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## **China Xinhua Education Group Limited**

**中國新華教育集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2779)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Percentage change</b>
	<b>2022</b>	<b>2021</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Adjusted revenue <sup>(1)</sup>	<b>860,098</b>	774,046	11.1%
Revenue	<b>625,476</b>	565,386	10.6%
Gross profit	<b>368,705</b>	370,132	-0.4%
Profit for the year	<b>235,511</b>	354,482	-33.6%
Adjusted net profit <sup>(2)</sup>	<b>330,788</b>	341,393	-3.1%

*Notes:*

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

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

*YEAR ENDED 31 DECEMBER 2022*

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	3	<b>625,476</b>	565,386
Cost of sales		<u>(256,771)</u>	<u>(195,254)</u>
<b>Gross profit</b>		<u><b>368,705</b></u>	<u>370,132</u>
Other income	4	<b>52,760</b>	83,042
Selling and distribution costs		<b>(7,915)</b>	(14,310)
Administrative expenses		<u><b>(158,353)</b></u>	<u>(64,112)</u>
<b>Profit from operations</b>		<b>255,197</b>	374,752
Finance costs	5(a)	<u><b>(15,794)</b></u>	<u>(17,413)</u>
<b>Profit before taxation</b>	5	<b>239,403</b>	357,339
Income tax	6	<u><b>(3,892)</b></u>	<u>(2,857)</u>
<b>Profit for the year</b>		<u><b>235,511</b></u>	<u>354,482</u>
<b>Other comprehensive income for the year</b> <b>(after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		<b>73,394</b>	(21,314)
<b>Other comprehensive income for the year</b>		<u><b>73,394</b></u>	<u>(21,314)</u>
<b>Total comprehensive income for the year</b>		<u><b>308,905</b></u>	<u>333,168</u>
<b>Earnings per share</b>	7		
Basic and diluted (RMB cents)		<u><b>14.64</b></u>	<u>22.04</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2022*

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>496,141</b>	512,110
Right-of-use assets		<b>77,649</b>	80,206
Intangible assets		<b>199,895</b>	203,793
Other non-current assets	<i>8</i>	<b>2,700,291</b>	660,000
Long-term bank time deposits		<b>180,000</b>	170,000
		<u><b>3,653,976</b></u>	<u>1,626,109</u>
<b>Current assets</b>			
Trade receivables	<i>9</i>	<b>2,639</b>	2,606
Prepayments, deposits and other receivables	<i>10</i>	<b>213,229</b>	1,860,376
Cash and bank balances		<b>322,068</b>	475,892
		<u><b>537,936</b></u>	<u>2,338,874</u>
<b>Current liability</b>			
Loans and borrowings	<i>11</i>	<b>50,020</b>	50,020
Contract liabilities	<i>12</i>	<b>329,549</b>	308,549
Other payables	<i>13</i>	<b>128,517</b>	126,260
Current taxation		<b>3,337</b>	5,326
		<u><b>511,423</b></u>	<u>490,155</u>
<b>Net current assets</b>		<u><b>26,513</b></u>	<u>1,848,719</u>
<b>Total assets less current liabilities</b>		<b>3,680,489</b>	3,474,828
<b>Non-current liabilities</b>			
Loans and borrowings	<i>11</i>	<b>446,096</b>	406,711
<b>NET ASSETS</b>		<u><b>3,234,393</b></u>	<u>3,068,117</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>12,952</b>	12,952
Reserves		<b>3,221,441</b>	3,055,165
<b>TOTAL EQUITY</b>		<u><b>3,234,393</b></u>	<u>3,068,117</u>

# 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

The 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 2022 comprise the Company and its subsidiaries.

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

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

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

(c) **Changes in accounting policies**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

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

**3 REVENUE AND SEGMENT REPORTING**

(a) **Revenue**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Tuition fees	571,454	514,448
Boarding fees	54,022	50,938
Total	<u>625,476</u>	<u>565,386</u>

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

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

(b) **Segment Reporting**

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

#### 4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rental and property management income	24,963	25,182
Service income	26,828	35,717
Government grants (i)	2,633	3,927
Interest income on financial assets measured at amortised cost (Deficit)/surplus on operation of the School of Clinical Medicine and Hongshan College (ii)	15,654	12,815
Others	(16,357)	2,570
	<u>(961)</u>	<u>2,831</u>
	<u><b>52,760</b></u>	<u><b>83,042</b></u>

- (i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the Group's teaching activities, scientific researches and other expenses.
- (ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine of Anhui Medical University ("School of Clinical Medicine") with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter is responsible for the operation costs of the campus before the conversion.

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. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest expenses on loans and borrowings	<u>15,794</u>	<u>17,413</u>
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	159,505	154,142
Contributions to defined contribution retirement plan (i)	9,459	7,923
Share-based payment expenses	<u>5,608</u>	<u>11,349</u>
	<u><b>174,572</b></u>	<u><b>173,414</b></u>

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

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment	62,088	58,267
Amortisation of intangible assets	4,553	5,255
Depreciation of right-of-use assets	2,557	2,558
Auditors' remuneration	<u>1,900</u>	<u>2,000</u>
	<u><b>71,098</b></u>	<u><b>68,080</b></u>

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

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the year	<b><u>3,892</u></b>	<u>2,857</u>

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.
- (iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on its taxable income.
- (iv) According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education (the “**Implementation Rules**”), private schools for which the school sponsors do not require reasonable returns/schools elected as not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. After the Implementation Rules for the Law for Promoting Private Education announced with effective from 1 September 2021, under the Implementation Opinions of the Anhui Provincial People’s Government on Encouraging Social Forces to Establish Education to Promote the Healthy Development of Private Education (the “**Implementation Opinions**”), the Group’s schools are required to register as either a for-profit or a not-for-profit organization by the end of 2022. Up to the date of this report, as no detail instructions have been issued yet, the Group has not commenced the registration process.

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2022 of RMB235,511,000 (2021: RMB354,482,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2021: 1,608,583,000 shares).

There were no dilutive potential ordinary shares for the year ended 31 December 2022 and 2021, therefore, diluted earnings per share are equivalent to basic earnings per share.

## 8 OTHER NON-CURRENT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Prepayment for investments	660,000	660,000
Other receivables	2,040,291	-
	<u>2,700,291</u>	<u>660,000</u>

As at 31 December 2022, the prepayment for investments represents the down-payment for acquisition of Hongshan College with the amount of RMB660 million. The other receivables represents the campus construction advanced to the School of Clinical Medicine with the amount of RMB 1,001,872,000 and to Hongshan College with the amount of RMB 1,038,419,000.

## 9 TRADE RECEIVABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<u>2,639</u>	<u>2,606</u>

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

## 10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Prepayments and deposits	205,089	204,977
Other receivables	8,140	1,655,399
	<u>213,229</u>	<u>1,860,376</u>

As at 31 December 2022 and 2021, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000.

## 11 LOANS AND BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Unsecured bank loan:</b>		
Within 1 year or on demand	50,020	50,020
After 1 year but within 2 years	50,020	50,020
After 2 years but within 5 years	112,900	162,920
	<u>162,920</u>	<u>212,940</u>
	<u>212,940</u>	<u>262,960</u>
<b>Loan from related party:</b>		
After 1 year but within 2 years	283,176	193,771
	<u>496,116</u>	<u>456,731</u>

As at 31 December 2022, the unsecured bank loans carried interest at annual rates of 3.90% (2021: 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%. In June 2022, the Group borrowed an additional sum of HK\$80 million, equivalent to RMB68 million, with an annual interest rate of 2.00%.

## 12 CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Tuition fees	296,718	274,694
Boarding fees	32,831	33,855
	<u>329,549</u>	<u>308,549</u>

### 13 OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Miscellaneous expenses received from students (i)	16,491	20,303
Accrued expenses	8,175	6,486
Payables to suppliers	68,103	68,616
Accrued staff costs	27,421	26,835
Interest payable	7,567	2,456
Others	760	1,564
	<u>128,517</u>	<u>126,260</u>

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

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

### 14 DIVIDENDS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK\$6.56 cents per ordinary share (2021: HK\$10.78 cents)	<u>94,204</u>	<u>141,792</u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$10.78 cents per share (2021: HK\$7.23 cents)	<u>148,237</u>	<u>97,169</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta in terms of total student enrollment in the Yangtze River Delta Region. 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 powerful education country is a basic project of the great rejuvenation of the Chinese nation, and we 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, art and hardwork. 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 schools under socialism, and focus on and offer good education. The Group vigorously promotes connotative construction, continuously improves the quality of schools, and plays a great role in improving the quality of workers, promoting employment, upgrading and transforming the service industry, 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 mainstream subjects and areas of employment. Through continuous and efficient market research, we strive to design comprehensive and diversified courses to meet employers' preferences and labor market demands. Meanwhile, we actively adjust our major offerings, continuously optimize our teaching conditions by improving our tangible and intangible infrastructure, optimize the educational environment, and strengthen strategic cooperation with various private enterprises and public institutions, in order to help our students acquire useful skills and seek good employment opportunities. As a whole, our graduate employment rate is higher than the average graduate employment rate in the provinces and cities where we operate. The high employment rate will further consolidate our reputation, and to improve our image in the industry, and enable our schools to attract more talented students. With professional and high-quality education, the Group has continuously made outstanding contributions to students and their families, to employers, economic and social development.

## **BUSINESS REVIEW AND OPERATION UPDATE**

### **Our Schools**

As at 31 December 2022, 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; 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 2022, Xinhua University had 10 subordinate colleges and 2 teaching departments, with a total of 57 undergraduate majors. It was newly approved to offer two undergraduate majors in financial technology and artificial intelligence, and started to offer two national-level first-class undergraduate majors in economics and finance, and software engineering, and established two organizations for the development of provincial-level first-class undergraduate majors in English and automation. In addition, Xinhua University also provided continuing education programs for social students. In 2022, the number of awards won by teachers and students hit a record high, with 770 awards won in provincial-level and above discipline competitions, and a year-on-year increase of 64% in the number of awards won in Class A competitions.

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

China attaches great importance to medical education, and emphasizes the new medical construction as the starting point, and categorizes and nurtures research, inter-disciplinary and application-oriented talents, so as to nurture 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 14 undergraduate majors, while its major offerings focus on clinical medicine. During the 2022, three new undergraduate majors including preventive medicine major, intelligent medical engineering and biomedical data science were added.

The number of student enrollment reached 5,993 as at 31 December 2022, representing a year-on-year increase of 40.65%. Since our operation, students have had a strong desire to apply for admission to the School of Clinical Medicine, and the student yield of the School of Clinical Medicine has ranked among the top schools of similar type in Anhui Province for consecutive years. The School of Clinical Medicine was recognized as a provincial-level general practice teaching demonstration base and a provincial-level industrial college, with the number of teaching and research projects doubling as compared with the same period of the previous year.

The conversion is progressing efficiently. The main construction of Phase I of the new campus project was completed and has been officially put into operation in the 2021/2022 school year and satisfied the relevant requirements on the conversion to independent colleges. The Phase II of the project will be built gradually with the increase of student size.

### ***Hongshan College***

Hongshan College is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers 15 undergraduate majors, while its major offerings focus on economic management, with literature and law characteristics.

The conversion work progressed in an orderly manner, and the conversion conditions were constantly improved according to the conversion requirements. The works of phase I new campus construction were completed. The relocation of the school is progressing steadily. The new campus will welcome its first students in September 2023.

### ***Xinhua School***

As a secondary vocational school, Xinhua School, which was awarded 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. As at 31 December 2022, the graduates admission rate of school have hit record high in nearly five years.

## Student Enrollment

	As at 31 December 2022	As at 31 December 2021
<b>Xinhua University</b>		
Full-time student enrollment	24,095	24,461
Continuing education	15,888	11,397
Subtotal	<u>39,983</u>	<u>35,858</u>
<b>School of Clinical Medicine<sup>(1)</sup></b>		
Full-time student enrollment	<u>5,993</u>	<u>4,261</u>
<b>Hongshan College<sup>(1)</sup></b>		
Full-time student enrollment	<u>9,826</u>	<u>10,219</u>
<b>Xinhua School</b>		
Full-time student enrollment	<u>4,708</u>	<u>6,180</u>
<b>Total number of full-time students</b>	<b>44,622</b>	45,121
<b>Total number of students enrolled</b>	<b><u>60,510</u></b>	<b><u>56,518</u></b>

*Note:*

- (1) The conversion of the School of Clinical Medicine and Hongshan College is subject to approval by the relevant authorities. Accordingly, as of the date of this announcement, the two schools are not consolidated subsidiaries of the Group. Upon completion of the transfer, the operating results of the two schools will be integrated into the Group.

## OPERATION UPDATE AND HIGHLIGHTS

Guided by the high-quality development strategy, the Group continuously increased investment in running schools around social development requirements, improved connotation development and provided better educational resources for teachers and students, so as to provide a satisfactory education for the people.

- Significant achievements were made in major and program construction conducted in line with the needs of emerging industries.** The Group optimized and adjusted the structure of majors, around the development needs of emerging industries and the transformation and upgrading of traditional industries. During the year, colleges and universities of the Group started to offer undergraduate majors such as financial technology, artificial intelligence, preventive healthcare, intelligent medical engineering and biomedical data science, including a total of 4 national-level first-class undergraduate majors and 14 provincial-level first-class undergraduate majors. Among them, the School of Clinical Medicine further enriched the types of majors and added a new five-year undergraduate program in preventive healthcare to continuously meet students' willingness to apply for admission to the school. The Group actively carried out curriculum construction, implemented the "golden courses" training plan, and continuously created high-quality courses. Eleven courses of Xinhua University were included in the "Smart Education of China Higher Education" platform, and one course of the School of Clinical Medicine was included in the 2022 Hongzhi Zhuxing Program of the Ministry of Education.

2. **Strengthening the introduction and nurturing of talents to build a high-level teaching team.** The Group continuously introduced doctors, and talents with an associate senior title and above, and increased the proportion of teachers with high academic qualifications and high professional titles, to further optimize the structure of the teacher team. The Group introduced experts and highly skilled talents from enterprises in the industry to further reinforce the team of “dual-certificate” teachers, thus providing excellent teachers for the nurturing of applied talents. The Group strengthened personnel training and carried out 680 training sessions by levels and categories. The Group increased intellectual output by dispatching 116 outstanding teachers to the expert pool and think tank of government departments, industries and enterprises.
3. **Deepening exchanges and cooperation to effectively give play to the collaborative education effect.** The Group actively promoted school-enterprise and school-local government cooperation. Xinhua University has built several practical education bases and rural revitalization colleges. The School of Clinical Medicine was recognized as a provincial-level general practice teaching demonstration base, and the College of Geriatric Nursing Industry was recognized as a provincial-level industrial college. The Group deepened international exchanges and cooperation. The Group’s colleges and universities carried out educational cooperation with universities including The Ider University in Mongolia and Chiang Rai Rajabhat University in Thailand. The Group created an international exchange cloud platform and introduced curriculum resources from famous universities such as Harvard University and the University of Oxford.
4. **Increasing investment to take modern campuses to a new level.** The Group invested a lot of funds to purchase first-class teaching facilities and equipment and built or rebuilt 80 experimental training centers and 3 academic report centers to provide high-quality teaching resources and environment. The Group strengthened the information-based construction of campuses, further upgraded the servers of data centers, enabled the function of early warning, review and handling of student status, realized the sharing of data of the teaching system, student management system, financial system and other platforms, thus laying the foundation for promoting the digital construction of education. Specifically, the School of Clinical Medicine newly built laboratory training rooms for medical testing and rehabilitation, as well as one student apartment building were put into use, and the running conditions were continuously optimized. Gaochun Campus of Hongshan College with complete facilities, sound functions and superior conditions is about to be put into operation.
5. **Strengthening the service ability to further highlight the social value.** The Group attached great importance to the construction of the ability of colleges and universities to serve society and actively achieved social value. The Group carried out special activities including “visit enterprises, increase jobs and promote employment”, thus helping provide more than 10,000 jobs. Xinhua University was awarded the title of organization with outstanding performance in the employment of college graduates in Anhui Province in 2022. The School of Clinical Medicine ranked second among medical colleges in Anhui Province in terms of the employment rate of graduates in 2022. The Group strengthened social volunteer services. Four practice teams for “promotion of culture, technology and health knowledge in rural areas” were awarded the title of national-level excellent team, and two volunteer service projects won provincial awards. The Group actively responded to the national call and carried out continuing education and training projects to provide vocational skills training for farmers, ex-soldiers and grass-roots cadres, so as to support rural revitalization. Relying on the advantages of the school’s scientific research and faculty, Xinhua University has established a training institute to undertake various training service projects entrusted by local governments and industry enterprises, and has obtained more than RMB6 million of project funds in 2022.

## **FUTURE PROSPECTS**

### **I. Grasping the favorable policies and serving the construction of an education power**

On 14 December 2022, the Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035) proposed that “entities should be encouraged to provide diversified educational services, and the development of private education should be supported and standardized.” On 16 December 2022, the Central Economic Work Conference emphasized “supporting and guiding entities to increase diversified supply and continuously improve people’s livelihood and well-being.” Under favorable policy guidance, the Group will continue to strengthen connotation construction, and make continuous efforts in terms of personnel training, scientific research, social services, cultural inheritance and innovation, and international exchanges and cooperation, so as to make contributions to the modernization of education and the construction of an education power.

### **II. Persisting in fostering character and civic virtue and providing satisfactory education for the people.**

In the face of a new situation and new requirements of the development of higher education, the Group has always kept in mind the mission of “educating people for the Party and the Country”, implemented the fundamental task of fostering character and civic virtue, actively practiced the applied talent nurturing philosophy of “orientation towards students and output, and continuous improvement”, and guided students to play an active role in serving others and contributing to society, so as to nurture high-quality applied talents with a solid foundation, strong practical ability, international vision, innovative spirit, development potential and a sense of social responsibility.

### **III. Developing school-running characteristics and sticking to the road of high-quality development**

The Group will adhere to the philosophy of classified characteristic development, and continuously develop school-running characteristics and advantages in consideration of the orientation and development of various colleges. In line with the development needs of emerging industries, the Group will strengthen the construction of disciplines and majors, promote the development of professional clusters with advantages and characteristics, further facilitate the construction of “golden courses”, actively create “first-rate classrooms” and carry out high-quality education and teaching. The Group will continue to increase the introduction and training of teachers, gather more famous teachers, and promote the circulation and sharing of teachers, so as to continuously build a high-quality teaching team. Based on the needs of the times and social development, the Group will nurture more high-quality applied talents through the construction of “new engineering, new medicine, new agricultural science and new liberal arts” and the construction of modern industrial colleges.

## FINANCIAL REVIEW

### Revenue

The Group's revenue consists of the tuition fees and boarding fees received from its students.

The Group's revenue increased by 10.6% from RMB565.4 million for the year ended 31 December 2021 to RMB625.5 million for the year ended 31 December 2022. This increase was primarily due to the increase in the Group's 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	625,476	565,386
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	<u>234,622</u>	<u>208,660</u>
Adjusted revenue	<u><u>860,098</u></u>	<u><u>774,046</u></u>

### Other Income

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

Other income decreased by 36.4% from RMB83.0 million for the year ended 31 December 2021 to RMB52.8 million for the year ended 31 December 2022, primarily due to the increase in costs of Hongshan College.

### 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 31.5% from RMB195.3 million for the year ended 31 December 2021 to RMB256.8 million for the Reporting Period, mainly due to the continuous increase in teaching investment.

## **Gross Profit**

Our gross profit decreased by 0.4% from RMB370.1 million for the year ended 31 December 2021 to RMB368.7 million for the year ended 31 December 2022, primarily due to the increase in cost of sales.

## **Selling and Distribution Costs**

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

Selling and distribution costs decreased by 44.8% from RMB14.3 million for the year ended 31 December 2021 to RMB7.9 million for the Reporting Period, primarily due to the reduction of many admissions activities under COVID-19 control measures in 2022.

## **Administrative Expenses**

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

Administrative expenses increased by 147.1% from RMB64.1 million for the year ended 31 December 2021 to RMB158.4 million for the Reporting Period, mainly due to the increase in foreign exchange loss.

## **Finance Costs**

Finance costs primarily consist of interest expenses on bank loans and borrowings.

The finance costs incurred for the Reporting Period amounted to approximately RMB15.8 million (31 December 2021: RMB17.4 million), mainly due to the decrease in the interest rate during the Reporting Period compared with the same period last year.

## **Profit before Taxation**

The Group's profit before taxation recognized for the Reporting Period was RMB239.4 million, as compared with RMB357.3 million for the year ended 31 December 2021, representing a year-on-year decrease of 33.0% which was primarily due to the increase of foreign exchange loss.

## **Income Tax**

The Group's income tax increased by 34.5% from RMB2.9 million for the year ended 31 December 2021 to RMB3.9 million for the Reporting Period, 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 RMB235.5 million for the Reporting Period, representing an decrease of 33.6% as compared with RMB354.5 million for the year ended 31 December 2021.

## 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:

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Profit for the year	<b>235,511</b>	354,482
Add:		
Foreign exchange loss/(gain)	<b>89,669</b>	(24,438)
Share-based payment expenses	<b>5,608</b>	11,349
Adjusted net profit	<b><u>330,788</u></b>	<b><u>341,393</u></b>

Foreign exchange gain or loss arises from intra-group fundings with different functional currencies. According to IFRS, a similar amount of exchange gain or loss and other comprehensive income arises simultaneously as a result of change in the exchange rate.

## Working Capital and Source of Capital

The Group's cash is mainly used to satisfy the needs of working capital and purchase of property, plant and equipment. During the Reporting Period, the Group has funded for operations primarily with cash and cash equivalents generated from operations. As at 31 December 2022, the Group recorded cash and cash equivalents of RMB502.1 million (31 December 2021: RMB645.9 million).

## Net Current Assets

As at 31 December 2022, the Group recorded net current assets of RMB26.5 million representing an decrease of 98.6% as compared with the RMB1,848.7 million as at 31 December 2021, which was primarily attributable to a reclassification of other receivables to other non-current assets.

## Capital Expenditures

Capital expenditures consist of purchase or construction cost of property and equipment, prepayment of land lease outlay and other intangible assets. During the Reporting Period, the Group's capital expenditures were RMB436.7 million (for the year ended 31 December 2021: RMB997.7 million). The Group's capital expenditures were primarily related to the construction of buildings and school facilities and the purchase of equipment and software.

## 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 RMB212.9 million as at 31 December 2022 (31 December 2021: RMB263.0 million).

## **Contingent Liabilities and Guarantees**

As at 31 December 2022, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

## **Gearing Ratio**

The gearing ratio of the Group, which was calculated as total liabilities divided by total assets, was 22.8% as at 31 December 2022, no significant difference from last year.

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

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

## **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

Save as disclosed herein, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

## **Significant Investments Held by the Group**

Save as disclosed herein, there was no significant investment held by the Group for the Reporting Period.

## **Foreign Exchange Risk Management**

The Group's presentation currency is RMB. Most revenues and expenditures of the Group are denominated in RMB. As at 31 December 2022, balances of several banks were denominated in USD or HKD. So far, the Group has not entered into any financial instruments used for hedging purpose. 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 2022, no assets of the Group were pledged.

## **Human Resources**

As at 31 December 2022, the Group has approximately 2,297 employees (31 December 2021: 1,995). In accordance with the relevant laws and regulations in the PRC, the Group has participated in 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 2022, the Group has not conducted any off-balance sheet transaction.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as described below, there was no event occurred subsequent to 31 December 2022 and up to the date of this announcement that would cause material impact on the Group.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Friday, 16 June 2023 and a notice convening the AGM will be published and despatched to the Shareholders on or before 30 April 2023.

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK6.56 cents per share (equivalent to approximately RMB5.86 cents per share) for the Reporting Period (2021: HK10.78 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 Friday, 7 July 2023 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023.

## **CLOSURE OF THE REGISTER OF MEMBERS**

### **For Determining the Eligibility to Attend and Vote at the AGM**

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive, in order to determine the identity of the Shareholders who are eligible to attend and vote at the AGM to be held on Friday, 16 June 2023, 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 Monday, 12 June 2023.

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

The register of members of the Company will be closed from Friday, 23 June 2023 to Tuesday, 27 June 2023, 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 Wednesday, 21 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

## **SCOPE OF WORK OF THE AUDITORS**

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

## **REVIEW OF ANNUAL RESULTS**

The Group's annual results for the Reporting Period have been reviewed by the Audit Committee and discussed with the management of the Company. The Audit Committee considered that the Group's annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the Reporting Period. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board to optimize return for the Shareholders.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the Reporting Period.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaxhedu.com](http://www.chinaxhedu.com)). The annual report of the Company for the Reporting Period will be dispatched to the Shareholders and made available on the above websites on or before 30 April 2023.

## DEFINITION

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held on 16 June 2023
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“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 announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China Xinhua Education Group Limited (中國新華教育集團有限公司), 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)
“COVID-19”	2019 novel coronavirus disease, being a disease caused by a new strain of coronavirus
“Director(s)”	the director(s) of the Company
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Model Code”	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanjing University of Finance & Economics”	Nanjing University of Finance and Economics* (南京財經大學)
“Reporting Period”	the year ended 31 December 2022
“RMB”	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 of the Company dated 14 March 2018
“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
“Shareholders”	holder(s) of the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Xinhua Group”	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 School”	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from Department of Education of Anhui Province* (安徽省教育廳) 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
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	per cent

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

Hong Kong, 28 March 2023

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

*\* 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.*