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CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 667)

ANNOUNCEMENT OF 2022 ANNUAL RESULTS

HIGHLIGHTS	Year ended 31 December		Change Increase/ (Decrease)
	2022	2021	
Number of new students enrollments and new customers registered	134,347	154,259	(12.9%)
Average number of students enrolled and customers registered	142,765	144,365	(1.1%)
Revenue (<i>RMB million</i>)	3,819	4,140	(7.7%)
Gross profit (<i>RMB million</i>)	1,891	2,112	(10.5%)
Net profit (<i>RMB million</i>)	367	302	21.3%
Adjusted net profit (<i>RMB million</i>) ⁽¹⁾	266	432	(38.4%)
Adjusted EBITDA (<i>RMB million</i>) ⁽²⁾	1,189	1,380	(13.9%)
	As at	As at	Change
	31 December 2022	31 December 2021	Increase/ (Decrease)
Number of schools and centers	244	231	13
Net assets (<i>RMB million</i>)	5,699	5,739	(0.7%)
Total assets (<i>RMB million</i>)	9,473	9,636	(1.7%)

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

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of China East Education Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	3,819,022	4,139,700
Cost of revenue		(1,927,958)	(2,027,540)
Gross profit		1,891,064	2,112,160
Other income and expenses	5	107,405	130,857
Other gains and losses	6	135,751	(52,299)
Selling expenses		(946,341)	(988,265)
Administrative expenses		(512,159)	(541,756)
Research and development expenses		(21,527)	(30,797)
Finance costs	7	(156,171)	(161,123)
Profit before taxation		498,022	468,777
Income tax expense	8	(131,450)	(166,611)
Profit and total comprehensive income for the year	9	366,572	302,166
Earnings per share	11		
– Basic (<i>RMB cents</i>)		16.85	13.79
– Diluted (<i>RMB cents</i>)		16.69	13.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property and equipment		2,615,242	1,934,515
Right-of-use assets		2,424,806	2,322,911
Deferred tax assets		5,496	5,772
Deposits paid for acquisition of leasehold lands		86,159	27,000
Deposits for rental		22,233	23,506
Deposits for utilities and others		3,426	7,963
		<u>5,157,362</u>	<u>4,321,667</u>
CURRENT ASSETS			
Inventories		71,625	65,134
Trade and other receivables	12	331,095	275,300
Other financial assets	13		
– measured at fair value through profit or loss (“FVTPL”)		638,644	612,268
– measured at amortised cost		80,000	–
Tax recoverable		3,136	5,834
Time deposits		1,755,477	2,143,226
Bank balances and cash		1,435,498	2,212,294
		<u>4,315,475</u>	<u>5,314,056</u>
CURRENT LIABILITIES			
Trade and other payables	14	683,580	676,006
Tax liabilities		80,266	90,994
Lease liabilities		381,873	387,774
Contract liabilities		1,186,574	1,390,853
		<u>2,332,293</u>	<u>2,545,627</u>
NET CURRENT ASSETS		<u>1,983,182</u>	<u>2,768,429</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,140,544</u>	<u>7,090,096</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		1,414,040	1,305,514
Contract liabilities		21,420	40,751
Government grants		6,006	5,101
		<u>1,441,466</u>	<u>1,351,366</u>
NET ASSETS		<u>5,699,078</u>	<u>5,738,730</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	192	192
Reserves		5,698,886	5,738,538
TOTAL EQUITY		<u>5,699,078</u>	<u>5,738,730</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company and its subsidiaries. These consolidated financial statements have been approved for issue by the Board on 23 March 2023.

2. BASIS OF PREPARATION AND REORGANISATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standard ("HKAS") 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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

3. APPLICATION OF AMENDMENTS TO HKFRSs (CONTINUED)

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

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

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

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

The amendments are effective for the Group's annual reporting periods beginning on or after 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB1,790,645,000 and RMB1,795,913,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of RMB404,555,000 and RMB411,947,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years ended 31 December 2022 and 2021:

For the year ended 31 December 2022

	New East	Xinhua	Wontone	Omick Education of Western	Wiszone Data	Cuisine	Other miscellaneous businesses	Elimination	Total
	Culinary Education	Internet Technology Education	Automotive Education	Cuisine and Pastry	Technology Education	Academy			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue									
External sales	1,891,673	741,599	718,355	294,326	39,654	56,548	76,867	-	3,819,022
Inter-segment sales	-	-	-	-	3,892	-	106,024	(109,916)	-
Segment revenue	<u>1,891,673</u>	<u>741,599</u>	<u>718,355</u>	<u>294,326</u>	<u>43,546</u>	<u>56,548</u>	<u>182,891</u>	<u>(109,916)</u>	<u>3,819,022</u>
Results									
Segment results	<u>435,827</u>	<u>84,394</u>	<u>24,628</u>	<u>(86,051)</u>	<u>4,044</u>	<u>9,857</u>	<u>(57,428)</u>	<u>-</u>	<u>415,271</u>
Unallocated									
Other income and expenses									63,902
Other gains and losses									135,751
Corporate administrative expenses									<u>(116,902)</u>
Profit before tax									498,022
Income tax expense									<u>(131,450)</u>
Profit for the year									<u><u>366,572</u></u>
Other segment information									
Depreciation of property and equipment	128,611	75,825	65,717	34,062	1,900	4,939	8,432	-	319,486
Depreciation of right-of-use assets	126,295	59,446	76,227	32,901	4,089	9,431	6,970	-	315,359
Additions of property and equipment	224,581	127,645	109,450	3,414	1,307	1,005	546,150	-	1,013,552
Additions of right-of-use assets	<u>53,662</u>	<u>157,167</u>	<u>152,223</u>	<u>8,705</u>	<u>-</u>	<u>1,980</u>	<u>87,564</u>	<u>-</u>	<u>461,301</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

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

Geographical information

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

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 December 2022 and 2021.

5. OTHER INCOME AND EXPENSES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Asset-related government grants	1,816	5,182
Unconditional government grants	41,687	43,097
Interest income from		
– time deposits and bank balances	61,266	53,667
– entrusted loans	2,341	22,161
Others	295	6,750
	<u>107,405</u>	<u>130,857</u>

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gains from changes in fair value of other financial assets measured at FVTPL	(2,109)	21,300
(Losses)/gains on disposals of property and equipment	(9,263)	344
Gains/(losses) on termination of lease agreements	3,691	(280)
Net foreign exchange gains/(losses)	143,432	(73,663)
	<u>135,751</u>	<u>(52,299)</u>

7. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on lease liabilities	156,171	161,123

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax		
– Current tax	130,230	166,347
– Under provisions in prior years	944	676
Deferred tax expense (credit)	276	(412)
	<u>131,450</u>	<u>166,611</u>

9. PROFIT FOR THE YEAR

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	3,483	3,427
Other staff costs		
– salaries and other allowances	1,189,066	1,223,347
– retirement benefit scheme contributions	92,341	86,475
– equity-settled share-based payments expense	42,560	55,727
Total staff costs	<u>1,327,450</u>	<u>1,368,976</u>
Depreciation of property and equipment	319,486	313,527
Depreciation of right-of-use assets	324,851	309,905
Total depreciation	644,337	623,432
Capitalised in construction in progress	<u>(9,492)</u>	<u>(2,946)</u>
	<u>634,845</u>	<u>620,486</u>
Auditor's remuneration	<u>3,638</u>	<u>3,638</u>

During the year ended 31 December 2022, equity-settled share-based payments expense of approximately RMB42,906,000 (2021: RMB56,180,000) was recognised in profit or loss in respect of share options of the Company.

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK\$0.2 per ordinary share in respect of the year ended 31 December 2022, in an aggregate amount of approximately HK\$436 million, has been proposed by the Directors at the Board meeting held on 23 March 2023 and is subject to approval by the shareholders of the Company (the “Shareholders”) in the forthcoming annual general meeting of the Company to be held on Thursday, 25 May 2023 (“Annual General Meeting”).

A final dividend of HK\$0.245 per ordinary share in respect of the year ended 31 December 2021, in an aggregate amount of approximately HK\$533 million, were approved by the Shareholders at the annual general meeting held on 25 May 2022 and were paid during the year ended 31 December 2022.

11. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings:		
Profit for the purposes of calculating basic and diluted earnings per share		
– attributable to owners of the Company	<u>366,572</u>	<u>302,166</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,175,346,583	2,191,911,540
Effect of dilutive potential ordinary shares:		
– share options	<u>20,500,060</u>	<u>83,698,096</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,195,846,643</u>	<u>2,275,609,636</u>

12. TRADE AND OTHER RECEIVABLES

	As at	As at
	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– from government (<i>note i</i>)	19,875	24,949
– from others (<i>note ii</i>)	<u>26,750</u>	<u>24,967</u>
	<u>46,625</u>	<u>49,916</u>
Other receivables		
Prepayments for consumables	23,701	18,404
Prepayments for rental	6,827	23,544
Prepayments for services	17,329	16,780
Prepayments for advertisement	51,569	58,292
Value added tax recoverable	83,994	41,243
Advance to staff	8,548	6,718
Interest receivables from time deposits and bank balances	36,619	14,769
Deposits for development (<i>note iii</i>)	19,992	19,992
Refundable deposit	11,520	11,520
Other receivables	<u>24,371</u>	<u>14,122</u>
	<u>284,470</u>	<u>225,384</u>
	<u>331,095</u>	<u>275,300</u>

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB48,601,000.

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

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Within 3 months	29,094	31,147
Over 3 months but within 12 months	16,471	17,634
Over 1 year	1,060	1,135
	46,625	49,916

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

13. OTHER FINANCIAL ASSETS

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Other financial assets measured at FVTPL		
– structured deposits (<i>note i</i>)	293,929	249,966
– unquoted fund investment	344,715	362,302
	<u>638,644</u>	<u>612,268</u>
Other financial assets measured at amortised cost		
– entrusted loans to related parties (<i>note ii</i>)	80,000	–
	<u>80,000</u>	<u>–</u>

Notes:

- i. The structured deposits are short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.
- ii. The amounts as at 31 December 2022 represented an entrusted loan amounted to RMB80,000,000 provided to Anhui Xinhua Holdings Group Investment Co., Ltd. (安徽新華控股集團投資有限公司) (“Xinhua Holdings Group”), a company controlled by Mr. Xiao Guoqing at a fixed interest rate of 7% per annum and with maturity on 24 November 2023.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Trade payables	116,354	136,222
Payable for property and equipment	206,251	153,558
Value added tax and other taxes payable	5,934	7,626
Payroll payable	196,727	206,537
Discretionary subsidies received on behalf of students	30,715	40,216
Miscellaneous deposits received from students – within 12 months	79,904	86,790
Other payables	47,695	45,057
	<u>683,580</u>	<u>676,006</u>

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

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Within 90 days	<u>116,354</u>	<u>136,222</u>

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$</i>	Shown in the consolidated financial statements <i>RMB'000</i>
<i>Ordinary shares of HK\$0.0001 each</i>				
Authorised:				
At 1 January 2021, 31 December 2021 and 31 December 2022	<i>i</i>	3,800,000,000	380,000	
Issued:				
At 31 December 2020		2,195,103,706	219,510	193
Issue of new shares upon the exercise of share options	<i>ii</i>	7,144,096	714	1
Shares repurchased and cancelled	<i>iii</i>	(27,566,000)	(2,756)	(2)
At 31 December 2021		2,174,681,802	217,468	192
Issue of new shares upon the exercise of share options	<i>iv</i>	1,784,000	178	–
At 31 December 2022		2,176,465,802	217,646	192

Notes:

- i. The Company was incorporated in the Cayman Islands on 4 October 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. During the year ended 31 December 2021, 7,036,186 and 107,910 share options were exercised at subscription prices of HK\$2.25 and HK\$11.25 per share (approximately equivalent to RMB1.91 and RMB9.36 per share) respectively, resulting in the issue of 7,144,096 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.

15. SHARE CAPITAL (CONTINUED)

- iii. During the year ended 31 December 2021, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid	
		Highest HK\$	Lowest HK\$	HK\$	RMB equivalent
July	8,998,500	10.34	9.53	88,531,560	73,940,000
August	4,953,000	7.81	7.50	38,014,365	31,697,000
October	464,500	7.50	7.50	3,483,750	2,863,000
November	13,150,000	7.37	6.80	94,628,065	78,293,000
Total	<u>27,566,000</u>			<u>224,657,740</u>	<u>186,793,000</u>

The above ordinary shares were cancelled after repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

- iv. During the year ended 31 December 2022, 1,784,000 share options were exercised at a subscription price of HK\$2.25 per share (approximately equivalent to RMB2.01 per share), resulting in the issue of 1,784,000 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.

16. CAPITAL COMMITMENTS

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment and leasehold land	<u>478,873</u>	<u>779,784</u>

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We have a leading position in vocational training education segment in China. Moreover, we also have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 244 schools and centers in operation as of 31 December 2022, covering almost all of the provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under seven renowned school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Cuisine Academy, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and On-mind Fashion & Beauty Education.

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

OUR BUSINESS SEGMENTS

As at 31 December 2022, we operated 244 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
New East Culinary Education (“ New East ”)	77	New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. Each of our schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands.

Segments and Brands	No. of schools/ centers	Description
Omick Education of Western Cuisine and Pastry (“ Omick ”)	46	Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. We offer a variety of courses, including baking, desserts, western cuisines, bartending and barista training.
Cuisine Academy	20	Cuisine Academy has been providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs.

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet Technology Education (“ Xinhua Internet ”)	38	Xinhua Internet Technology Education provides, information technology and internet technology-related training programs. We provide a wide range of information technology and internet technology-related training to students with different course lengths.
Wisezone Data Technology Education (“ Wisezone ”)	21	Wisezone Data Technology Education primarily provides short-term information technology and internet technology programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we train professional data technology engineers.

AUTO SERVICES

Wontone Automotive Education (“ Wontone ”)	39	Wontone Automotive Education focuses on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce.
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FASHION AND BEAUTY

On-mind Fashion & Beauty Education (“ On-mind ”)	3	On-mind Fashion & Beauty Education focuses on cultivating high skills fashion and beauty professionals.
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SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments/new customers registered under each segment and brand for the years ended 31 December 2022 and 2021:

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2022	2021	
CULINARY ARTS				
New East	Long-term	27,090	31,224	(13.2%)
	– One to less than two years	1,952	2,892	(32.5%)
	– Two to less than three years	8,951	15,264	(41.4%)
	– Three years	16,187	13,068	23.9%
	Short-term	24,151	31,023	(22.2%)
	Subtotal	51,241	62,247	(17.7%)
Omick	Long-term			
	– One to less than two years	1,128	1,161	(2.8%)
	Short-term	10,592	15,648	(32.3%)
	Subtotal	11,720	16,809	(30.3%)
Cuisine Academy	Short-term	9,189	13,980	(34.3%)
CULINARY ARTS	Subtotal	72,150	93,036	(22.4%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	23,437	23,307	0.6%
	– One to less than two years	1,986	1,338	48.4%
	– Two to less than three years	2,991	5,517	(45.8%)
	– Three years	18,460	16,452	12.2%
	Short-term	3,141	3,762	(16.5%)
	Subtotal	26,578	27,069	(1.8%)
Wisezone	Short-term	3,027	4,073	(25.7%)

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2022	2021	
INFORMATION				
TECHNOLOGY				
AND INTERNET				
TECHNOLOGY				
	Subtotal	29,605	31,142	(4.9%)
AUTO SERVICES				
Wontone	Long-term	17,490	15,817	10.6%
	– One to less than two years	1,361	1,012	34.5%
	– Two to less than three years	1,516	2,083	(27.2%)
	– Three years	14,613	12,722	14.9%
	Short-term	13,593	13,021	4.4%
AUTO SERVICES	Subtotal	31,083	28,838	7.8%
FASHION AND BEAUTY				
On-mind	Long-term	351	315	11.4%
	– One to less than two years	39	–	N/A
	– Two to less than three years	17	–	N/A
	– Three years	295	315	(6.3%)
	Short-term	1,158	928	24.8%
FASHION AND BEAUTY	Subtotal	1,509	1,243	21.4%
THE GROUP				
	Long-term	69,496	71,824	(3.2%)
	– One to less than two years	6,466	6,403	1.0%
	– Two to less than three years	13,475	22,864	(41.1%)
	– Three years	49,555	42,557	16.4%
	Short-term	64,851	82,435	(21.3%)
THE GROUP	Total	134,347	154,259	(12.9%)

Notes:

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

The following table sets forth the average number of students enrolled and customers registered under each segment and brand for the years ended 31 December 2022 and 2021:

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2022	2021	
CULINARY ARTS				
New East	Long-term	55,608	58,951	(5.7%)
	– One to less than two years	2,396	3,542	(32.4%)
	– Two to less than three years	25,406	32,342	(21.4%)
	– Three years	27,806	23,067	20.5%
	Short-term	4,601	5,266	(12.6%)
	Subtotal	60,209	64,217	(6.2%)
Omick	Long-term			
	– One to less than two years	1,434	1,125	27.5%
	Short-term	3,019	5,060	(40.3%)
	Subtotal	4,453	6,185	(28.0%)
Cuisine Academy	Short-term	972	1,376	(29.4%)
CULINARY ARTS	Subtotal	65,634	71,778	(8.6%)

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2022	2021	
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	41,096	42,480	(3.3%)
	– One to less than two years	1,609	1,631	(1.3%)
	– Two to less than three years	8,370	13,451	(37.8%)
	– Three years	31,117	27,398	13.6%
	Short-term	851	590	44.2%
	Subtotal	41,947	43,070	(2.6%)
Wisezone	Short-term	431	833	(48.3%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
	Subtotal	42,378	43,903	(3.5%)
AUTO SERVICES				
Wontone	Long-term	31,855	26,186	21.6%
	– One to less than two years	1,519	1,363	11.4%
	– Two to less than three years	3,573	4,885	(26.9%)
	– Three years	26,763	19,938	34.2%
	Short-term	2,043	2,002	2.0%
AUTO SERVICES	Subtotal	33,898	28,188	20.3%
FASHION AND BEAUTY				
On-mind	Long-term	498	254	96.1%
	– One to less than two years	19	–	N/A
	– Two to less than three years	8	–	N/A
	– Three years	471	254	85.4%
	Short-term	357	242	47.5%
FASHION AND BEAUTY	Subtotal	855	496	72.4%

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2022	2021	
THE GROUP	Long-term	130,491	128,996	1.2%
	– One to less than two years	6,977	7,661	(8.9%)
	– Two to less than three years	37,357	50,678	(26.3%)
	– Three years	86,157	70,657	21.9%
	Short-term	12,274	15,369	(20.1%)
THE GROUP	TOTAL	142,765	144,365	(1.1%)

Notes:

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

Tuition Fees/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each segment and brand for the years ended 31 December 2022 and 2021:

Segments and Brands	Program ⁽¹⁾	Tuition/Service fee	
		Year ended 31 December	
		2022	2021
		<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>	
CULINARY ARTS			
New East	Long-term	8,200-101,000	8,833-102,320
	Short-term ⁽²⁾	400-68,000	280-68,000
Omick	Long-term	46,000-72,000	46,000-72,000
	Short-term ⁽²⁾	800-39,000	800-39,000
Cuisine Academy ⁽³⁾	Customized catering experience program	300-58,200	300-38,800
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	7,000-39,800	7,600-38,800
	Short-term ⁽²⁾	499-36,000	240-48,000
Wisezone	Short-term ⁽²⁾	999-29,800	999-29,800
AUTO SERVICES			
Wontone	Long-term	6,800-38,800	6,800-38,800
	Short-term ⁽²⁾	800-37,500	800-37,500
FASHION AND BEAUTY			
On-mind	Long-term	13,900-27,800	13,800-23,900
	Short-term ⁽²⁾	5,800-21,800	3,600-29,600

Notes:

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

Recommended Employment and Entrepreneurship Rate

We are committed to assisting our students in developing their careers. Our average recommended employment and entrepreneurship rate of our long-term program graduates from Wontone and On-mind reached over 95%, while New East, Xinhua Internet and Omick reached over 90% for the year ended 31 December 2022. The following table sets forth the recommended employment and entrepreneurship rate of our long-term program graduates by brands for the year ended 31 December 2022:

Brands⁽¹⁾	Recommended employment and entrepreneurship rate⁽²⁾
New East	94.0%
Xinhua Internet	94.1%
Wontone	96.3%
Omick	92.3%
On-mind	95.5%

Notes:

- (1) As the schools of other brands had not provided long-term programs of one year or more, the recommended employment and entrepreneurship rate of these brands were not included. We also provide graduate placement service or entrepreneurial service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or to study for interests, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to setting up their own businesses.
- (2) We provide graduate placement service and entrepreneurial service to all students of our long-term programs. The recommended employment and entrepreneurship rate represents the total number of students of long-term programs who are hired through our graduate placement service program or who set up their own business through our entrepreneurial service in a certain period, excluding students who are employed through other channels divided by the total number of graduates of long-term programs during such year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, there was a decrease in the number of new students enrollments and new customers registered of approximately 12.9% as compared with that for the year ended 31 December 2021. Accordingly, the Group recorded a decrease in revenue from RMB4,140 million for the year ended 31 December 2021, to RMB3,819 million for the year ended 31 December 2022, representing a decrease of 7.7%.

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

	Year ended 31 December				Change	
	2022		2021			
	Revenue	Average tuition/service fee per student/customer ⁽¹⁾	Revenue	Average tuition/service fee per student/customer ⁽¹⁾	Revenue Increase/(Decrease)	Average tuition/service fee per student/customer ⁽¹⁾
	RMB'000	RMB'000	RMB'000	RMB'000		
CULINARY ARTS						
New East	1,891,673	31.4	2,082,286	32.4	(9.2%)	(3.1%)
Omick	294,326	66.1	431,029	69.7	(31.7%)	(5.2%)
Cuisine Academy ⁽²⁾	56,548	58.2	74,261	54.0	(23.9%)	7.8%
	<u>2,242,547</u>	<u>34.2</u>	<u>2,587,576</u>	<u>36.0</u>	<u>(13.3%)</u>	<u>(5.2%)</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	741,599	17.7	791,487	18.4	(6.3%)	(3.8%)
Wisezone	39,654	92.0	43,681	52.4	(9.2%)	75.5%
	<u>781,253</u>	<u>18.4</u>	<u>835,168</u>	<u>19.0</u>	<u>(6.5%)</u>	<u>(3.1%)</u>
AUTO SERVICES						
Wontone	718,355	21.2	634,722	22.5	13.2%	(5.9%)
Other Miscellaneous Businesses ⁽³⁾	76,867	N/A	82,234	N/A	(6.5%)	N/A
Total⁽⁴⁾	<u>3,819,022</u>	<u>26.4</u>	<u>4,139,700</u>	<u>28.2</u>	<u>(7.7%)</u>	<u>(6.5%)</u>

Notes:

- (1) For illustration purposes only, the average tuition/service fee revenue per student/customer for the years ended 31 December 2022 and 2021 are calculated on a basis as revenue generated from tuition or service fees for the year divided by the average number of students enrolled and customers registered in the year.
- (2) During the years ended 31 December 2022 and 2021, revenue generated from Cuisine Academy mainly represents service fees collected from customers who attended our customized catering experience programs.
- (3) Other miscellaneous businesses primarily include fashion and beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.
- (4) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

The Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses/depreciation of right-of-use assets, campus maintenance and depreciation, utilities and office expenses. The cost of revenue decreased from approximately RMB2,028 million for the year ended 31 December 2021 to approximately RMB1,928 million for the year ended 31 December 2022, representing a decrease of 4.9%.

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

	Year ended 31 December			
	2022		2021	
	Cost	% of Total	Cost	% of Total
	<i>RMB'000</i>		<i>RMB'000</i>	
Teaching staff salaries and benefits	688,953	35.7%	687,785	33.9%
Teaching related consumables and other costs	399,618	20.7%	498,736	24.6%
Leasing expenses/Depreciation of right-of-use assets	320,812	16.6%	316,984	15.6%
Campus maintenance and depreciation	348,321	18.1%	352,232	17.4%
Utilities	93,945	4.9%	92,632	4.6%
Office expenses	76,309	4.0%	79,171	3.9%
Total	1,927,958	100%	2,027,540	100.0%

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB1,891 million for the year ended 31 December 2022 as compared to RMB2,112 million in 2021. The gross profit margin was 49.5% for the year ended 31 December 2022 as compared to 51.0% in 2021. The decrease in gross profit margin was mainly due to the decrease in revenue while the cost of revenue remained stable for the year ended 31 December 2022.

	Year ended 31 December			
	2022		2021	
	Gross profit/ (loss) RMB'000	Gross profit/ (loss) margin ⁽¹⁾ percentage	Gross profit RMB'000	Gross profit margin ⁽¹⁾ percentage
CULINARY ARTS				
New East	1,016,802	53.8%	1,098,715	52.8%
Omick	103,023	35.0%	221,968	51.5%
Cuisine Academy	21,511	38.0%	34,052	45.9%
	<u>1,141,336</u>	<u>50.9%</u>	<u>1,354,735</u>	<u>52.4%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	388,353	52.4%	440,856	55.7%
Wisezone	22,104	55.7%	12,400	28.4%
	<u>410,457</u>	<u>52.5%</u>	<u>453,256</u>	<u>54.3%</u>
AUTO SERVICES				
Wontone	349,759	48.7%	281,831	44.4%
Other Miscellaneous Businesses ⁽²⁾	(10,488)	(13.6%)	22,338	27.2%
Total	<u><u>1,891,064</u></u>	<u><u>49.5%</u></u>	<u><u>2,112,160</u></u>	<u><u>51.0%</u></u>

Notes:

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

Other Income and Expenses

For the year ended 31 December 2022, other income and expenses amounted to approximately RMB107 million (2021: RMB131 million) which primarily included government grants, interest income from time deposits and bank balances and entrusted loans. The decrease in other income was mainly due to the decrease in interest income from entrusted loans of approximately RMB20 million during the year ended 31 December 2022.

Other Gains and Losses

The other gains and losses were recorded as net gains of approximately RMB136 million for the year ended 31 December 2022 (2021: net losses of RMB52 million) which was mainly attributable to net foreign exchange gains of approximately RMB143 million as a result of mainly the appreciation of Hong Kong dollars possessed by the Group, which consists of proceeds from the initial public offering of shares of the Company, against Renminbi during the year ended 31 December 2022 (2021: net foreign exchange losses of RMB74 million).

Selling Expenses

The Group's selling expenses was approximately RMB946 million for the year ended 31 December 2022 as compared to approximately RMB988 million for the year ended 31 December 2021. The decrease in selling expenses incurred for the year ended 31 December 2022 was mainly because the Group imposed tighter control on the advertising costs during the year ended 31 December 2022.

Administrative Expenses

The Group's administrative expenses was approximately RMB512 million for the year ended 31 December 2022 as compared to approximately RMB542 million for the year ended 31 December 2021. The decrease in administrative expenses was mainly due to the decrease of equity-settled share-based payment expenses from approximately RMB56 million for the year ended 31 December 2021 to approximately RMB43 million for the year ended 31 December 2022.

Finance Costs

The finance costs of approximately RMB156 million for the year ended 31 December 2022 represented the interest expenses on lease liabilities recognised following the adoption of HKFRS 16 – Leases (2021: RMB161 million).

Adjusted Net Profit and Adjusted EBITDA

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net profit	366,572	302,166
Adjustments for: Non-cash share-based payments	42,906	56,180
Net foreign exchange (gains)/losses	<u>(143,432)</u>	<u>73,663</u>
Adjusted net profit	266,046	432,009
Adjustments for: Depreciation	634,845	620,486
Finance costs	156,171	161,123
Income tax expenses	<u>131,450</u>	<u>166,611</u>
Adjusted EBITDA	<u>1,188,512</u>	<u>1,380,229</u>

Notes:

- (1) Adjusted net profit was derived from the net profit for the year excluding the effect of (i) non-cash share-based payment expenses; and (ii) the net foreign exchange gains/losses (as presented in the table above), which our management does not consider to be indicative of our operating performance.
- (2) Adjusted EBITDA was derived from the adjusted net profit for the year excluding finance costs, income tax expenses and depreciation expenses.
- (3) Non-HKFRSs financial measure does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies.

Property and Equipment

Property and equipment as at 31 December 2022 increased by 35.2% to approximately RMB2,615 million from approximately RMB1,935 million as at 31 December 2021. Increase in property and equipment was mainly due to the inclusion of the property and equipment of regional center in Chengdu, education base in Shandong and newly established schools during the year.

Right-of-use Assets

Right-of-use assets as at 31 December 2022 increased by 4.4% to approximately RMB2,425 million from approximately RMB2,323 million as at 31 December 2021. Increase in right-of-use assets was mainly because the Group entered into several new lease agreements for the use of leasehold lands and several new lease agreements for the use of leased properties during the year.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2022, the Company's issued share capital was approximately RMB192,000 divided into 2,176,465,802 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB5,699 million (31 December 2021: RMB5,739 million).

As at 31 December 2022, the current ratio of the Group, representing current assets divided by current liabilities, was 1.9 times (31 December 2021: 2.1 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 39.8% (31 December 2021: 40.4%).

As at 31 December 2022, the total of time deposits and bank balances and cash of the Group amounted to approximately RMB3,191 million (31 December 2021: RMB4,356 million), representing 33.7% (31 December 2021: 45.2%) of the total assets of the Group of approximately RMB9,473 million (31 December 2021: RMB9,636 million).

For the year ended 31 December 2022, our capital expenditures were approximately RMB1,475 million (2021: RMB1,546 million) and were primarily related to acquisition of property and equipment and right-of-use assets for upgrading the existing school premises and construction of new campuses and regional center.

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

Other Financial Assets

As at 31 December 2022, the Group held other financial assets of approximately RMB719 million, particulars of which are set out below:

Financial assets measured at FVTPL	Fair value as at 31 December 2022 (RMB'000)	Realised gains/(losses) for the year ended 31 December 2022 (RMB'000)	Unrealised gains/(losses) for the year ended 31 December 2022 (RMB'000)	% of total assets of the Group as at 31 December 2022
Structured Deposit				
Huarong Securities Company Limited				
Everbright Trust – Sheng Yuan Fu Rong No. 1, 8 & 9 Pooled Fund Trust Scheme	82,269	–	2,268	0.9%
Industrial and Commercial Bank of China Limited				
Quan Xin Quan Yi	211,660	–	(2,014)	2.2%
	<u>293,929</u>	<u>–</u>	<u>254</u>	<u>3.1%</u>
Unquoted Fund Investment				
E Fund Management (HK) Co., Ltd.				
E Fund (HK) Select Asia High Yield Bond Fund	156,378	–	(21,237)	1.6%
China International Capital Corporation Hong Kong Asset Management Limited				
CICC Multi-strategy Fixed Income Fund	188,337	–	3,650	2.0%
	<u>344,715</u>	<u>–</u>	<u>(17,587)</u>	<u>3.6%</u>
Financial assets measured at amortised cost				
Entrusted loans to related parties				
-Xinhua Holdings Group	80,000	–	–	0.8%

Investment Strategy and Future Prospects

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

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

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

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

Regarding the entrusted loans to related parties under the investment in financial assets measured at amortised cost, the measures include among other things, the followings:

- the borrowing company is required to enter into entrusted loan agreement(s) with reputable PRC bank(s) and the entrusted bank(s) will assess the financial position of the borrowing company(s) regularly to ensure the repayment ability;
- to secure the loan(s), each of the controlling shareholders of the borrowing company shall enter into a personal guarantee. Each of the controlling shareholders of the borrowing company irrevocably and unconditionally, among others, guarantees to the Group the punctual performance by his respective borrowing company for borrowing the loan(s) and undertakes that whenever the respective borrowing company does not pay any amount of the loan when due, he shall immediately on demand pay that amount as if he were the principal of the loan(s). In addition, each of the controlling shareholders of the borrowing company made a guarantee that the Company has the right to postpone the payment of the Company's dividends to each of the controlling shareholders of the borrowing company to the amount of the loans and interests owed by the respective borrowing company until the loans and interests are fully paid;
- upon the Group's request at any time, the borrowing company shall provide forthwith to the Group any documents and information relating to the business operations and financial position of the borrowing company, including but not limited to financial reports and financial statements;

- if the borrowing company or its controlling shareholder has any potential risks of financial instability, it shall inform the Group or the entrusted bank(s) immediately; and
- if the borrowing company or its controlling shareholder has shown any signs of financial instability, the Group or the entrusted bank(s) can demand the borrowing company or its controlling shareholder to repay prior to the repayment date all or part of outstanding principal and interest accrued by giving not less than 10 business days prior written notice to such borrowing company.

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

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2022.

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain time deposits and bank balances, other financial assets and other payables denominated in Hong Kong dollars and United State dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2022. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 31 December 2022 and 2021, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Subsequent Events

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

The Impact of the Covid-19 Pandemic to the Group

During the year ended 31 December 2022, the physical classes of some of our schools located in mainland China had been temporarily suspended in order to cooperate with the prevention and control of the Covid-19 pandemic (the “**Epidemic**”) according to the instruction of the PRC government. During the suspension of physical classes, the Group conducted its marketing business operation through our online consultation and application systems, etc. and the Group has also arranged online tuitions to our students of our schools located in mainland China.

Following the easing of control of the Epidemic by the PRC government in December 2022, our schools have been resumed to full operations in 2023. Nevertheless, our schools of the Group will continue to take necessary health precaution measures to safeguard the safety of our employees and students. Moreover, the Group has already developed a comprehensive online learning programmes to our students which can offer online tuitions to our students in case physical classes were suspended. Furthermore, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB3,191 million as at 31 December 2022 which were sufficient for the Group to meet its commitment and working capital requirements for future operations and for general business expansion and development.

In view of the situation of the Epidemic in mainland China is being controlled, the Directors expected that the impact by the Epidemic in 2023 would not have any material adverse impact to the operation and financials of the Group. Nevertheless, the Group will closely monitor to the development of the situation of the Epidemic and will take necessary precautions to minimise the negative impact to the Group.

OUTLOOK

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

Establishment of Regional Centers and Provincial Education Bases

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

Expansion of School Network

Our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population in densely populated provinces, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, auto services as well as fashion and beauty.

Expansion and Diversification of Course Structures

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

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

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

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

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

As at 31 December 2022, the Company has fully utilised the net proceeds and the net proceeds have been applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 30 May 2019 and the announcement of the Company dated 23 April 2021.

The following table sets forth a summary of the utilisation of the net proceeds from Company’s initial public offering as at 31 December 2022:

Purpose	Percentage to total amount	Net proceeds amount* <i>RMB'000</i>	Utilised for	Utilised for	Unutilised amount <i>RMB'000</i>
			the period from 12 June 2019 to 31 December 2021 <i>RMB'000</i>	the year ended 31 December 2022 <i>RMB'000</i>	
Acquisition of land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an, or to establish provincial education bases in cities located at our major students recruitment provinces	45%	1,900,433	(1,023,994)	(876,439)	–
Establishment of schools in selected markets	15%	633,478	(381,185)	(252,293)	–
Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums	15%	633,478	(412,227)	(221,251)	–
Construction of and upgrade our school facilities as well as purchase teaching equipment; and	15%	633,478	(633,478)	–	–
Funding of our working capital and general corporate purposes	10%	422,318	(216,660)	(205,658)	–
	<u>100%</u>	<u>4,223,185</u>	<u>(2,667,544)</u>	<u>(1,555,641)</u>	<u>–</u>

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

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 31 December 2022, we had a total of 11,671 employees. The following table sets forth the numbers of our employees, categorized by function, as at 31 December 2022:

Function	Number of Full-Time Employees	% of Total
Executive Directors and core management	311	2.7%
Full-time teachers and instructors	5,075	43.5%
Student accommodation staff	91	0.8%
Logistic personnel	462	3.9%
Administrative staff	3,003	25.7%
Accounting and finance staff	369	3.2%
Others	2,360	20.2%
Total ^(Note)	<u>11,671</u>	<u>100%</u>

Note: Among 11,671 employees, we had 14 employees in Hong Kong and 11,657 employees in mainland China.

Remuneration Policies

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

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

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

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

DIVIDENDS

At the Board meeting held on 23 March 2023, the Board proposed the payment of a final dividend of HK\$0.2 (approximately RMB0.179) per ordinary share of the Company in respect of the year ended 31 December 2022. The aforesaid proposed payment of final dividend is subject to approval of the Shareholders at the Annual General Meeting to be held on Thursday, 25 May 2023. Subject to the approval of Shareholders at the Annual General Meeting, the aforesaid proposed final dividend is expected to be paid on or around Thursday, 29 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”). During the year ended 31 December 2022, the Company has complied with all the code provisions set out in the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. HUNG Ka Hai, Clement, Dr. ZHU Guobin and Dr. ZANG Yunzhi. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the consolidated financial statements for the year ended 31 December 2022 of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group. The Audit Committee is in the opinion that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the annual results announcement.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on Thursday, 25 May 2023. Notice of the Annual General Meeting which will be published and dispatched to the Shareholders in accordance with the Company’s articles of association and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders’ entitlement to attend and vote at the forthcoming Annual General Meeting. The record date for entitlement to attend and vote at the Annual General Meeting shall be Thursday, 25 May 2023. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2023.

(b) For determining the entitlement to the final dividend

The register of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders’ entitlement for the proposed final dividend. The record date for the proposed final dividend shall be Tuesday, 6 June 2023. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeastedu.com). The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and made available on the aforesaid websites in due course.

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

Hong Kong, 23 March 2023

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