科技有限公司(Note (a)(c))	The PRC 17 January 2018	RMB 50,000,000/ –	–	100%	Provision of technical and management consultancy services
Anhui Xinhua Group Investment Co., Ltd* 安徽新華集團投資有限公司(Note (b)(c))	The PRC 1 September 1999	RMB 100,000,000/ RMB100,000,000	–	100%	Investment holding
Anhui Xinhua University* 安徽新華學院(Note (b))	The PRC 18 June 2000	RMB 60,480,000/ RMB60,480,000	–	100%	Provision of formal undergraduate and junior college education services
Anhui Xinhua School* 安徽新華學校(Note (b))	The PRC 11 April 2002	RMB 4,950,000/ RMB4,950,000	–	100%	Provision of formal vocational secondary school education services
Anhui Huayuan Education Technology Co., Ltd.* 安徽華園教育科技有限公司(Note(b)(c))	The PRC 7 April 2020	RMB 10,000,000/ RMB10,000,000	–	100%	Provision of education services and consultancy services

Notes:

- (a) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Hong Kong Xinhua Education Limited.
- (b) These are PRC operating entities ultimately controlled by the Controlling Shareholder through the Structured Contracts.
- (c) These entities are limited liability companies established in the PRC.

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 OTHER NON-CURRENT ASSETS

	2021	2020
	RMB'000	RMB'000
Prepayment for investments	660,000	660,000

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

16 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	2020
	RMB'000	RMB'000
Within 1 year	2,606	2,752

Details on the Group's credit policy are set out in Note 24(a). No allowance for doubtful debts was made as at the end of the year.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted equity investment	–	154,557

On 12 March 2020, the Group entered into an investment agreement with an unlisted education group, pursuant to which the Group agreed to make an investment of RMB154 million as consideration to subscribe 5.714% equity interest in the unlisted education group.

On 28 June 2021, the Group disposed this unlisted equity security to an independent third party at a consideration of RMB154 million.

19 LONG-TERM BANK TIME DEPOSITS, CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Long-term bank time deposits, cash and bank balances:

	2021 RMB'000	2020 RMB'000
Long-term bank time deposits	170,000	268,000
Cash and bank balances		
– Time deposits	109,000	10,000
– Other bank deposits	366,892	726,278
	475,892	736,278

The interest rate on bank time deposits as at 31 December 2021 was 3.55% to 4.18% per annum (31 December 2020: 3.50% to 4.18%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 LONG-TERM BANK TIME DEPOSITS, CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Profit before taxation		357,339	327,446
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	58,267	54,515
Amortisation of intangible assets	6(c)	5,255	4,098
Depreciation of right-of-use assets	6(c)	2,558	2,559
Finance costs	6(a)	17,413	13,081
Share-based payment expenses	6(b)	11,349	24,746
Net realised and unrealised gain of financial assets measured at fair value through profit or loss		271	(271)
Foreign exchange gain		(24,438)	(29,223)
Operating profit before changes in working capital		428,014	396,951
(Increase)/decrease in trade and other receivables		4,463	(35,849)
Increase in contract liability		40,562	28,507
Increase/(decrease) in other payables		(17,764)	15,813
Cash generated from operations		455,275	405,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 LONG-TERM BANK TIME DEPOSITS, CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

	Loans and borrowings RMB'000 <i>(Note 20)</i>	Interest payable RMB'000 <i>(Note 22)</i>	Total RMB'000
Balance at 1 January 2020	330,000	196	330,196
Non-cash changes			
– Interest expense on bank loan <i>(Note 6(a))</i>	–	13,081	13,081
Cash flows			
– Inflow from financing activities	336,000	–	336,000
– Outflow from financing activities	(350,020)	(12,819)	(362,839)
Balance at 31 December 2020 and 1 January 2021	315,980	458	316,438
Non-cash changes			
– Interest expense on bank loan <i>(Note 6(a))</i>	–	17,413	17,413
Cash flows			
– Inflow from financing activities	543,771	–	543,771
– Outflow from financing activities	(403,020)	(15,416)	(418,436)
Balance at 31 December 2021	456,731	2,455	459,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 LOANS AND BORROWINGS

	2021	2020
	RMB'000	RMB'000
Unsecured bank loan:		
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
	212,940	265,960
Loan from related party:		
After 2 years but within 5 years	193,771	–
	456,731	315,980

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 loan agreement with its related party Wu Junbao Company Limited with an annual interest rate of 2.00%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CONTRACT LIABILITIES

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

Movements in contract liabilities

	2021 RMB'000	2020 RMB'000
Balance at 1 January	267,987	239,480
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(263,107)	(224,735)
Decrease in contract liabilities as a result of the boarding fee refund during the year	(4,880)	(14,745)
Increase in contract liabilities as a result of receipts in advance of performance	308,549	267,987
Balance at 31 December	308,549	267,987

22 OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
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
	126,260	141,941

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Attributable to equity shareholders of the Company				
		Share capital RMB'000	Share premium RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020		12,952	945,910	116,130	19,457	1,094,449
Changes in equity for 2020:						
Profit for the year		-	-	-	38,926	38,926
Other comprehensive income		-	-	(66,215)	-	(66,215)
Total comprehensive income		-	-	(66,215)	38,926	(27,289)
Dividends approved in respect of the previous year	23(b)	-	(81,335)	-	-	(81,335)
Balance at 31 December 2020 and 1 January 2021		12,952	864,575	49,915	58,383	985,825
Changes in equity for 2021:						
Profit for the year		-	-	-	22,213	22,213
Other comprehensive income		-	-	(21,314)	-	(21,314)
Total comprehensive income		-	-	(21,314)	22,213	899
Dividends approved in respect of the previous year	23(b)	-	(97,169)	-	-	(97,169)
Balance at 31 December 2021		12,952	767,406	28,601	80,596	889,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2021 RMB'000	2020 RMB'000
Final dividend proposed after the end of the reporting period of HK\$10.78 cents per ordinary share (2020: HK\$7.23 cents)	141,792	97,587

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 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$7.23 cents per share (2020: HK\$5.53 cents)	97,169	81,335

(c) Share capital

The share capital of the Group represents the issued capital of the Company at the respective balance sheet dates.

Movements in the authorised share capital of the Company during the period are as follows:

	2021		2020	
	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000
<i>Ordinary shares, authorised (i):</i>				
Ordinary shares of HK\$0.01 each	2,000,000	20,000	2,000,000	20,000
<i>Ordinary shares, issued and fully paid (ii):</i>				
At 1 January and 31 December	1,608,583	16,086	1,608,583	16,086
RMB equivalent ('000)		12,952		12,952



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) Authorised share capital

The Company was incorporated in the Cayman Islands on 30 August 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each.

Pursuant to the written resolutions of the shareholders passed on 8 March 2018, the authorised number of ordinary shares was increased from 38,000,000 to 2,000,000,000 of par value of HK\$0.01 each.

(ii) Issued share capital

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

- The Company was incorporated on 30 August 2017 with issued capital of 5,172 ordinary shares at HK\$0.01 each. The issued capital was subsequently credited as fully paid.
- Pursuant to the written resolutions of the shareholders passed on 8 March 2018, the Company capitalized, out of the share premium as at 26 March 2018, HK\$11,999,948.28 (equivalent to RMB9,662,000) in paying up in full at par 1,199,994,828 shares for allotment and issue to the shareholders whose names appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis (the "Capitalisation Issue").
- On 26 March 2018, the Company issued 400,000,000 new ordinary shares of HK\$0.01 each by way of the offering to Hong Kong and overseas investors (the "Offering"). Consequently, HK\$4,000,000 (equivalent to RMB3,221,000) was recorded in share capital. On 18 April 2018, the Company issued 8,583,000 new ordinary shares to cover over-allocations in the Offering. Consequently, HK\$85,830 (equivalent to RMB69,000) was recorded in share capital.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

On 26 March 2018 and 18 April 2018, the Company issued 408,583,000 new ordinary shares of HK\$0.01 each at a price of HK\$3.26 per share by way of the Offering. Net proceeds from the Offering amounted to RMB1,037,973,000 (after offsetting issuance costs of RMB34,399,000), out of which RMB3,290,000 and RMB1,034,683,000 were recorded in share capital and share premium respectively.

(ii) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

- In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.
- According to the relevant PRC laws and regulations, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Equity settled share-based transactions

On 30 April 2019, 15,000,000 share options were granted to Mr. Zhang Ming, an executive Director, under the Company's employee share option scheme, with an exercise price of HK\$2.69 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On 15 July 2019, 52,900,000 share options to subscribe for the ordinary shares of HK\$0.01 each in the share capital of the Company were granted to certain employees, including two executive directors Lu Zhen and Wang Yongkai, with an exercise price of HK\$2.82 per share.

(i) The terms and conditions of the grants are as follows:

Options granted to employees on	Number of instruments	Vesting conditions	Contractual life of options
– on 30 April 2019	15,000,000	20% on 30 April 2020 20% on 30 April 2021 20% on 30 April 2022 20% on 30 April 2023 20% on 30 April 2024	5 years after the vesting date
– on 15 July 2019 including:			
Group A	33,000,000	25% on 15 July 2020 25% on 15 July 2021 25% on 15 July 2022 25% on 15 July 2023	5 years after the vesting date
Group B	1,500,000	30% on 15 July 2020 30% on 15 July 2021 40% on 15 July 2022	5 years after the vesting date
Group C	15,200,000	50% on 15 July 2020 50% on 15 July 2021	5 years after the vesting date
Group D	1,200,000	100% on 15 July 2020	5 years after the vesting date
Group E	2,000,000	100% on 15 July 2019	5 years after the vesting date
Total share options granted	67,900,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Equity settled share-based transactions (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	2.79	67,900	2.79	67,900
Granted during the year	-	-	-	-
Outstanding at the end of the year	2.79	67,900	2.79	67,900
Exercisable at the end of the year	2.80	41,800	2.80	22,500

The options outstanding at 31 December 2021 had an exercise price of HK\$2.69 or HK\$2.82 (2020: HK\$2.69 or HK\$2.82) and a weighted average remaining contractual life of 4.8 years (2020: 5.8 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

	30 April 2019	15 July 2019
Fair value of share options and assumptions		
Fair value at measurement date (HK\$'000)	16,434	53,520
Share price (HK\$)	2.66	2.82
Exercise price (HK\$)	2.69	2.82
Expected volatility	47.04%	41.99%
Option life	8.0 years	7.2 years
Expected dividends	2.10%	1.98%
Risk-free interest rate	1.672% – 1.697%	1.418% – 1.566%

The expected volatility is based on the average volatilities in the similar industry. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratio at 31 December 2021 and 2020 was as follows:

	2021	2020
	RMB'000	RMB'000
Total liabilities	896,866	729,880
Total assets	3,964,983	3,550,649
Debt-to-asset ratios	23%	21%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and financial assets which comprise bank balances and time deposits.

In respect of trade receivables, the balances represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

In respect of bank balances and time deposits, the Group transacts mainly with recognized and creditworthy banks, and the maximum exposure equal to the carrying amount of these financial assets.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2021			
	Contractual undiscounted cash outflow			Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Other payables	126,260	–	126,260	126,260
Loans and borrowings	52,371	443,993	496,364	456,731
	178,631	443,993	622,624	582,991

	At 31 December 2020			
	Contractual undiscounted cash outflow			Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Other payables	141,941	–	141,941	141,941
Loans and borrowings	52,371	301,936	354,307	315,980
	194,312	301,936	496,248	457,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and bank balance, time deposits, and loans and borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	2021		2020	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate borrowings	2% to 4.70%	456,731	4.55% and 4.70%	315,980
Fixed rate time deposits	3.55% to 4.18%	279,000	3.50% to 4.18%	278,000

(ii) Sensitivity analysis

The Group's interest-bearing financial instruments at variable rates as at 31 December 2021 are mainly cash and cash equivalent balances, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at 31 December 2021 are bank time deposits and loans and borrowings that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 input i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

For the unlisted equity investment which are categorized into Level 3 of the fair value hierarchy, the team assessed the valuation primarily based on independent valuation reports prepared by qualified external valuers. The team reports directly to the head of finance department. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the head of finance department.

	2021 RMB'000	2020 RMB'000
Level 3 – unlisted equity investment	–	154,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

During the year ended 31 December 2021 and 2020, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The movements during the period in the balance of these Level 3 fair value measurements was as follows:

	2021 RMB'000	2020 RMB'000
Unlisted equity investment:		
At beginning of the year	154,557	–
Payment for purchases	–	154,286
Disposal during the year	(154,286)	–
Changes in fair value recognised in profit or loss during the year	(271)	271
At ending of the year	–	154,557

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2021 and 2020.

25 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 31 December 2021 and 2020 not provided for in the consolidated financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Authorised but not contracted for	662,693	1,036,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Wu Junbao	Controlling Shareholder
Wu Junbao Company Limited	Fellow subsidiary
Anhui New East Cuisine Education Institute (“New East Cuisine”) 安徽新東方烹飪專修學院	Fellow subsidiary
Xinhua Computer College (“Xinhua Computer”) 新華電腦專修學院	Fellow subsidiary
Anhui Wontone Automobile Maintenance Institute (“Anhui Wontone”) 安徽萬通汽車專修學院	Fellow subsidiary

Note: The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(a) Significant related party transactions

	2021 RMB'000	2020 RMB'000
Service fee charged by related parties	886	1,801
Rental fee charged by related parties	3,792	7,360
Loan from a related party	193,771	–

As at 31 December 2021, the Group’s interest-bearing bank loan with the amount of RMB262,960,000 (2020: RMB315,980,000) was guaranteed by the controlling shareholder Mr. Wu Junbao.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in Notes 8 and 9.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in terms of service fee and rental fee above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Non-exempt Continuing Connected Transactions of the Report of the Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries		_*	_*
Amounts due from a subsidiary		486,366	-
		486,366	-
Current assets			
Amounts due from a subsidiary		517,069	508,195
Prepayments		-	-
Cash and cash equivalents		81,979	483,082
		599,048	991,277
Current liabilities			
Other payables		2,088	5,452
		2,088	5,452
Net current assets			
		596,960	985,825
Total assets less current liabilities			
		1,083,326	985,825
Non-current Liabilities			
		193,771	-
Loans and borrowings		193,771	-
NET ASSETS			
		889,555	985,825
CAPITAL AND RESERVES			
	23(a)		
Share capital		12,952	12,952
Reserves		876,603	972,873
TOTAL EQUITY			
		889,555	985,825

* The balance represents an amount less than RMB500.

Approved and authorised for issue by the board of directors on 31 March 2022.

)	
Zhen Lu)	
)	<i>Directors</i>
Yongkai Wang)	
)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 23(b).

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Wu Junbao Company Limited, which was incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL HIGHLIGHTS

FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

Results of operation

	2021 RMB'000	For the year ended 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	565,386	478,847	437,732	386,127	337,958
Gross profit	370,132	311,058	261,221	230,402	192,477
Profit before taxation	357,339	327,446	273,757	257,992	174,041
Profit for the year	354,482	325,293	270,673	256,010	171,958

Assets and liabilities

	2021 RMB'000	As at 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Current assets	2,338,874	1,800,579	1,873,962	1,935,216	541,038
Current liabilities	490,155	463,920	675,410	318,767	326,170
Net current assets	1,848,719	1,336,659	1,198,552	1,616,449	214,868
Total non-current assets	1,626,109	1,750,070	1,419,728	768,085	785,560
Total equity	3,068,117	2,820,769	2,618,280	2,384,534	999,925

Financial ratio

	2021	As at/for the year ended 31 December			
		2020	2019	2018	2017
Net profit margin (%)	62.7%	67.9%	61.8%	66.3%	50.9%
Current ratio	4.8	3.9	2.8	6.1	1.7
Return on equity	12.0%	12.0%	10.8%	15.1%	19.5%
Return on assets	9.4%	10.5%	9.0%	12.7%	14.6%

DEFINITION

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	the annual general meeting of the Company
“American College”	Xinhua American College, a private higher education institution established by our Group in the State of Florida, US and obtained the provisional license dated 27 December 2017 to offer post secondary programs
“Anhui Education Department”	Department of Education of Anhui Province* (安徽省教育廳)
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 8 March 2018 and effective upon the Listing Date, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Cooperation Agreement”	the business cooperation agreement entered into by and among Xinhua Anhui, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 31 October 2017
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan
“CIE”	Commission for Independent Education, which is established in the Florida Department of Education
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Company”	China Xinhua Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 30 August 2017, whose shares are listed on the main board of the Stock Exchange (Stock Code: 2779)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely WJB Company and Mr. Wu Junbao
“Deed of Non-competition”	a deed of non-competition dated 8 March 2018 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
“Director(s)”	the director(s) of the Company
“Directors’ Powers of Attorney”	the school sponsor appointed director’s power of attorney executed by each of the directors appointed by the School Sponsor of each PRC Operating School dated 31 October 2017
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Anhui dated 31 October 2017
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Xinhua Anhui, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated 31 October 2017
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Xinhua Anhui and our PRC Consolidated Affiliated Entities dated 31 October 2017
“Foreign Investment Catalog”	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會*) on 28 July 2017 and became effective from 28 July 2017, which is amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we”, “our” or “us”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hongshan College”	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics

DEFINITION

“Huayuan Partnership”	Hefei Huayuan Equity Investment Limited Partnership* (合肥華園股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 11 August 2017 with Mr. Wu Junbao acting as its general partner and 31 individuals acting as its limited partners, including Mr. Wu Junbao, Ms. Zhou Jiaju (spouse of Mr. Wu Junbao), Mr. Wu Shan (son of Mr. Wu Junbao), our two executive Directors (namely, Mr. Lu Zhen and Mr. Wang Yongkai), Ms. Wang Li (who resigned as our executive Director on 31 October 2018) and 26 other employees of our Group. Huayuan Partnership is one of the Registered Shareholders and holds 3.33% equity interest of Xinhua Group
“IFRSs”	the International Financial Reporting Standard(s)
“independent college”	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Listing”	the listing of the shares on the Main Board of the Stock Exchange on 26 March 2018
“Listing Date”	26 March 2018, the date on which the Company’s Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Agreement”	a loan agreement entered into by and among Xinhua Anhui, the PRC Operating Schools, and Xinhua Group dated 31 October 2017
“Main Board”	the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nanjing University of Finance & Economics”	Nanjing University of Finance and Economics* (南京財經大學)

“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, as amended, supplemented or otherwise modified from time to time
“PRC Consolidated Affiliated Entities”	namely, our School Sponsor and our PRC Operating Schools, each a consolidated affiliated entity of our Company
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Advisors”	Jingtian & Gongcheng and Anhui Lanyan Law Firm, our legal advisors as to PRC Laws
“PRC Operating Schools”	our consolidated affiliated entities, namely, Xinhua University, School of Clinical Medicine, Hongshan College and Xinhua School
“private schools”	schools which are not administered by local, provincial or national governments
“Prospectus”	the prospectus of the Company dated 14 March 2018
“Registered Shareholders”	the shareholders of Xinhua Group, namely Mr. Wu Junbao, Mr. Wu Di and Huayuan Partnership
“Reporting Period”	the year ended 31 December 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“School of Clinical Medicine”	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 as further described in “Business – Planned Additional Schools – School of Clinical Medicine” in the Prospectus
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the school sponsor’s and directors’ rights entrustment agreement entered into by and among Xinhua Group, the PRC Operating Schools, the directors of each PRC Operating School and Xinhua Anhui dated 31 October 2017
“School Sponsor’s Power of Attorney”	the school sponsor’s power of attorney executed by the School Sponsor in favor of Xinhua Anhui dated 31 October 2017
“school year”	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year

DEFINITION

“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 8 March 2018
“Shareholders”	holder(s) of the Share(s)
“Shareholders’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsor and Xinhua Anhui dated 31 October 2017
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Sino-Foreign Regulation”	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013
“Spouse Undertakings”	collectively, the spouse undertakings dated 31 October 2017 executed by Ms. Zhou Jiaju, the spouse of Mr. Wu Junbao, and by Ms. Wu Songping, the spouse of Mr. Wu Di, respectively
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, Structured Contracts I and Structured Contracts II
“Structured Contracts I”	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the School Sponsor’s and Directors’ Rights Entrustment Agreement, the School Sponsor’s Powers of Attorney, the Directors’ Powers of Attorney, the Shareholders’ Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in the section headed “Structured Contracts” in the Prospectus
“Structured Contracts II”	collectively, the structured contracts dated 6 February 2018 entered into by Xinhua Xinjiang with, among others, our PRC Consolidated Affiliated Entities, the terms and conditions of which are the same as the Structured Contracts I in all material aspects
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include the PRC Operating Schools and the School Sponsor in the Prospectus
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Xinhua Anhui”	Anhui Ronghua Education Technology Co., Ltd.* (安徽融華教育科技有限公司), a limited liability company established under the laws of the PRC on 30 September 2017, which is wholly owned by Xinhua HK
“Xinhua BVI”	Xinhua Education International Limited (新華教育國際有限公司), a limited liability company incorporated under the laws of the BVI on 31 August 2017 and a wholly-owned subsidiary of our Company
“Xinhua Education Group”	Anhui Xinhua Education Group Co., Ltd.* (安徽新華教育集團有限公司, formerly known as Anhui Xinhua Education Development Co., Ltd.* (安徽新華教育發展有限公司)), a limited liability company established under the laws of the PRC on 30 March 2004, which is owned as to 38.4% by Mr. Wu Junbao, 51.6% by relatives of Mr. Wu Junbao and 10% by two companies held by Mr. Wu Junbao and his relatives
“Xinhua Group” or “School Sponsor”	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司) (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of our Company
“Xinhua HK”	Hong Kong Xinhua Education Limited (香港新華教育有限公司), a limited liability company incorporated in Hong Kong on 8 September 2017 and a wholly owned subsidiary of our Company
“Xinhua School”	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on 11 April 2002, of which the school sponsor’s interest is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
“Xinhua University”	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College* (安徽新華職業學院) which obtained approval from The People’s Government of Anhui Province (安徽省人民政府) for its establishment on 18 June 2000. The school sponsor’s interest of Xinhua University is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
“Xinhua US”	Xinhua Education, Inc., a company incorporated in the State of Florida of the United States, with limited liability on 22 August 2017 and a wholly-owned subsidiary of our Company



DEFINITION

“Xinhua WFOE”	Xinhua Anhui or Xinhua Xinjiang (as the case maybe), and collectively, “Xinhua WFOEs”
“Xinhua Xinjiang”	Xinjiang Ronghua Education Technology Co., Ltd.* (新疆融華教育科技有限公司), a limited liability company established under the laws of the PRC on 17 January 2018, which is wholly owned by Xinhua HK
“Xinjiang”	Xinjiang Uygur Autonomous Region, a provincial-level autonomous region of the PRC
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	percent
“2016 Decision”	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People’s Congress in November 2016, which took effect on 1 September 2017

* *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.*

CHINA XINHUA EDUCATION GROUP LIMITED
中國新華教育集團有限公司