

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

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 02779



**2022**  
ANNUAL | 年  
REPORT | 報

# CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
DIRECTORS AND SENIOR MANAGEMENT	17
REPORT OF THE DIRECTORS	24
CORPORATE GOVERNANCE REPORT	57
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	72
INDEPENDENT AUDITOR'S REPORT	99
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	106
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	108
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	110
CONSOLIDATED CASH FLOW STATEMENT	111
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	112
FINANCIAL HIGHLIGHTS	159
DEFINITION	160



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-executive Director

Mr. Wu Junbao (吳俊保) (*Chairman*)

### Executive Directors

Mr. Zhang Ming (張明)

Mr. Lu Zhen (陸真)

Mr. Wang Yongkai (王永凱)

### Independent Non-executive Directors

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

Mr. Yao Heping (姚和平) (appointed on 17 November 2022)

Mr. Chau Kwok Keung (鄒國強) (resigned on 17 November 2022)

## AUDIT COMMITTEE

Mr. Yao Heping (姚和平) (*Chairman*)

(appointed on 17 November 2022)

Mr. Wu Junbao (吳俊保)

Mr. Jiang Min (蔣敏)

Mr. Chau Kwok Keung (鄒國強)

(resigned on 17 November 2022)

## REMUNERATION COMMITTEE

Mr. Jiang Min (蔣敏) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Yang Zhanjun

## NOMINATION COMMITTEE

Mr. Wu Junbao (吳俊保) (*Chairman*)

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

## COMPANY SECRETARY

Ms. Yu Anne (余安妮) (appointed on 30 August 2022)

Mr. Wong Yu Kit (黃儒傑) (resigned on 30 August 2022)

## AUTHORISED REPRESENTATIVES

Mr. Wang Yongkai (王永凱)

Ms. Yu Anne (余安妮) (appointed on 30 August 2022)

Mr. Wong Yu Kit (黃儒傑) (resigned on 30 August 2022)

## REGISTERED OFFICE

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 555 Wangjiangxi Road

Heifei City, Anhui Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wan Chai

Hong Kong

## LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

Suites 1902-09, 19th Floor

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

## AUDITORS

KPMG

*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

Grand Cayman, KY1-1111

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China

Hefei Science and Technology Rural Commercial Bank

Huishang Bank

Hangzhou Bank

Industrial and Commercial Bank of China

## COMPANY WEBSITE

<http://www.chinaxhedu.com>

## STOCK CODE

02779

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Xinhua Education Group Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2022.

## OVERVIEW OF THE GROUP

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta, as measured by the number of full-time student enrollment of the higher education programs. As of 31 December 2022, the Group invested in and operated four educational 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.

The educational mission of the Group is "Rejuvenating the Country and Serving the People through Xinhua Education" (新華教育，興國為民). We are committed to providing applied science education to students and seeks to cultivate high quality talents with applicable skills, potential for future development and an ability and willingness to keep learning.

## REVIEW OF RESULTS

The total students enrolled in the schools we operated increased from 56,518 as of 31 December 2021 to 60,510 as of 31 December 2022. The revenue of the Group has increased from RMB565.4 million for the year ended 31 December 2021 to RMB625.5 million for the year ended 31 December 2022. For the connotation construction, we have also achieved good results, and the colleges and universities of the Group have improved in terms of majors construction, teaching team, education and teaching.

## FUTURE PROSPECTS

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

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

**Wu Junbao**

*Chairman*

28 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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

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

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 annual report, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

- 1. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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:

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

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.

## FINANCIAL AND LIQUIDITY POSITION

### Current Assets and Current Liabilities

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
<b>CURRENT ASSETS</b>		
Trade receivables	2,639	2,606
Prepayments, deposits and other receivables	213,229	1,860,376
Cash and bank balances	322,068	475,892
<b>TOTAL CURRENT ASSETS</b>	<b>537,936</b>	2,338,874
<b>CURRENT LIABILITIES</b>		
Loans and borrowings	50,020	50,020
Contract liabilities	329,549	308,549
Other payables	128,517	126,260
Current taxation	3,327	5,326
<b>TOTAL CURRENT LIABILITIES</b>	<b>511,423</b>	490,155
<b>NET CURRENT ASSETS</b>	<b>26,513</b>	1,848,719

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade Receivables

Our trade receivables as at 31 December 2022 were RMB2.6 million. The following table sets forth the aging analysis of our trade receivables based on the transaction date as at the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	2,639	2,606
	<b>2,639</b>	2,606

Trade receivables remained stable as RMB2.6 million as at 31 December 2022, compared to RMB2.6 million as at 31 December 2021.

### Prepayments, Deposits and Other Receivables

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments and deposits	205,089	204,977
Other receivables	8,140	1,655,399
	<b>213,229</b>	1,860,376

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

### Contract Liabilities

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Tuition fees	296,718	274,694
Boarding fees	32,831	33,855
	<b>329,549</b>	308,549

Contract liabilities increased by 6.8% from RMB308.5 million in 2021 to RMB329.5 million in 2022, attributable to increased tuition fees and boarding fees we received for the 2022/2023 school year.

### Other Payables

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

	As at	As at
	31 December 2022 RMB'000	31 December 2021 RMB'000
Miscellaneous expenses received from students	16,491	20,303
Accrued expenses	8,175	6,486
Payable to suppliers	68,103	68,616
Accrued staff costs	27,421	26,835
Interest payable	7,567	2,456
Others	760	1,564
<b>Total</b>	<b>128,517</b>	126,260

Our other payables increased by 1.7% from RMB126.3 million in 2021 to RMB128.5 million in 2022 primarily, with no significant change compared to the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### CAPITAL COMMITMENTS

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

	<b>As at 31 December 2022 RMB' 000</b>	As at 31 December 2021 RMB' 000
Authorized but not contracted for	<b>600,367</b>	662,693

### INDEBTEDNESS AND CONTINGENT LIABILITIES

#### Bank Loans and Other Borrowings

Bank loans and other borrowings of the Group were mainly working capital loans and specific loans. The bank loans of the Group amounted to 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.

### KEY FINANCIAL RATIOS

	<b>As at/for the year ended 31 December</b>	
	<b>2022</b>	2021
Current ratio <sup>(1)</sup>	<b>1.1</b>	4.8
Return on equity <sup>(2)</sup>	<b>7.5%</b>	12.0%
Return on assets <sup>(3)</sup>	<b>5.8%</b>	9.4%

*Notes:*

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

### Current Ratio

Our current ratio decreased from 4.8 as at 31 December 2021 to 1.1 as at 31 December 2022, which was primarily attributable to a reclassification of other receivables from current assets to other non-current assets.

### Return on Assets and Return on Equity

Our return on assets ratio was 5.8% as at 31 December 2022, and return on equity ratio was 7.5% as at 31 December 2022. Both of the return ratios as at 31 December 2022 were lower than the return ratios as at 31 December 2021 primarily due to the decrease in our profit for the year.

### 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 annual report.

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **EVENTS AFTER THE REPORTING PERIOD**

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

# DIRECTORS AND SENIOR MANAGEMENT

## BOARD OF DIRECTORS

### Chairman and non-executive Director

**Mr. Wu Junbao (吳俊保)**, aged 57, the founder of the Group, was appointed as the chairman and a non-executive Director of the Company on 27 October 2017.

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

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

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

### Executive Directors

**Mr. Zhang Ming (張明)**, aged 45, joined the Group in April 2018 and was appointed as an executive Director on 31 October 2018.

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

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

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

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lu Zhen (陸真)**, aged 47, joined the Group in October 2014 and was appointed as an executive Director of the Company on 27 October 2017.

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

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

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

**Mr. Wang Yongkai (王永凱)**, aged 65, joined the Group in March 2003 and was appointed as an executive Director of the Company on 27 October 2017.

Mr. Wang has more than 18 years of experience in education and financial matters. The following table shows the key working experience of Mr. Wang:

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

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

### Independent non-executive Directors

**Mr. Jiang Min (蔣敏)**, aged 58, was appointed as an independent non-executive Director of the Company on 30 September 2019. Mr. Jiang has nearly 30 years of experiences in legal practices. Mr. Jiang graduated from Anhui University\* (安徽大學) in July 1987 and July 1990 with a bachelor's degree and a master's degree in law, respectively. Mr. Jiang received his lawyer qualification certificate (律師資格證書) from Ministry of Justice of the PRC in March 1989.

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

Period	Company	Position
September 1990 to December 1995	Anhui Jingji Law Offices* (安徽省經濟律師事務所)	Attorney
January 1996 to present	Anhui Tianhe Law Offices* (安徽天禾律師事務所)	Partner
May 2002 to present	All China Lawyers Association* (中華全國律師協會)	Executive director and vice president
April 2005 to December 2021	Anhui Lawyers Association* (安徽省律師協會)	President and honorary president
May 2012 to June 2016	Fourth and Fifth Merger and Acquisition Audit Committee of listed companies of China Securities Regulatory Commission	Member

## DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position
May 2016 to May 2022	Shandong Pharmaceutical Glass Co., Ltd.* (山東省藥用玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600529)	Independent non-executive director
January 2019 to January 2022	Keda Intelligent Technology Co., Ltd.* (科大智能科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 300222)	Independent non-executive director
May 2019 to present	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601298) and the Stock Exchange (stock code: 06198)	Independent non-executive director
June 2014 to June 2020	Tsingtao Brewery Co., Ltd.* (青島啤酒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600600) and the Stock Exchange (stock code: 00168)	Independent non-executive director
December 2016 to May 2020	Sunshine Power Co., Ltd.* (陽光電源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300274)	Independent non-executive director

**Mr. Yang Zhanjun**, aged 53, was appointed as an independent non-executive Director of the Company on 27 October 2017.

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

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

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

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yao Heping (姚和平)**, aged 60, was appointed as an independent non-executive Director of the Company on 17 November 2022.

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

Period	Company	Position
April 1995 to present	Anhui ANLI Material Technology Co., Ltd. (安徽安利材料科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300218)	Deputy general manager/general manager/ chairman of the board

Mr. Yao obtained a bachelor degree in Agricultural Mechanization (農業機械化) from Anhui Agricultural University (安徽農業大學). He graduated from Party School of Anhui Provincial Committee of C.P.C. (中共安徽省委黨校) with a major in law and obtained a postgraduate degree. He is a senior economist\* (高級經濟師) and a State Council Special Allowance Expert\* (享受國務院特殊津貼專家). Mr. Yao is a certified public accountant and a senior member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Yao was awarded the honorary titles of National Model Worker, Outstanding Entrepreneur of Anhui Province and Technical Leader of Anhui Province. He currently serves as a deputy to the People's Congress of Anhui Province, a member of the Finance and Economics Committee of the People's Congress of Anhui Province, and the vice-chairman of the Federation of Industry and Commerce of Anhui Province.

### SENIOR MANAGEMENT

**Mr. Huang Yuan (黃源)**, aged 59, joined the Group in January 2015. Mr. Huang has been the vice president of the Xinhua Group since January 2015, and the chairman of the board of supervisors of Xinhua University since March 2015.

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

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

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

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ni Zheng (倪徵)**, aged 46, joined the Group in December 2012 and was appointed as the chief officer of international operations on 31 October 2017.

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

<b>Period</b>	<b>Company</b>	<b>Position</b>
December 2012 to April 2016 and July 2017 to September 2018	Xinhua University	Deputy principal
April 2016 to July 2017	Hefei Xinhua Experimental Middle School* (合肥新華實驗中學)	Chairman
August 2016 to January 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	General manager
January 2017 to July 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	Vice general manager, general manager of the business department No. 1 and the head of the branding operation department
July 2017 to August 2018	Xinhua Group	General manager of the investment department and the head of the education development department
August 2018 to August 2022	Xinhua Group	Investment director
August 2022 to present	Hongshan College	Executive dean

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

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Wang Jihong (王繼紅)** (also known as **Wang Ke (王可)**), aged 64, joined the Group in February 1998 and was appointed as the chief strategic officer of our Company on 31 October 2017.

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

<b>Period</b>	<b>Company</b>	<b>Position</b>
August 2002 to June 2004 and March 2005 to present	Xinhua School	Assistant to principal/deputy principal/principal/ council member
July 2004 to March 2005	Xinhua Group	Vice manager of human resource department
June 2014 to April 2016	Hefei Xinhua Experimental Middle School* (合肥新華實驗中學)	Principal/chairman
April 2016 to April 2018	Xinhua University	Deputy principal
April 2018 to August 2022	School of Clinical Medicine	Executive principal
August 2022 to present	Hongshan College	Executive dean

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

# REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## GLOBAL OFFERING

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

## PRINCIPAL ACTIVITIES

The Group is a leading private higher education provider in the Yangtze River Delta. Analysis of the principal activities of the Group during the year ended 31 December 2022 is set out in the note 1 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 December 2022 as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 16. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "EVENTS AFTER THE REPORTING PERIOD" on page 16.

## SUBSIDIARIES

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

## RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 106 of this annual report.

## DIVIDEND POLICY

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

## ANNUAL GENERAL MEETING

The AGM will be held on Friday, 16 June 2023 and a notice convening the AGM will be published and despatched to the Shareholders in due course.

### FINAL DIVIDEND

The Board recommended the payment of a final dividend of 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.

### PRINCIPAL RISK AND UNCERTAINTIES AND RISK MANAGEMENT

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

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

#### Credit Risk

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

## REPORT OF THE DIRECTORS

### Liquidity Risk

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

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

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

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

### ENVIRONMENT, HEALTH AND SAFETY

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

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

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

### FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 159 "Financial Highlights" of this annual report. This summary does not form part of the audited consolidated financial statements.

## USE OF NET PROCEEDS FROM LISTING

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

As at 31 December 2022, a total amount of HK\$1,239.8 million (equivalent to approximately RMB1,038.0 million) out of the net proceeds had been used by the Group according to the allocation set out in the Prospectus. The following sets forth a summary of the utilization of the net proceeds as at 31 December 2022:

Purpose	Percentage to total amount %	Net proceeds HK\$ (million)	Unutilized amount	Utilized amount	Unutilized amount
			(as at 31 December 2021) HK\$ (million)	during the Reporting Period HK\$ (million)	(as at 31 December 2022) HK\$ (million)
Acquire other schools to expand our school network, acquire undergraduate colleges that can grant bachelor’s degrees and entities that own educational assets or institutions	53.0%	657.1	141.2	141.2	0
Improve our school facilities and educational equipment	35.0%	433.9	0	0	-
Strengthen our market position and enhance our brand recognition	2.0%	24.8	13.3	13.3	0
Fund our working capital and general corporate purposes	10.0%	124.0	0	0	-
<b>Total</b>	<b>100.0%</b>	<b>1,239.8</b>	<b>154.5</b>	<b>154.5</b>	<b>0</b>

## MAJOR CUSTOMERS AND SUPPLIERS

The customers primarily consist of our students. For the year ended 31 December 2022, the Group’s five largest customers accounted for less than 30% of our revenue, and the Group did not have any single customer who accounted for more than 10% of our revenue.

The Group’s suppliers primarily consist of construction companies, textbook suppliers and utility suppliers. For the year ended 31 December 2022, purchases from the Group’s five largest suppliers amounted to approximately RMB37.4 million (2021: RMB35.5 million), accounting for approximately 23.5% (2021: 29.1%) of the total purchases for the Reporting Period. For the same period, purchases from the Group’s largest supplier amounted to approximately RMB10.6 million (2021: RMB10.0 million), accounting for approximately 6.7% (2021: 8.2%), of the total purchases for the relevant periods. None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, had any interest in any of the Group’s five largest suppliers or customers during the Reporting Period.

## REPORT OF THE DIRECTORS

### RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 11 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

### TAX RELIEF AND EXEMPTION

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

### RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 110 of this annual report and note 22 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2022 comprised the share premium and retained earnings of RMB642,592,000.

### BANK LOANS AND OTHER BORROWINGS

The bank loans of the Group amounted to RMB212.9 million as at 31 December 2022. Details of which were disclosed in note 19 to the consolidated financial statements.

### DIRECTORS

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

#### Non-executive Director:

Mr. Wu Junbao (*Chairman*)

#### Executive Directors:

Mr. Zhang Ming

Mr. Lu Zhen

Mr. Wang Yongkai

### **Independent Non-executive Directors:**

Mr. Jiang Min

Mr. Yang Zhanjun

Mr. Yao Heping (appointed on 17 November 2022)

Mr. Chau Kwok Keung (resigned on 17 November 2022)

In accordance to article 84(1) of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall be eligible for re-election. Accordingly, Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai will retired and shall be eligible for re-election in this AGM.

In accordance to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting after his appointment and shall be eligible for re-election. Accordingly, Mr. Yao Heping will retire and shall be eligible for re-election in this AGM.

In accordance to article 84(2), any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

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

### **BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Company are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT" on pages 17 to 23 of this annual report. None of the Directors and senior management have financial, business, family or other material/relevant relationships with each other.

### **CHANGE OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR AND THE CHAIRMAN OF AUDIT COMMITTEE**

Mr. Chau Kwok Keung has tendered his resignation as an independent non-executive Director and the chairman of Audit Committee of the Company with effect from 17 November 2022 due to his other personal engagement. Mr. Chau Kwok Keung has confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or Hong Kong Stock Exchange.

Mr. Yao Heping has been appointed as an independent non-executive Director and the chairman of Audit Committee of the Company by the Board to fill the casual vacancy upon the resignation of Mr. Chau Kwok Keung with effect from 17 November 2022. Please refer to the announcement of the Company dated 17 November 2022 for further details.

## REPORT OF THE DIRECTORS

### CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules throughout or since their appointment date up to the year ended 31 December 2022 and remain so as at the date of this annual report.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date or 30 September 2019 or 17 November 2022 (as applicable) and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

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

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

Save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, no Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2022 and up to the date of this annual report.

Apart from the contract relating to the reorganization of the Group in relation to the Listing and save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Controlling Shareholder or any of its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2022 and up to the date of this annual report.

No contract of significance for the provision of services to the Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2022 and up to the date of this annual report.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2022 and up to the date of this annual report.

## EMOLUMENT POLICY

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

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

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

## RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### (i) Long position in the Company

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company as at 31 December 2022
Mr. Wu Junbao <sup>(1)</sup>	Interest in a controlled corporation	1,154,452,879	71.77%

Note:

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

## REPORT OF THE DIRECTORS

### (ii) Long position in associated corporation

#### Xinhua Group

Name	Capacity/nature of interest	Amount of registered share capital	Approximate percentage of shareholding in the associated corporation as at 31 December 2022
Mr. Wu Junbao	Beneficial owner	RMB100,000,000	95.70%

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company as at 31 December 2022
WJB Company <sup>(1)</sup>	Beneficial owner	1,154,452,879	Long position	71.77%
Mr. Wu Junbao <sup>(1)</sup>	Interest in a controlled corporation	1,154,452,879	Long position	71.77%

Note:

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

Save as disclosed above, as at 31 December 2022, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **SHARE OPTION SCHEME**

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

Eligible persons include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee"); (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group Pursuant to the Chapter 17 of the Listing Rules as amended on 1 January 2023, the Company may continue to make grants to directors and employees of the Group under the Share Option Scheme until the refreshment or expiry of the existing scheme mandate, upon which the issuer would be required to amend the terms of the schemes to comply with the amended Main Board Chapter 17 and seek shareholders' approval for a new scheme mandate.; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, which is 160,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the over-allotment option granted by the Company, representing approximately 10% of the issued shares as at the Listing Date. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 160,000,000 Shares, representing approximately 9.95% of the total issued share capital of the Company.

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

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

## REPORT OF THE DIRECTORS

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 4 years and 11 months.

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

Category and name of participant	Date of grant	Vesting period and exercise period	Exercise price per Share	Outstanding	Granted	Exercised	Cancelled/	Outstanding
				as at 1 January 2022	during the Reporting Period	during the Reporting Period	Lapsed during the Reporting Period	as at 31 December 2022
Director								
Zhang Ming	30 April 2019	See Note (1)	HK\$2.69	15,000,000	-	-	-	15,000,000
Lu Zhen	15 July 2019	See Note (2)	HK\$2.82	6,000,000	-	-	-	6,000,000
Wang Yongkai	15 July 2019	See Note (2)	HK\$2.82	6,000,000	-	-	-	6,000,000
Employees	15 July 2019	See Note (3)	HK\$2.82	40,900,000	-	-	-	40,900,000
Total				67,900,000				67,900,000

Notes:

- (1) Share options granted shall vest in accordance with the timetable below, each with an exercise period commencing from the vesting date and ending on the expiration date of five years after the vesting date:

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

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

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

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

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

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

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

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

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

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

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

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Reporting Period are both 92,100,000.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" of this annual report and in the Prospectus, during the year ended 31 December 2022 and up to the date of this annual report, neither the Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### PRE-EMPTIVE RIGHTS

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

### DEED OF NON-COMPETITION

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

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

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

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

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

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

### DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

### (1) Structured Contracts II

#### A. Overview

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

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

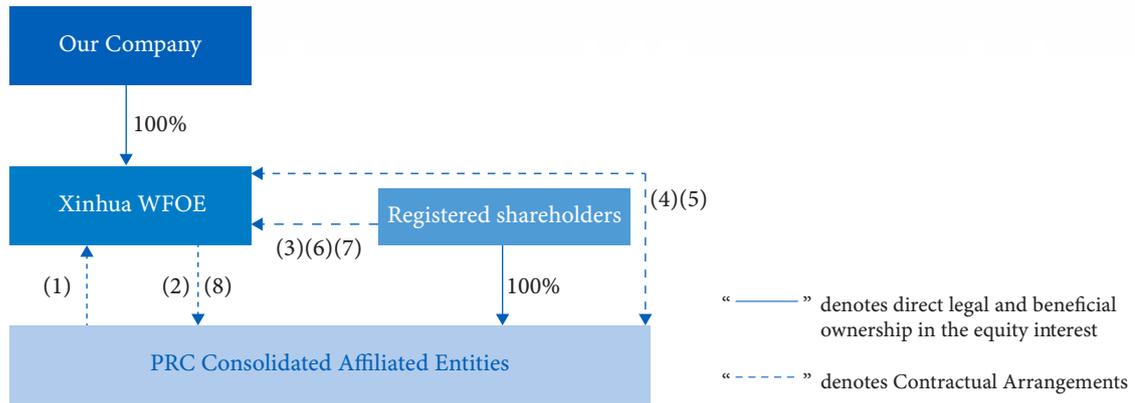
## REPORT OF THE DIRECTORS

Pursuant to relevant local government tax policy in Khorgos, Xinjiang, an enterprise established in Khorgos between 1 January 2010 and 31 December 2020 and falling within the scope of the Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development\* (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) is exempted from enterprise income tax entirely for five years beginning from the first year in which revenue from its principal business is earned and, after this initial period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. In light of this preferential tax policy, on 17 January 2018, Xinhua Xinjiang was established in Khorgos, Xinjiang, the PRC as a wholly foreign owned enterprise and was wholly owned by Xinhua HK. Xinhua Xinjiang is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsor and therefore falls within the scope of the aforesaid catalog. On 7 February 2018, Xinhua Xinjiang made a filing with the relevant local tax authorities in Khorgos for the preferential tax treatments, pursuant to which Xinhua Xinjiang is fully exempted from enterprise income tax from 1 January 2018 to 31 December 2022. See “Financial Information – Description of Major Components of the Combined Statements of Profit or Loss – Income Tax Expenses” in the Prospectus for details.

On 6 February 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of the PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by the PRC Consolidated Affiliated Entities to Xinhua Xinjiang. For the year ended 31 December 2022, the Board had reviewed the overall performance of the Structured Contracts II and believes that the Group had complied with the Structured Contracts II in all material respects.

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

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



Notes:

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

## REPORT OF THE DIRECTORS

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

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

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

#### *(1) Business Cooperation Agreement*

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

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

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

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

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

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

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

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

*(3) Exclusive Call Option Agreement*

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

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

## REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

(6) *Directors' Powers of Attorney*

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

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

(7) *Shareholders' Rights Entrustment Agreement*

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

## REPORT OF THE DIRECTORS

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

### (8) *Shareholders' Powers of Attorney*

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

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

### (9) *Spouse Undertakings*

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

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

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

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

*(10) Equity Pledge Agreement*

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

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

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

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

## REPORT OF THE DIRECTORS

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

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

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

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

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

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

*(11) Loan Agreement*

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

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

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

**C. Structured Contracts I and Structured Contracts II**

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

## REPORT OF THE DIRECTORS

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

### D. Business Activities of the PRC Consolidated Affiliated Entities

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

### E. Significance and financial contributions of PRC Operating Schools

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

	Significances and financial contribution to the Group					
	Revenue		Net profit		Total assets	
	For the year ended		For the year ended		As at 31 December	
	31 December		31 December		2022	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC Consolidated Affiliated Entities	<b>625,476</b>	565,386	<b>285,314</b>	329,281	<b>4,176,120</b>	3,860,951

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

	Revenue	Net profit
	For the year ended	As at
	31 December 2022	31 December 2022
PRC Consolidated Affiliated Entities	<b>100%</b>	<b>121.1%</b>

### F. Regulatory Framework

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

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

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

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

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

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

## REPORT OF THE DIRECTORS

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

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

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

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

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

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

### 2. *Plan to Comply with the Qualification Requirement*

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

We have adopted a specific plan and taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus, the annual report of the Company for the year ended 31 December 2021 and the interim report of the Company for the six months ended 30 June 2022 for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

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

## REPORT OF THE DIRECTORS

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

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

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

The “Law of the People’s Republic of China on Foreign Investment” (“Foreign Investment Law”) was passed and promulgated in the National People’s Congress, and became effective on 1 January 2020. As at the date of this report, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

## G. **Risks associated with the arrangements and the actions taken to mitigate the risks**

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

### 1. *Risks associated with the arrangements*

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

2. *Actions taken to mitigate the risks*

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

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

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

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

## REPORT OF THE DIRECTORS

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

### H. Material changes

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

### I. Unwinding of the Structured Contracts

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

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

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

### (2) Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts II on an annual basis to confirm that, during the relevant financial year:

- (i) the Structured Contracts II have been entered into in the ordinary and usual course of business of the Group;
- (ii) the Structured Contracts II are on normal commercial terms;
- (iii) the Structured Contracts II have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iv) the transactions carried out during the year ended 31 December 2022 have been entered into in accordance with the relevant provisions of the Structured Contracts II, and have been operated so that the profit generated by our PRC Consolidated Affiliated Entities has been substantially retained by our Group; and
- (v) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the holders of its School Sponsor’s interest which are not otherwise subsequently assigned or transferred to our Group;

### (3) Confirmation of auditors of the Company

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

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

The related party transactions with regard to the service fee and rental fee paid as set out in note 25(a) constitute fully exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES

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

During the Group's business operations, students and teachers are monitored by the internal guidelines for saving utilities such as turning off electrical appliances, air-conditioning, idle lightings and the water taps whenever it is likely to incur unnecessary waste of electricity and water resources. In addition, the Group has implemented and promoted the online and digital in-classrooms teaching methods at the classrooms which drastically reduce the possibility of paper waster. As at 31 December 2022, the Group has not been subject to any fines or regulatory or legal sanctions as a result of any non-compliance with the applicable PRC Environmental laws and regulations in any material aspects. Supported by the directors and senior management's long term strategy of sustainable development, the Group will continuously maintain its demanding standard for environmental protections and performance of its social responsibilities to the community. The Board has overall responsibility for the Group's environmental, social and governance (the "ESG") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. For more details, please refer to our ESG Report as contained in page 72 to 98 in this annual report.

### DONATIONS

During the Reporting Period, no charitable and other donations were made by the Group.

### SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

### COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2022 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY PROVISION

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

### IMPORTANT EVENTS SINCE THE YEAR END

The important events occurred since the year ended 31 December 2022 are disclosed in note 27 to the consolidated financial statements.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed and discussed with the management of the Company the Group's audited consolidated financial statements for the year ended 31 December 2022 and the proposed quotation of the auditors for the forthcoming year.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 57 to 71 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

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

### AUDITORS

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

### RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

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

On behalf of the Board

**Wu Junbao**

*Chairman*

28 March 2023

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2022.

## CORPORATE GOVERNANCE PRACTICES

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

## XINHUA'S CULTURE

The Company firmly believes that our purpose, values and strategies are aligned with our culture. We continue pursuing a culture which manifests our mission – "Unity, pragmatism, pioneering, dedication" and are constantly striving to achieve our vision of becoming a top university in China. We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency, and accountability, and earning the confidence of shareholders and the public.

The Board strives to adhere to the principles of good corporate governance and adopt sound corporate governance practices to promote such culture by focusing on areas such as internal control, fair disclosure, and accountability to all shareholders.

We remain steadfast in upholding our core values: Rejuvenating the Country and Serving the People through Xinhua Education. The Board strives to adhere to the principles of good corporate governance and adopt sound corporate governance practices to promote such culture by focusing on areas such as internal control, fair disclosure, and accountability to all shareholders.

## CORPORATE GOVERNANCE REPORT

### THE BOARD

#### Responsibilities

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

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

The Company has arranged appropriate liability insurance in respect of the liabilities for any legal action against the Directors during the course of performing their duties. The insurance coverage will be reviewed on an annual basis.

#### Board Composition

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

##### Non-executive Director:

Mr. Wu Junbao (*Chairman*)

##### Executive Directors:

Mr. Zhang Ming

Mr. Lu Zhen

Mr. Wang Yongkai

##### Independent Non-executive Directors:

Mr. Jiang Min

Mr. Yang Zhanjun

Mr. Yao Heping (appointed on 17 November 2022)

Mr. Chau Kwok Keung (resigned on 17 November 2022)

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

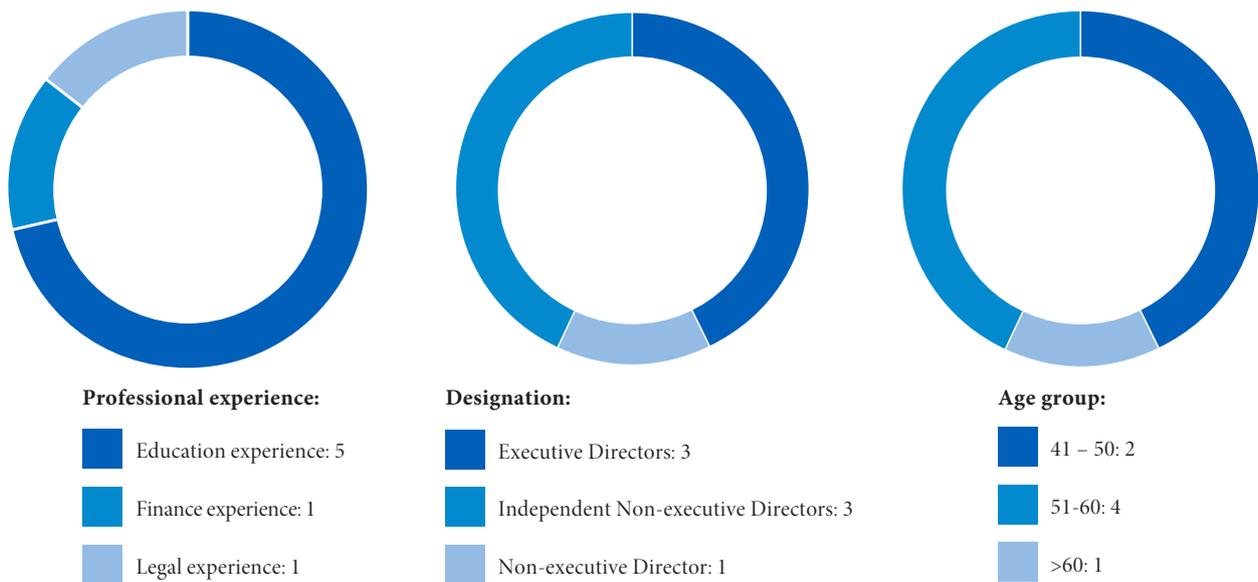
During the Reporting Period, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional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

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

**BOARD DIVERSITY POLICY**

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

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



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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

### Gender Diversity

The Board currently has no female Director in the Board. The Company will appoint at least one female Director by 31 December 2024 in compliance with the Listing Rules and we will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to shareholders' expectation and international and local recommended best practices. The Nomination Committee will use its best endeavors and on suitable basis, identify and recommend female candidates to our Board for its consideration on appointment of a Director as and when appropriate with the goal to maintain at least one female Director in our Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment.

We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future. As at December 31, 2022, the gender ratio in our workforce for male and female employees were 35% and 65%, respectively.

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

### Induction and Continuous Professional Development

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

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

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

Name of Directors	Nature of continuous professional development programmes <sup>(1)</sup>
<i>Executive Directors</i>	
Mr. Zhang Ming	√
Mr. Lu Zhen	√
Mr. Wang Yongkai	√
<i>Non-Executive Director</i>	
Mr. Wu Junbao ( <i>Chairman</i> )	√
<i>Independent Non-Executive Directors</i>	
Mr. Jiang Min	√
Mr. Yang Zhanjun	√
Mr. Yao Heping (appointed on 17 November 2022)	√
Mr. Chau Kwok Keung (resigned on 17 November 2022)	√

*Note:*

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

## CORPORATE GOVERNANCE REPORT

### Chairman and Chief Executive

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

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

### Appointment and Re-election of Directors

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

Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date or 30 September 2019 or 17 November 2022 (as applicable) and will continue thereafter until terminated by not less than three months' notice in writing by served by either party on the other, which notice shall not expire until the end of the fixed term.

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

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

Pursuant to article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The re-appointment of an independent non-executive Director (e.g. an independent non-executive Director who has served for more than nine years) at annual general meeting of the Company shall be subject to any other requirements that may be required by the Listing Rules from time to time.

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

### Board Meetings

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

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

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

During the year ended 31 December 2022, four Board meetings and one general meeting were held and the attendance of each Director at the Board meetings is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend the Board meeting(s)</b>	<b>Attended/Eligible to attend the general meeting(s)</b>
Mr. Wu Junbao	4/4	1/1
Mr. Zhang Ming	4/4	1/1
Mr. Lu Zhen	4/4	1/1
Mr. Wang Yongkai	4/4	1/1
Mr. Jiang Min	4/4	1/1
Mr. Yang Zhanjun	4/4	1/1
Mr. Chau Kwok Keung (resigned on 17 November 2022)	3/3	1/1
Mr. Yao Heping (appointed on 17 November 2022)	1/1	0/0

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

## CORPORATE GOVERNANCE REPORT

### Model Code for Securities Transactions

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

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

### Delegation by the Board

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

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

### Corporate Governance Function

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

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

### Board Independence

The Company has put in place mechanisms to ensure independent views and input are available to the Board, including but not limited to the following:

**Board meetings:** Independent non-executive Directors participate in the Board and/or Board Committee meetings (including Audit Committee, Remuneration Committee, and Nomination Committee) to bring independent views, advice and judgment on important issues relating to the Company (including strategy, policy, performance, accountability, resources, key appointments and standards of conduct), and take the lead on matters where potential conflicts of interests arise.

**No equity-based remuneration for independent non-executive Directors with performance-related elements:** Independent non-executive Directors receive remuneration for their role as member of the Board and Board Committees to attract and retain them to devote time and energy to the Company. Generally, no equity-based remuneration (e.g. share options) is granted to independent non-executive Directors with performance-related elements, and they are not entitled to participate in any share option schemes and share award schemes (if any), to avoid leading to bias in their decision-making and compromise their objectivity and independence.

**Annual review of independent non-executive Directors' commitment and independence.** Independent non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration.

**Professional advice.** All Directors are entitled to seek advice from independent professional advisers at the Company's expenses and are encouraged to access and to consult with the Company's senior management independently.

The Board has reviewed the implementation and effectiveness of the above mechanisms on an annual basis and is of the view that such mechanisms were effective during the year ended 31 December 2022.

### Nomination Policy

In order to nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election at general meeting(s), the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director within the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference:

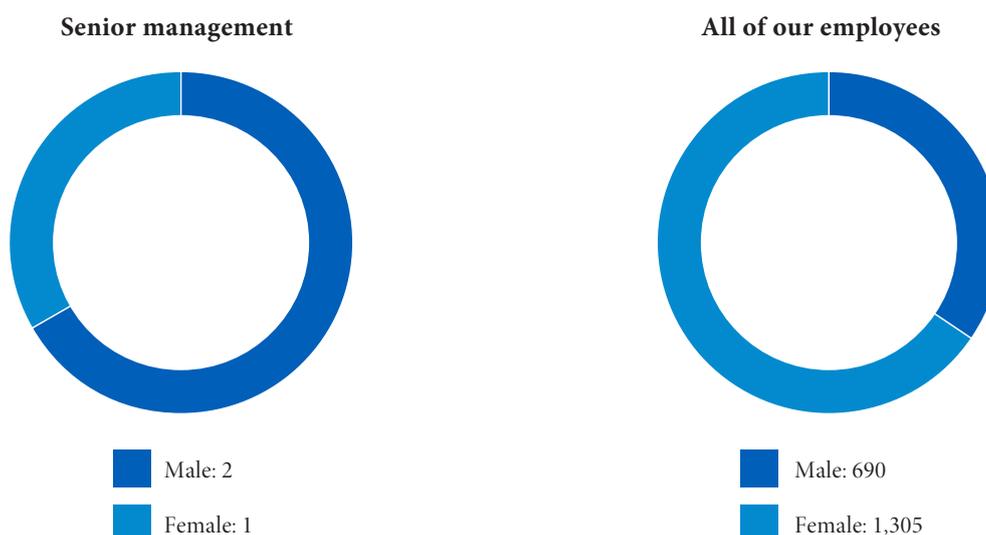
- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

## CORPORATE GOVERNANCE REPORT

### SENIOR MANAGEMENT

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

Our diversity philosophy is followed throughout the group. Gender diversity of the senior management and our total workforce as at 31 December 2022 is set out below:



### BOARD COMMITTEES

#### Audit Committee

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

The principal duties of the Audit Committee include the following:

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

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

During the year ended 31 December 2022, two meetings were held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

<b>Name of the Directors</b>	<b>Attendance/Number of committee meeting(s)</b>
Mr. Chau Kwok Keung (Chairman) (resigned on 17 November 2022)	1/1
Mr. Yao Heping (Chairman) (appointed on 17 November 2022)	1/1
Mr. Wu Junbao	2/2
Mr. Jiang Min	2/2

The Group's unaudited financial results for the six months ended 30 June 2022 and the audited annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control and internal audit function of the Group and oversaw the risk management and internal control systems of the Group during the year of 2022.

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

### **Nomination Committee**

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

The principal duties of the Nomination Committee include the following:

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

The Nomination Committee will identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships by considering factors including integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. And the Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account our Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

## CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2022, one meeting was held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

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

During the Reporting Period, the Nomination Committee (1) reviewed the structure, size and composition of the Board and discussed the policy for the nomination of directors, which includes the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, (2) reviewed and recommended to the Board for approval the proposed appointment of Mr. Yao Heping as independent non-executive Director.

### Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
3. to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and
9. to review and approve material matters relating to share schemes under Chapter 17 of the Listing Rules .

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

During the year ended 31 December 2022, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

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

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

No material matters relating to Share Option Scheme were reviewed and/or approved by the Remuneration Committee during the Reporting Period.

#### **Remuneration of Directors and Senior Management**

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT" on pages 17 to 23 of this annual report, for the year ended 31 December 2022 are set out below:

<b>Remuneration band</b>	<b>Number of individual</b>
NIL – HK\$1,000,000	8

#### **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 99 and 158 of this annual report.

#### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

## CORPORATE GOVERNANCE REPORT

The Board conducted review of the effectiveness of the risk management and internal control system of the Group during the Reporting Period and noted that the Company has established a risk management and internal control department and each of the schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures to identify and manage potential risks (including ESG risks), and to safeguard assets of our Group. Our Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. In order to comply with the relevant requirements under the CG Code in relation to the risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls. In addition, the Company has adopted a set of internal rules and policies governing the conduct of the employees, including teachers and personnel performing other functions, and also set up a monitoring system to implement anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of our Company are promptly assessed and that any material information which comes to the knowledge of any one or more officers of our Group is promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required. The Board has therefore considered the risk management and internal control system as effective and adequate during the Reporting Period.

### ANTI-CORRUPTION POLICY

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

### WHISTLEBLOWING POLICY

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

### AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended 31 December 2022 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	1,900
Non-audit services	–
Total	1,900

### COMPANY SECRETARY

Ms. Yu Anne was appointed in place of Mr. Wong Yu Kit upon his resignation as the company secretary of the Company on 30 August 2022. Ms. Yu Anne is the assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years experiences in corporate secretarial field. She is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. Her primary contact person of the Company is Mr. Wang Yongkai, an executive Director.

For the year ended 31 December 2022, Ms. Yu Anne has undertaken not less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

The Board has conducted the annual review of the implementation and effectiveness of the shareholders' communication policy of the Company and concluded that the policy was implemented effectively during the financial year.

### SHAREHOLDERS' RIGHTS

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

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

#### Convening of extraordinary general meeting and putting forward proposals

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

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

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

#### Enquiries to the Board

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

### CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum of association on 8 March 2018 with immediate effect and articles of association on 8 March 2018 with effect from the Listing Date. The Board has announced on 28 March 2023 regarding the proposed amendment of the existing memorandum of association of the Company and the Articles of Association (the "**Proposed Amendments**"). The Proposed Amendments will be subject to approval by the Shareholders in the AGM. There was no change in the memorandum and articles of association of the Company during the Reporting Period and up to the date of this annual report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THE REPORT

The report is the sixth environmental, social and governance report (the “Report”) published by China Xinhua Education Group Limited and its subsidiaries (collectively the “Group” or “we”). The Report discloses various policies, compliance with laws and regulations, and performance in relation to environmental, social and governance (ESG) aspects, and environmental and social key performance indicators (“KPIs”) during the period from 1 January 2022 to 31 December 2022 (the “Year” or the “Reporting Period”). The Report can increase the stakeholders’ understanding of the sustainability of the Group. For details on corporate governance, see the section headed “Corporate Governance Report” in the Report.

### 1.1 Reporting Standards

The Report has been prepared in accordance with the mandatory disclosure requirements and “Comply or Explain” provisions of Appendix 27 Environmental, Social and Governance Reporting Guide (the “Guide”) to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and the four reporting principles in the Guide.

- **Materiality:** The Group fully communicated with all stakeholders, and disclosed in the Report the process of communication with all stakeholders and the materiality assessment results, so as to identify the material ESG issues of the Group in the Year.
- **Quantitative:** The statistical standards, methods, assumptions and calculation tools used for disclosing ESG KPIs and related data in the Report, as well as the sources of conversion factors, are all described in the Report.
- **Consistency:** The statistical methods used for data disclosure in the Report are consistent with the previous year. Changes, if any, will be described in the Report.
- **Balance:** The Report provides an unbiased picture of all performances in the Year, so as to avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

### 1.2 Scope of the Report

The social disclosure scope of the Report is consistent with the annual report. The environmental disclosure scope covers two schools of the Group, namely Anhui Xinhua School and Anhui Xinhua University (the “Schools”).

### 1.3 Language of the Report

The Report is published in Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

### 1.4 Confirmation and Approval

The Report was considered and approved by the Board of Directors on 28 March 2023 after confirmation by the management.

### 1.5 Feedback on the Report

All stakeholders are welcome to give feedback on the Report. If you have any queries or suggestions, please contact the Group through the following channels.

Email: xhjtbsg@xhgroup.cn

Tel: 0551-6587 2266

## 2. ESG SYSTEM

With the mission of “Revitalize the Country and Serve People through Education” and the spirit of “Unity, Practicality, Development and Dedication”, we are committed to developing education and promoting the sustainable development of the Group. The Board of Directors has implemented ESG governance and integrated ESG governance into the governance structure to lead the Group towards sustainable development.

### 2.1 Statement of the Board

We have an ESG governance structure and an ESG Working Group to manage ESG-related matters, and the Board of Directors is fully responsible for the Group’s ESG strategy and reporting. By communicating with stakeholders and analyzing the Group’s ESG risks, the ESG Working Group identified, evaluated, prioritized and managed ESG issues, developed relevant plans and strategies, coordinated the ESG work of all organizations, and regularly reported the ESG work progress to the Board of Directors. Last year, we set environmental targets. During the Year, we reviewed our performance against the environmental targets, carried out continuous research and improvement according to the progress and the Group’s operation and development, and set quantitative objectives and base year at an appropriate time. We also communicated with stakeholders according to the principle of materiality, prioritized and managed the material issues, and conducted materiality assessment.

### 2.2 ESG Governance Structure

The Board of Directors is fully responsible for ESG strategies and reporting, reviews the results of materiality assessment, sets up an ESG Working Group and supervises its work.

Under the authorization of the Board of Directors, the ESG Working Group collects stakeholders’ opinions on ESG issues, carries out materiality, risk and opportunity analyses, develops improvement plans, and carries out management according to the results of the analyses. The ESG Working Group sets ESG objectives and directions and develops strategies, and coordinates all organizations to implement plans, monitors the results, and reports to the Board of Directors regularly.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.3 Stakeholder Engagement

The opinions of stakeholders are very important to our development. We actively communicate with stakeholders and establish multiple communication channels. During the Year, we communicated with stakeholders, including investors/shareholders, teachers/other employees, business partners, regulatory authorities, communities/non-governmental organizations, suppliers, students/parents, etc. Based on the results of communication with stakeholders, we carried out materiality assessment and continuously improve the performance of corporate social responsibility.

Main Stakeholders	Expectations and Requirements	Main Communication Channels	Frequency of Communication
Investors/Shareholders	<ul style="list-style-type: none"> <li>Green buildings on campuses;</li> <li>Brand promotion;</li> <li>Sustainable procurement;</li> <li>Teaching quality control</li> </ul>	<ul style="list-style-type: none"> <li>Results announcement;</li> <li>Senior management meetings;</li> <li>Shareholders' meetings</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Regularly</li> <li>From time to time</li> </ul>
Teachers/other employees	<ul style="list-style-type: none"> <li>Training and development;</li> <li>Benefits;</li> <li>Career development;</li> <li>Healthy and safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>Employee opinion surveys;</li> <li>Performance appraisals;</li> <li>Training courses;</li> <li>Publications (such as employee newsletters)</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> <li>Regularly</li> <li>From time to time</li> <li>Regularly</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>The latest development of the Group;</li> <li>School brand</li> </ul>	<ul style="list-style-type: none"> <li>Reports;</li> <li>Meetings;</li> <li>Visits;</li> <li>Lectures</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> <li>From time to time</li> <li>From time to time</li> <li>From time to time</li> </ul>
Regulatory authorities	<ul style="list-style-type: none"> <li>Compliant operation;</li> <li>Compliance with sustainable operation</li> </ul>	<ul style="list-style-type: none"> <li>Meetings;</li> <li>Compliance reports</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> <li>From time to time</li> </ul>
Communities/ Non-governmental organizations	<ul style="list-style-type: none"> <li>Communities investment;</li> <li>Participation in community activities</li> </ul>	<ul style="list-style-type: none"> <li>Seminars/lectures/workshops;</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> <li>From time to time</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair competition;</li> <li>Honesty transactions</li> </ul>	<ul style="list-style-type: none"> <li>Supplier management procedures;</li> <li>Supplier/contractor evaluation systems;</li> <li>Meetings;</li> <li>Site inspection</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> <li>Regularly</li> <li>From time to time</li> <li>From time to time</li> </ul>
Students/Parents	<ul style="list-style-type: none"> <li>Teaching quality;</li> <li>Teacher qualifications;</li> <li>School brand</li> </ul>	<ul style="list-style-type: none"> <li>Feedback in class;</li> <li>Satisfaction survey;</li> <li>Telephone;</li> <li>E-mail</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> </ul>

## 2.4 Materiality Assessment

During the Year, there were no significant changes in the Group's business operations, the Group's influence on stakeholders and the stakeholders' influence on the Group. Therefore, during the Year, the management reviewed the contents of the results of the materiality assessment for 2021, and summed up the results of the materiality assessment for the Year on this basis, and the Board of Directors confirmed the results of the materiality assessment. The results of the materiality assessment for the Year are as follows:

### Highly Material Issues

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

### Moderately Material Issues

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

### Generally Material Issues

- Occupational health and safety

### 3. PROFESSIONAL TEAM

Excellent education is inseparable from excellent teachers, and the Group attaches great importance to the construction and development of the faculty team. We strive to create an equal working environment and oppose any form of discrimination on the grounds of sexual orientation, nationality, religion, disability, gender, family status and race. The Group strictly complies with the Labor Contract Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and the Provisions on the Prohibition of using Child Labor. During the Year, the Group had 2,297 employees.

#### 3.1 Recruitment Principle

The Group has formulated the "Administrative Measures of Anhui Xinhua University for Recruitment of High-level Talents" (《安徽新華學院高層次人才引進管理辦法》), the "Management Standards for Human Resource Allocation" (《人力資源分配管理規範》) and the "Recruitment System of the Group" (《集團員工招聘制度》) to specify recruitment standards. The Group recruits employees based on the principle of fairness and openness, and supports diversity and opposes all discriminatory factors.

Each department of the Group develops an annual recruitment plan according to demand, and carries out recruitment after the plan is approved. We recruit employees through internal and external channels, and give priority to internal recruitment. We have developed the "Management Rules of the Group for Recruitment of Mid-to-senior Management on a Competitive Basis" (《集團中高層管理人員競聘管理規定》), pursuant to which the mid-to-senior management of the schools are appointed through recruitment, selection based on performance assessment, and recommendation. We assess the work performance of the management every year. We will conduct background checks on candidates to ensure that their information is correct and to prohibit any form of child labor. The recruitment processes include primary selection, preliminary interview, competency evaluation and final interview. We will evaluate candidates according to their ability, personality, reasons for job changes, salary, values, competence and other factors. The Group will randomly check the recruitment procedures to ensure that the procedures are carried out according to the rules, and will impose a punishment for any violation of the systems.

If an employee is employed, we will sign a contract with the employee. In accordance with the “Management Regulations of the Group on Labor Contracts” (《集團勞動合同管理規定》), we specify the workplace, contract term, salary, working hours, holidays, etc. in the contract. For matters not covered by the contract, such as performance appraisal and confidentiality obligations, a separate written agreement may be signed as a supplementary agreement to the contract. Employees have the right to tender their resignation to us. Before the resignation, employees are required to properly hand over their work and go through the resignation procedures in accordance with the contracts. We will arrange an interview to find out the reasons for the resignation of the employees.

We have developed the “Implementation Measures for Management of Attendance and Leave of Faculty Members of Anhui Xinhua University” (《安徽新華學院教職工考勤請假管理實施辦法》) to establish the employee attendance system, pursuant to which, if it is necessary for an employee to work overtime other than due to reasons attributable to the employee, the work shall be considered as overtime work, with the approval, and employees may apply for compensatory time off.

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

### 3.2 Employee Benefits

We will evaluate the salary system of the Group every year, make appropriate adjustments with reference to the labor market, and increase the market competitiveness of employees’ salaries. In accordance with laws, we contribute to “Five Insurances Funds and One Housing Provident Fund” and provide statutory annual leave for employees. We have also developed the “Implementation Measures for Management of Benefits of Faculty Members at Anhui Xinhua University” (《安徽新華學院教職員福利管理實施辦法》). Employees are entitled to annual leave, funeral leave, marriage leave, maternity leave, sick leave, etc. In addition, all employees are entitled to benefits including check-ups, holiday allowance, communication allowance, working meal allowance and marriage allowance.

We provide dormitories in the School of Clinical Medicine and have developed the “Provisional Regulations on Management of Faculty Dormitories in the School of Clinical Medicine of Anhui Medical University” (《安徽醫科大學臨床醫學院教職工住宿管理暫定規定》) to manage dormitories. If housing resources are adequate, eligible employees are entitled to two-year free accommodations.

### 3.3 Building a Safe Campus

The Group develops safety measures in strict compliance with the Food Safety Law of the People’s Republic of China, the Regulations on Food Safety Operation of Catering Services, the Regulations on School Health Work and the Fire Control Law of the People’s Republic of China. We make efforts to create a working and learning environment that is safe and healthy for teachers and students. We pay attention to school safety equipment and fire prevention awareness. In addition, we are concerned about students’ mental health and pandemic prevention and control, introducing a number of measures to establish healthy and safe campuses. During the Year, there were no work-related deaths in the Group. The number of days lost due to work-related injuries during the Year was 30 days. There were no work-related injuries or fatalities in the past three years, including the Reporting Period.

3.3.1 Health and Safety Campuses

Preventive measures should be taken before the occurrence of an accident. We will conduct regular safety inspections of campuses, based on the principle of “leaving no dead corner, no blind spot, no room and no tail”. We completely identify potential safety hazards including inflammables and explosives, use of electricity and gas, supermarkets and canteens, laboratories, infrastructure facilities and fire-fighting equipment, so as to ensure that relevant equipment can meet safety factors. We properly carry out warehousing registration and equipment maintenance for drugs and chemicals used in laboratories and infirmaries; engage professional personnel to maintain fire-fighting equipment of schools, provide food safety training for canteen employees, regularly check environmental sanitation of canteens and implement the food safety management system. We also carry out many training sessions and drills in relation to safety and fire prevention to strengthen the safety awareness of teachers and students.



Fire Safety Inspection, Training and Evacuation Drill Series Activities



Employee Safety Education and Training

### 3.3.2 Mental Health Activities

We have always been concerned about students' mental health. In addition to offering the required mental health courses to students, we have also established psychological consultation rooms and mental health education centers, and organized mental health-related activities, so as to take care of the mental health of teachers and students during the pandemic.

#### *Mental Health Publicity Month of the School of Accounting and Finance*

The School of Accounting and Finance held a mental health activity. It collected students' thoughts through article solicitation to understand students' psychological state and address psychological problems. In addition, the school also held a mask design competition, which integrated anti-pandemic activities and the school landscape, logo and other elements to help teachers and students grow up physically and mentally despite the pandemic.

#### *The School of Urban Construction Organized All Counselors to Participate in Mental Health Education Series Training*

Counselors from the School of Urban Construction participated in the mental health education series training organized by the Ideological and Political Work Team for Colleges and Universities in China during the Year. In the training, many experts delivered lectures, which helped the counselors better understand psychological epidemic prevention, self-care and empathy skills during the pandemic. The training enabled counselors to master the methods of caring for students more effectively and supported psychological counseling during the pandemic.

### 3.3.3 Pandemic Prevention

According to the development of the pandemic, we have developed the “Emergency Response Plan for Pandemic Prevention and Control of Anhui Xinhua University” (《安徽新華學院疫情防控應急處置預案》) and the “Notice on Further Strengthening Pandemic Prevention and Control by Faculty Members” (《關於進一步加強教職工疫情防控的通知》) to establish the framework of response to the pandemic, define the responsibilities at all levels, and protect the health of teachers and students on campuses.

The leading team office completes various statistical information and reports the pandemic information (including health monitoring, vaccination, nucleic acid testing, information circulation, initial report, progress report and final report) in a timely manner. The team is responsible for guiding public opinion and promoting positive publicity and unifying external disclosure by schools on pandemic prevention and control. The student affairs division and subordinate colleges are responsible for cooperating with logistics support and other departments to properly count the number of students and carry out a lockdown management in quarantine and observation areas; arranging student management, caring and psychological counseling in quarantine and observation areas; communicating with parents of pandemic-related students. The materials procurement division, the general affairs division and the environmental construction division are responsible for the supply of emergency materials, board and lodging arrangements, sterilization and disinfection of various areas of schools, especially quarantine and observation areas, garbage cleaning, health assurance, etc.

We require faculty members to take temperatures every day. Faculty members with fever, cough, diarrhea, fatigue and other symptoms are required to receive screening, diagnosis and treatment in nearby fever clinics in a timely manner. Employees are required to reduce outgoing activities and avoid going to crowded places and participating in gathering activities. We have specified the conditions for returning to work that employees may return to the schools if they have not entered the key areas subject to pandemic prevention and control, and have not been in close contact with persons from the key areas, and have a 48-hour negative nucleic acid testing result. Employees are required to make representations by signing the “Letter of Undertakings for Return to Work” (《疫情期間返校返崗承諾書》) in the School during the Pandemic.

### 3.4 Training Activities

The Group encourages employees to keep a mindset of learning and growing with students. We have developed the “2022 Work Plan of Anhui Xinhua University for Faculty Training” (《安徽新華學院2022年度教職工培訓工作方案》). We have established a three-level training mechanism, including branches, schools and departments. At the university level, there are “Four Segments” and “Five Plans.” The “Four Segments” include new employee training, cultural training, professional training and management training, and the “Five Plans” include orientation plan, talent nurturing plan, rainbow plan, enabling plan and photosynthesis plan. The plans are under the charge of different departments and aim to develop the ability of employees in various fields. Training is carried out in various ways, such as exchange, visit, observation, forum and study. The schools can also set up training programs for employees to meet the needs of the schools. During the Year, we provided a number of training sessions to develop the teaching ability of teachers, including teaching salons, deep blue project, new employee training, and afternoon tea in the camp. In order to strengthen the construction of the teacher team, Hongshan College has developed the “Training Program for Faculty Members to Pursue Doctorates (Overseas Schools)” (《教職工在職博士(境外院校)培養方案》). Through cooperation with overseas schools, faculty members of Hongshan College can pursue a doctorate from overseas colleges.

#### Teaching Salons

In order to relieve teachers’ confusion and improve the quality of education, the teachers’ ability development center reasonably made an annual plan for teacher training according to the development needs of teachers. Through various forms of training with diversified themes including teaching workshops and teaching salons, we carried out personalized consultation, strengthened professional exchanges, improved teaching services, enhanced policy incentives, and constantly promoted the professionalization and professional development of teachers in the schools. We coordinated famous teacher resources inside and outside schools and the education and teaching experts from schools to solve the teaching confusion of young teachers and support the growth of teachers.

#### Deep Blue Project

In the training, participants paid homage to the red relics, relived red memories and learned about the red culture. Walking on the rugged mountain road and listening to the touching red stories, every participant deeply felt that today’s happy life was hard-won. In today’s peaceful times, a nation that boasts a significant number of heroes also needs a sense of heroism and needs to carry forward the revolutionary spirit that surpasses temporal and spatial boundaries, stay true to its original vision and forge ahead.

#### New Employee Training

The training provided new employees with a new understanding of their work, helped them integrate into their work more quickly, accelerated their role change and growth progress, and laid a solid foundation for talent nurturing and team construction in schools.

### Afternoon Tea in the Camp

In order to make new employees adapt to the new working environment more quickly, the training, targeted at new employees, enabled them to have a preliminary understanding of the new working environment. The new employees took new positions under the guidance of senior employees, which made them become skilled employees more quickly. This activity also brought the new employees closer to each other.



Afternoon Tea in the Camp

In addition, Hongshan College, the School of Clinical Medicine and Anhui Xinhua School also held different employee training activities, including the training session for learning the spirit of the 20th National Congress of the Communist Party of China, new employee training and teaching skills training.

### 3.5 Employee Activities

During the Year, in order to further improve the faculty members' loyalty and a sense of belonging to the schools and enrich their spiritual and cultural life, the Group adopted a two-level management model for team activities and carried out school-level activities and unit-level activities. The school-level activities were led by the school office (trade union), the personnel division, the student affairs division/youth league committee, the department of general education and other departments, while the unit-level activities were organized by secondary units according to the actual situation.

### 4. COMPLIANT OPERATION

#### 4.1 Honest Operation

The Group strictly complies with relevant laws, including the Oversight Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China. We have developed the "Integrity Construction Management Regulations" (《廉政建設管理規定》), "Procurement Management System" (《採購管理制度》), "Complaints and Whistle-Blowing Management Regulations" (《投訴舉報管理規定》), "Audit and Supervision Management Regulations" (《審計督察管理規定》), "Contract Review Management System" (《合同審核管理制度》) and "Seals Management Regulations" (《印章管理規定》) to standardize the Group's work for establishing clean organizations.

The Group strictly prohibits any illegal acts, including illegal use of its assets, receipt of kickbacks, seeking of illegitimate interests, illegal reimbursement for personal interests, and conflicts of interests. The person in charge of each unit is the first person in charge of the work for establishing a clean organization and is responsible for developing measures for establishing a clean organization. In case of any violation, the person shall report it to the audit and supervision department, which puts forward suggestions on punishment for the violation and supervises the execution of punishment. In order to instill a sense of integrity in employees, employees are required to learn the Group's integrity rules upon joining the Company and sign the "Employee's Letter of Undertaking for Honest Practice" (《員工廉潔從業承諾書》). In addition, we will also require external organizations to sign the "Letter of Undertaking for Integrity" (《廉潔承諾書》) in their cooperation with us.

We have set up a whistleblowing channel, enabling anyone who finds any illegal behavior of the Group to report it. The personal data of all whistleblowers are confidential. There are three levels of reporting, namely unit, the Group and senior management. A report should be followed up according to the practical procedures and should be responded to within the specified time. All units and departments should also cooperate with the investigation.

During the Year, the mid-to-senior management of the Group learned anti-corruption knowledge through supervision, investigation and notification meetings. Due to the pandemic, the Group avoided holding large-scale activities. We sent employees a publicity plan of the Group in relation to complaint and whistleblowing, and provided employees with information on complaint and whistleblowing channels, so as to establish an atmosphere of honesty and self-discipline.

During the Year, the Group or employees were not subject to any lawsuit or involved in any corruption, bribery, extortion, fraud, money laundering, or other cases.

### 4.2 Information Security

The Group strictly complies with the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, the Cybersecurity Law of the People's Republic of China, the Regulations on Technical Measures for Internet Security Protection, the Measures for Administration of Internet Information Services and the Measures for Security Protection Administration of the International Networking of Computer Information Networks. We have developed the "Regulations of Xinhua Group on Confidentiality Management" (《新華集團保密工作管理規定》) and the "Detailed Regulation of Anhui Xinhua University on the Management of Information Backup" (安徽新華學院信息備份管理細則), specifying information management and backup.

We collect personal information from students, suppliers, employees and cooperative organizations. Based on the information types, information has been kept confidential and subject to privileges. Employees cannot save or access data that are beyond their privileges until their applications are approved, so as to protect personal privacy.

We will also carry out regular checks and maintenance of data storage devices, and use genuine software and anti-virus programs to protect the devices. We will back up data regularly, and there should be two copies of the backup kept in the local area and a different place respectively. Backup servers should be placed in places that meet fire prevention, waterproof, moisture-proof, antimagnetic, burglar-proof and mouse-proof requirements. Only authorized persons have access to backup data. If a department needs to restore data from a backup, it is required to submit an application, which is subject to approval by the person in charge of the informatization construction and development center.

### 4.3 Protection of Intellectual Property Rights

The Group strictly complies with the Patent Law of the People's Republic of China, the Detailed Rules for Implementation of the Patent Law of the People's Republic of China, the Intellectual Property Law of the People's Republic of China, the Regulations on Administration of Protection of Intellectual Properties in Colleges and Universities, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations. We have developed the "Patent Management Measures of Anhui Xinhua University" (《安徽新華學院專利管理辦法》) to standardize patent management. The policy specifies the ownership of intellectual properties. If the invention of an employee is a non-service invention, the patent remains with the employee, and the patent right shall not be infringed. However, if an invention is a service invention or is created using the Group's resources, the intellectual property right remains with the Group. Our policy specifies the handling methods for patent transfer and illegal patent transfer, so as to protect the interests of the Group. We will engage an intellectual property agency to register the intellectual property rights of the Group. We strictly comply with academic ethics and prohibit any forgery and plagiarism. The Group encourages teachers and students to innovate and invent, in respect of which we will provide subsidies and rewards. We have developed the trademark standardization application rules to make consistent group trademarks and protect the brand image of the Group.

We have developed the "Provisions on Management of Official Media" (《官方傳播媒介管理規定》) and the "Submission, Approval and Publication Process of Propaganda Drafts" (《宣傳稿件報送審批及發佈流程》), specifying the review of all publicity documents. Based on the principles of "authorization before use" and "authorization before dissemination", we will properly manage the use of information copyrights, record, store and keep confidential the information, and strictly review the information before release, so as to ensure its correctness.

During the Year, the Group did not violate any laws and regulations related to advertising.

During the Year, the Group had 69 new patents and maintained 163 patents.

### 4.4 Quality Assurance

#### 4.4.1 Teaching Quality

The Group strictly complies with the National Standard of Teaching Quality for Undergraduate Majors at Regular Institutions of Higher Education, the Opinions on Speeding up the Construction of High-level Undergraduate Education to Improve Talent Development Ability in an All-round Way, and other documents. Under the teaching philosophy of “Student-centered, output-oriented, continuous improvement”, we nurture high-quality talents with patriotic feelings, innovative spirit and healthy personalities. To this end, we persist in ensuring teaching quality, attach great importance to all aspects of education and optimize the development of junior college education.

In order to construct first-class undergraduate major development projects, we have developed the “Measures for Development and Management of First-class Undergraduate Majors in Anhui Xinhua University” (《安徽新華學院一流本科專業建設與管理辦法》), as well as major development systems at school, provincial and national levels. Relevant provisions define development funds, inspection, acceptance and recognition of undergraduate majors.

We have developed the “Implementation Measures for the Monitoring and Assurance of Teaching Quality in Anhui Xinhua University” (《安徽新華學院教學質量監控與保障實施辦法》), to manage the quality of Anhui Xinhua University by the method of “three levels, four supervisions and five systems.” The three levels are “university, college and department.” At the three levels, we carry out quality management, develop educational construction and management plans and teaching indicators, implement various teaching plans, manage and monitor work, and carry out relevant training and curriculum construction. The four supervisions are “construction supervision, management supervision, teaching supervision and learning supervision.” We will carry out teaching construction, research and reform, manage teaching-related plans including enrollment, personnel training, teaching plans and teaching ability, and evaluate students’ performance in moral education and learning atmosphere. The five systems are “teaching objective system, quality standard system, teaching information system, teaching evaluation system and teaching control system.” We collect data on teaching, learning, teaching construction and resource support through various data collection methods, analyze the data and compare the data against the objectives, and carry out rectification. We give feedback and rewards and punishments to teachers.

In addition, we have developed the “Guiding Opinions on Development (Amendment) of Personnel Training Programs for Undergraduate Majors in Anhui Xinhua University 2022” (《安徽新華學院2022版本科專業人才培養方案制(修)訂指導性意見》). Relevant provisions have been revised based on talent training plans. We have implemented the curriculum system reform. The curriculum system is implemented on three platforms, namely, the curriculum platform, the professional curriculum platform and the career curriculum platform. Each curriculum platform incorporates practical teaching processes including experiment, practice, internship and practical training, curriculum design and graduation thesis (project), to optimize the construction of the curriculum system.

In order to ensure education quality, we also carry out quality inspection of departments, including requiring departments to submit an annual plan for teaching quality monitoring, work reports on teaching quality monitoring, course examination papers, self-inspection of teaching units, and quality inspection of graduation thesis.

As an educational institution, the Group did not have products required to be recalled for safety and health reasons (KPIs B6.1), and the product recall procedures (KPIs B6.4) did not apply to the Group.

#### 4.4.2 Communication of Opinions

We strictly comply with the Education Law of the People's Republic of China, the Higher Education Law of the People's Republic of China, the Provision on the Administration of Students in Regular Institutions of Higher Education and related laws and regulations. We have developed the "Measures of Anhui Xinhua University for Handling Students' Complaints" (《安徽新華學院學生申訴處理辦法》) to manage complaints of students. We have set up a Student Complaint Handling Committee, with the university leaders as the heads, the directors of the supervision and inspection office as the deputy heads, and the heads of the legal department, the academic affairs division, the student affairs division, the general affairs division, the security division and the youth league committee of the university, teachers' representatives and students' representatives as members. If students are dissatisfied with the result of handling the complaint, they may make a complaint to the provincial education administration authority. We have established a platform for continuous communication with parents to solicit their opinions and improve our work.

During the Year, we held 36 exchange meetings with students or parents, at which parents spoke highly of the work of the Group, with the educational positive review rate reaching 98.02%. During the Year, the Group did not receive any complaints about education.

#### 4.4.3 Supply Chain Management

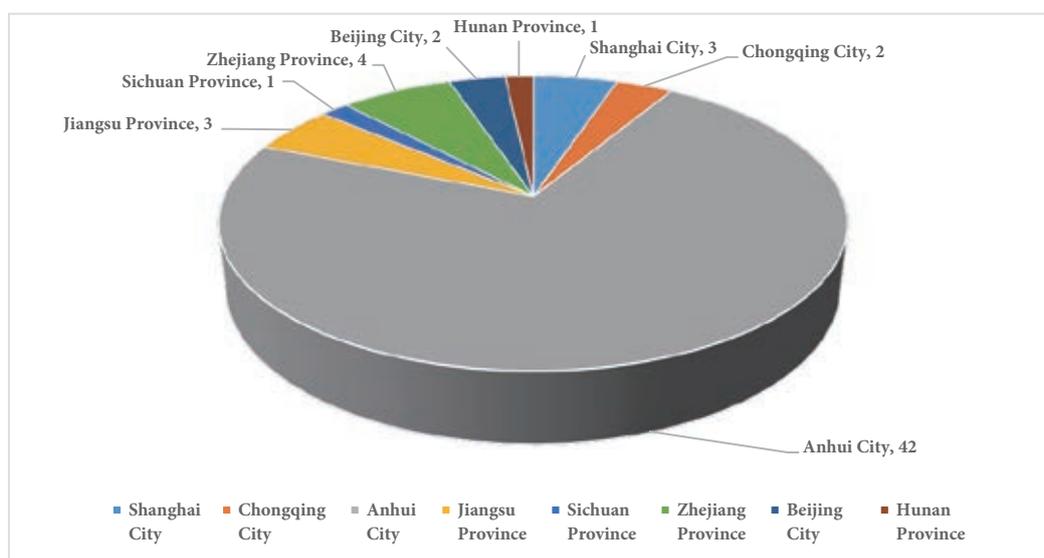
The Group has developed policies including the "Regulation on Procurement process of the Group" (《集團採購工作流程規定》), the "Procurement Management System of the Group" (《集團採購管理制度》), the "Management System for the Division of Procurement Authority of the Group" (《集團採購權限劃分管理制度》) and the "Regulation on Material Requisition Management of the Group" (《集團物資申購管理規定》) to standardize purchase and supplier management.

The purchase by the Group is based on the principles of "approval before purchase" and "fairness, justice, openness and honesty." The purchase by the Group is divided into centralized purchase and phased purchase. The Group classifies different materials and services for purchase, according to authorities. The requesting department is required to fill in the "Materials Purchase Application Form" (《物資採購申請單》) in advance. A comparison between suppliers is required in the purchase, except where there is only one supplier. We will sign contracts with suppliers and require them to sign the "Integrity Undertaking" (《廉政承諾書》) to ensure that suppliers understand the Group's anti-corruption policies and prove that there are no corrupt practices involved in the service and production processes. The department will carry out acceptance inspections of the goods upon receipt according to the contract, bidding documents, service undertakings, and national or industry standards. For special safety equipment and other special products, acceptance reports issued by relevant government authorities or third-party testing agencies as the acceptance basis are required.

We will evaluate suppliers regularly. We have developed the "Supplier Assessment Form" (《供應商考評表》) to evaluate suppliers in terms of qualification, price, product quality, delivery, service and payment. Suppliers with an excessively low score will be removed. In order to promote the development of a sustainable supply chain, assessments in social and environmental aspects are taken into consideration in the selection of suppliers. In the social aspect, we avoid selecting suppliers who use child labor or forced labor. In the environmental aspect, we will give priority to recyclable products with fewer packaging materials and replaceable parts. We will also strengthen supervision of whether suppliers strictly implement the Group's anti-corruption policies and other social and environmental policies.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, we had 58 suppliers providing teaching materials, student apartment supplies, school uniforms, network construction, multimedia construction, student management systems, steel doors, laboratory construction and electrical equipment. During the Year, our suppliers mainly came from eight different provinces and cities, the details of which are as follows:



Geographical Distribution of Suppliers

## 5. STUDENT CARE AND GROWTH

### 5.1 Students with Five Special Disadvantages

“Students with Five Special Disadvantages” refer to students with financial difficulties, special physical diseases, special psychological disorders, learning difficulties, and abnormal words and deeds during special sensitive periods. The Group cares about the needs of students and collects relevant student information every year to help students in need. We take the initiative to interview students who request a leave of absence or take vacations due to special circumstances, and provide them with psychological counseling if necessary. The Group will strengthen relevant exchanges in and between colleges, and carry out mutual learning and mutual inspection to promote educational assistance for “Students with Five Special Disadvantages” in a standard, process-based and scientific manner.

During the Year, the School of Technology and the School of Business held an exchange meeting with regard to mental health education and “Five Special Disadvantages” work. The School of Business shared and discussed its experience and practices in the work in terms of students’ psychological problems, safety issues, psychological counseling methods, and ways to carry out student activities under the normalization of the pandemic; the School of Technology shared its “Five Special Disadvantages” work and work results. The meeting can promote the working friendship between the schools and help improve problem-solving skills.

### 5.2 Student Activities

The Group also launched a number of activities in the Year to enrich students' campus life, took care of students' mental health during the pandemic and supported students' career development.

#### **“China Speech Valley Quantum Center” 2022 Hefei High-tech Zone Recruitment in Colleges and Universities – On-campus Job Fair in Anhui Xinhua University**

In order to promote the employment of students, a campus recruitment campaign was launched in the Year, which attracted 69 different enterprises, including Internet technology, software engineering, bio-pharmaceuticals, new energy and intelligent manufacturing enterprises to offer approximately 2,500 jobs, and nearly 1,000 graduates came to consult relevant information. The campaign can help students understand their employment intentions and career prospects, which is helpful for their future career development. We also informed graduates of offline and online recruitment activities through WeChat groups to help them find jobs.

#### **The “Second Imaging of Xinhua Photography Competition – A Little Slice of Happiness”**

In order to enrich the campus life of teachers and students and let them feel the campus, Anhui Xinhua School held a photography competition, with the entries classified into four categories, namely scenery, character, life and aerial shots. According to the quality and popularity of the entries, the judges will award the first, second and third prizes and honorable mentions, and the winning entries will be displayed in the school photography exhibition.

#### **Seminar on “Students’ Psychological Problems and Health Promotion during the Pandemic”**

During the Year, the 5th Mental Health Publicity Month of Anhui Xinhua School was held. In the “Education with Parents” series of activities, we invited Professor Yao Benxian to give us a special lecture on “Students’ Psychological Problems and Health Promotion during the Pandemic.” The activity was organized by Hefei Education Bureau, supported by Hefei Psychological Counseling Center for Off-campus Minors, to pay attention to students’ psychological status, strengthen the popularization of mental health knowledge, and promote the maintenance and adjustment of adolescents’ mental health.

### 6. GREEN CAMPUS

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other relevant laws. The Group pays attention to the philosophy of environmental protection, which is integrated into daily teaching to develop students' environmental protection awareness and habits. During the Year, Anhui Xinhua University of the Group was listed among the first "Anhui Green Schools." We will continue to improve the green and sustainable construction of campuses and contribute to the construction of a green China and ecological civilization. During the Year, we did not violate any laws related to environmental protection or cause any significant accidents affecting the environment and natural resources.

We reviewed the progress towards our various environmental objectives, which are described as follows. During the Year, GHG emissions, electricity consumption and waste generation were lower than last year, while water usage was similar to last year, and we continued to comply with various environmental-related laws and regulations, and gradually reduced our greenhouse gas emissions, waste, electricity and water consumption, and the use of resources under similar operating standards.

#### 6.1 Air Pollution Emissions

During the Year, the emissions of nitrogen oxides, sulfur oxides and particulate matter were 224.68 kg, 0.39 kg and 20.15 kg. During the Year, the emission of air pollutants was lower than the previous year, mainly due to a reduction in vehicle use as teachers and students switched to online classes/studies due to the pandemic. The Group's air pollution emissions mainly came from the vehicles. In order to keep our vehicles in their best condition, we will inflate the tires before driving, regularly maintain the vehicles, provide low-carbon driving training for our drivers, and avoid idling and sudden acceleration of the vehicles, so as to reduce pollutant emissions. We will also follow the action of controlling vehicle emissions and carry out research to select better environmentally-friendly driving options.

#### 6.2 GHG Emissions

In order to reduce carbon emissions and energy use, we adopt various energy-saving measures to reduce energy use:

- Using sunlight for lighting as far as possible;
- Selecting energy-efficient lamps;
- Setting the temperature of the air-conditioning system to 25.5 degrees celsius;
- Shifting computers to automatic standby or sleep mode at idle;
- Turning off air conditioners, lamps and electronic equipment when not in use;
- Regularly cleaning lamps and air conditioning filters to improve energy efficiency;
- Allowing employees to wear casual clothes to reduce the use of air conditioners, in hot weather;
- Promoting tree planting to reduce greenhouse gas emissions. During the Year, the Group planted 236 trees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

<b>GHG Emissions</b>	<b>Unit</b>	<b>2022</b>
Direct GHG emissions (scope 1)	tCO <sub>2</sub> e	181.07
GHG Emissions reduction by planting new trees (scope 1)	tCO <sub>2</sub> e	5.43
Indirect GHG emissions (scope 2)	tCO <sub>2</sub> e	11,629.78
Total GHG emissions (scopes 1 and 2)	tCO <sub>2</sub> e	11,805.42
GHG emissions intensity (per square meter) (scopes 1 and 2)	tCO <sub>2</sub> e per square meter	0.02
GHG emission intensity per capita (scopes 1 and 2)	tCO <sub>2</sub> e per person	0.39
<b>Energy Consumption</b>		
Purchased electricity consumption	MWh	20,016.84
Purchased electricity consumption intensity (per square meter)	MWh/m <sup>2</sup>	0.04
Purchased electricity consumption per capita	MWh/person	0.66

During the Year, the Group's GHG emissions and energy consumption were lower than last year, and the schools replaced their heating equipments, including the use of electricity and air-source energy for drinking water and water used within bathrooms respectively.

### 6.3 Waste Generation

During the Year, a total of 5,000.0 tonnes of non-hazardous wastes was generated by the Group. In order to promote recycling, we provided recycling bins in many places on campuses and engaged qualified third-party agencies to recycle the waste. We also advocated the construction of green offices. We reused single-sided papers as far as possible, reduced the use of disposable materials, used reusable materials and reused stationery such as envelopes, loose-leaf cards, file cards and rechargeable batteries.

### 6.4 Water Saving

During the Year, the total water consumption and water consumption intensity of the Group during its operation were 1,305,851.00 cubic meters and 2.63 cubic meters per square meter. The water resources of the Group were derived from the municipal water supply, and there were no issues in sourcing water. We installed intelligent water use systems on campuses, which could strengthen water conservation on campuses. We will regularly check the campus water systems to prevent any leakage. Once any leakage is found, we will repair the water equipment as soon as possible. In order to promote water conservation, labels on water-saving were used in washing rooms on campus, and we also promoted rainwater recycling for daily plant irrigation.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 6.5 Environmental Education

The Group carried out green education activities on campuses to improve students' environmental literacy and green awareness, so as to promote the implementation of the Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensive Enhancement of Labor Education in Universities, Middle Schools and Primary Schools in the New Era, the Opinions of Anhui provincial Committee of CPC and Anhui Provincial People's Government on Implementation of Comprehensive Enhancement of Labor Education in Universities, Middle Schools and Primary Schools in the New Era and the Implementation Rules for Labor Education in Colleges and Universities in Anhui Province (for Trial Implementation). During the Year, Anhui Xinhua University promoted the "Action Towards Beauty" activity, in which students contributed to cleaning and beautifying the campuses, thus strengthening their labor education by working and learning knowledge and skills. Anhui Xinhua School promoted Arbor Day among students, parents and the public in an interactive way through the WeChat group "Cloud-based Tree Planting on 12 March, Arbor Day."

### 6.6 Climate Change Response Policy

Climate change is increasingly becoming a serious concern, posing potential risks to enterprises. In response to climate change, the Group identified the risks of climate change, and analyzed its potential impacts and measures in the Year. We will continuously review the risks and develop measures in a timely manner.

Type of Risk	Potential Impact	Measure
Physical risks Typhoon Flood	Impact on the safety of teachers, students and our operation	<ul style="list-style-type: none"><li>• Strengthening campus equipment to resist extreme weather;</li><li>• Training in responding to extreme weather;</li><li>• Backing up data to protect the data from loss</li></ul>
Transition risks Stakeholders' concern with climate change	Damage to the reputation	<ul style="list-style-type: none"><li>• Promoting the development of green campuses;</li><li>• Strengthening the disclosure of climate change and low-carbon operation measures in the ESG report</li></ul>

### 7. CONTRIBUTION TO THE SOCIETY

During the Year, 230 of our employees, along with 110 community members, participated in public welfare activities in communities, with the total number of hours of the activities reaching 80. We have developed the “Work Rules and Management Measures for Labor Education Practices of Anhui Xinhua University” (《安徽新華學院勞動教育實踐工作細則與管理辦法》) to specify labor education work for students. During the Year, all schools of Anhui Xinhua University organized their students to hold or participate in diversified volunteer activities in communities, utilizing their own resources to assist people in need.

#### **“Youth Action, Building Dreams in Countries” by the School of Culture and Media**

During the Year, the School of Culture and Media held a summer social practice focusing on rural education support and cultural performances with the theme of “Youth Action, Building Dreams in Countries.” In the activity, we went to Maying Village, Changfeng County, offering the class “The Story of the Red Scarf” to local students, explaining the origin of the red scarf and the stories related to the red scarf. At the end of our internship activities, we worked with primary schools in the local village to hold a variety show, including choruses, dance mix, sketches, and poetry readings.

#### **“Learning from Lei Feng – Volunteer Service” by the School of Accounting and Finance**

The Lingcifang Volunteer Service Group of the School of Accounting and Finance carried out the “Learning from Lei Feng – Volunteer Service” for Yulan Community. The activity included cleaning the local community to arouse community residents’ consciousness and initiative for environmental health. The team also worked with community workers to explain anti-fraud knowledge to residents, so as to improve their vigilance and avoid being cheated.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### APPENDIX 1: SUSTAINABILITY DATA STATEMENT

Environmental Performance	Unit	2022
<b>Air emissions</b>		
Nitrogen oxides	kg	224.68
Sulphur oxides	kg	0.39
Particulate matter	kg	20.15
<b>GHG emissions</b>		
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	181.07
Greenhouse gas emissions removals from newly planted trees (Scope 1)	tCO <sub>2</sub> e	5.43
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	11,629.78
Total GHG emissions (Scope 1 & 2)	tCO <sub>2</sub> e	11,805.42
GHG emission intensity (per square meter) (Scope 1 & 2)	tCO <sub>2</sub> e per square meter	0.02
GHG emission intensity per capita (Scope 1 & 2)	tCO <sub>2</sub> e per person	0.39
<b>Refrigerant consumption</b>		
HCFC-22	kg	54.00
<b>Energy consumption</b>		
Purchased electricity consumption	MWh	20,016.84
Purchased electricity consumption intensity (per square meter)	MWh per square meter	0.04
Purchased electricity consumption per capita	MWh per person	0.66
Natural gas consumption	m <sup>3</sup>	4,589.00
Gasoline consumption	m <sup>3</sup>	0.50
Diesel consumption	m <sup>3</sup>	0.97
<b>Water consumption</b>		
Total water consumption	m <sup>3</sup>	1,305,851.00
Water consumption intensity (per square meter)	m <sup>3</sup> per square meter	2.63
Water consumption intensity per capita	m <sup>3</sup> per person	43.34
<b>Paper consumption</b>		
Total paper consumption	kg	8,445.43
Paper consumption intensity per capita	kg per person	0.28
<b>Waste generation</b>		
Total non-hazardous waste generation	tonnes	5,000.00
Non-hazardous waste generation per capita	tonnes per person	0.17
Total hazardous waste generation	set (computer)	179.00
Total hazardous waste generation	piece (battery)	765.00
Total hazardous waste generation	piece (waste ink cartridge and waste toner cartridge)	413.00
Total hazardous waste recycling	set (computer)	179.00

Social Performance	Unit	2022
<b>Number of employees</b>		
Total number of employees	no. of people	2,297
Female employees	no. of people	1,530
Male employees	no. of people	767
Junior employees	no. of people	1,894
Full-time middle management	no. of people	356
Full-time senior management	no. of people	47
Employees below 30	no. of people	748
Employees aged 30-50	no. of people	1,196
Employees above 50	no. of people	353
Employees in East China	no. of people	2,297
<b>Employee Turnover<sup>1</sup></b>		
Total employee turnover rate	%	10.62
Female employee turnover rate	%	6.92
Male employee turnover rate	%	3.70
Turnover rate of employees below 30	%	4.61
Turnover rate of employees aged 30-50	%	4.40
Turnover rate of employees above 50	%	1.61
Turnover rate of employees in East China	%	10.62
<b>Occupational health and safety</b>		
Number of work-related fatalities in each of the past three years (including the Reporting Period)	no. of people	0
Rate of work-related fatalities in each of the past three years (including the Reporting Period)	%	0.00
Number of working days lost due to work injury	no. of days	30

<sup>1</sup> Turnover rate is calculated as: Number of turnover employees in the Year ÷ the number of employees as at the end of the Year × 100%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance	Unit	2022
<b>Employees training</b>		
<b>Percentage of employees trained by gender<sup>2</sup></b>		
Male employees	%	100
Female employees	%	100
<b>Percentage of employees trained by employee category<sup>2</sup></b>		
Junior employees	%	100
Full-time middle management	%	100
Full-time senior management	%	100
<b>Average training hours of employee by gender<sup>3</sup></b>		
Female employees	hour	31.43
Male employees	hour	29.54
<b>Average training hours of employee by employee category<sup>3</sup></b>		
Junior employees	hour	31.33
Full-time middle management	hour	26.80
Full-time senior management	hour	20.34

<sup>2</sup> Percentage of trained employees is calculated as: The number of trained employees in this category ÷ the number of employees in this category at the end of the Year × 100%

<sup>3</sup> Average training hours of trained employees: Total training hours of trained employees in this category ÷ the total number of employees in this category

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Index

Index			Related Sections
B3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.4. Training Activities
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statement
B4. Labor Standards	General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	3.1. Recruitment Principle
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	3.1. Recruitment Principle
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.1. Recruitment Principle

### Operating Practices

B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.4.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4.4.3 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.4.3 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.4.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.4.3 Supply Chain Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Index

### Related Sections

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

# INDEPENDENT AUDITOR'S REPORT



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

*(Incorporated in Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Xinhua Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 158, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Revenue Recognition

Refer to Note 4 to the consolidated financial statements and the accounting policy on pages 130.

#### The Key Audit Matter

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

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

#### How the matter was addressed in our audit

Our audit procedures to assess revenue recognition included the following:

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Income Tax

Refer to Note 7 to the consolidated financial statements and the accounting policy on pages 133-134.

#### The Key Audit Matter

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

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

According 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, the Group has not commenced the registration process.

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

#### How the matter was addressed in our audit

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

- \* discussing with the Group's management about the tax position taken by the Group, in particular, whether or not the Group's schools are required by their respective tax authorities to pay income tax during 2022 and whether the Group's schools which enjoy such preferential tax treatment are in compliance with applicable laws and regulations in China;
- \* communicating with local tax authorities, to identify if the Group's schools are default in tax or in violation of PRC tax laws; and
- \* involving our internal tax specialist to assist us in analysing the eligibility of the preferential tax treatment enjoyed by the Group's schools and assessing the adequacy of income tax provisions.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Impairment Assessment of Intangible Asset with Indefinite Useful Life

Refer to Note 13 to the consolidated financial statements and the accounting policy on page 139.

#### The Key Audit Matter

As at 31 December 2022, the Group recorded an amount of RMB196.0 million for a school operation right for the School of Clinical Medicine of Anhui Medical University ("School of Clinical Medicine") as intangible asset with indefinite useful life. Management performs impairment assessments annually or when indicators of potential impairment are identified. No impairment charge has been recorded during 2022.

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

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

#### How the matter was addressed in our audit

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
28 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	4	<b>625,476</b>	565,386
Cost of sales		(256,771)	(195,254)
<b>Gross profit</b>		<b>368,705</b>	370,132
<b>Other income</b>	5	<b>52,760</b>	83,042
Selling and distribution costs		(7,915)	(14,310)
Administrative expenses		(158,353)	(64,112)
<b>Profit from operations</b>		<b>255,197</b>	374,752
Finance costs	6(a)	(15,794)	(17,413)
<b>Profit before taxation</b>	6	<b>239,403</b>	357,339
Income tax	7	(3,892)	(2,857)
<b>Profit for the year</b>		<b>235,511</b>	354,482

The notes on pages 112 to 158 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 22(b).

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

*for the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<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>		<b>73,394</b>	(21,314)
<b>Total comprehensive income for the year</b>		<b>308,905</b>	333,168
<b>Earnings per share</b>			
Basic and diluted (RMB cents)	10	<b>14.64</b>	22.04

The notes on pages 112 to 158 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 22(b).

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	496,141	512,110
Right-of-use assets	12	77,649	80,206
Intangible assets	13	199,895	203,793
Other non-current assets	15	2,700,291	660,000
Long-term bank time deposits	18(a)	180,000	170,000
		<b>3,653,976</b>	1,626,109
<b>Current assets</b>			
Trade receivables	16	2,639	2,606
Prepayments, deposits and other receivables	17	213,229	1,860,376
Cash and bank balances	18	322,068	475,892
		<b>537,936</b>	2,338,874
<b>Current liabilities</b>			
Loans and borrowings	19	50,020	50,020
Contract liabilities	20	329,549	308,549
Other payables	21	128,517	126,260
Current taxation		3,337	5,326
		<b>511,423</b>	490,155
<b>Net current assets</b>		<b>26,513</b>	1,848,719
<b>Total assets less current liabilities</b>		<b>3,680,489</b>	3,474,828

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current liability</b>			
Loans and borrowings	19	<b>446,096</b>	406,711
<b>NET ASSETS</b>		<b>3,234,393</b>	3,068,117
<b>CAPITAL AND RESERVES</b>			
Share capital	22	<b>12,952</b>	12,952
Reserves		<b>3,221,441</b>	3,055,165
<b>TOTAL EQUITY</b>		<b>3,234,393</b>	3,068,117

Approved and authorised for issue by the board of directors on 28 March 2023.

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

The notes on pages 112 to 158 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Note	Attributable to equity shareholders of the Company						Total equity
		Share capital	Share premium	Capital reserves	Statutory reserves	Exchange reserves	Retained earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2021</b>		12,952	864,575	152,326	423,399	49,915	1,317,602	2,820,769
<b>Changes in equity for 2021:</b>								
Profit for the year		-	-	-	-	-	354,482	354,482
Other comprehensive income		-	-	-	-	(21,314)	-	(21,314)
<b>Total comprehensive income</b>		-	-	-	-	(21,314)	354,482	333,168
Dividends approved in respect of the previous year	22	-	(97,169)	-	-	-	-	(97,169)
Equity settled share-based transactions	22	-	-	11,349	-	-	-	11,349
Appropriation to reserves		-	-	-	84,653	-	(84,653)	-
<b>Balance at 31 December 2021 and 1 January 2022</b>		<b>12,952</b>	<b>767,406</b>	<b>163,675</b>	<b>508,052</b>	<b>28,601</b>	<b>1,587,431</b>	<b>3,068,117</b>
<b>Changes in equity for 2022:</b>								
Profit for the year		-	-	-	-	-	235,511	235,511
Other comprehensive income		-	-	-	-	73,394	-	73,394
<b>Total comprehensive income</b>		-	-	-	-	73,394	235,511	308,905
Dividends approved in respect of the previous year	22	-	(148,237)	-	-	-	-	(148,237)
Equity settled share-based transactions	22	-	-	5,608	-	-	-	5,608
<b>Balance at 31 December 2022</b>		<b>12,952</b>	<b>619,169</b>	<b>169,283</b>	<b>508,052</b>	<b>101,995</b>	<b>1,822,942</b>	<b>3,234,393</b>

The notes on pages 112 to 158 part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	2022		2021	
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>					
Cash generated from operations	18(b)	434,829		455,275	
Income tax paid		(5,881)		(1,503)	
<b>Net cash generated from operating activities</b>			<b>428,948</b>		453,772
<b>Investing activities</b>					
Payment for the purchase of property, plant and equipment		(44,608)		(36,700)	
Proceeds from sale of property, plant and equipment		209		–	
Payment for purchase of intangible assets		(655)		(3,333)	
Payment for school investments		(391,909)		(957,701)	
Proceed from disposal of financial assets measured at fair value through profit or loss		–		154,286	
Payment for purchase of bank time deposits		(31,000)		(1,000)	
<b>Net cash used in investing activities</b>			<b>(467,963)</b>		(844,448)
<b>Financing activities</b>					
Proceeds from bank loans and other borrowings		68,415		543,771	
Repayment of bank loans		(50,020)		(403,020)	
Borrowing costs paid		(11,069)		(15,416)	
Dividends paid to equity shareholders of the Company		(148,208)		(96,975)	
<b>Net cash (used in)/generated from financing activities</b>			<b>(140,882)</b>		28,360
<b>Net decrease in cash and cash equivalents</b>			<b>(179,897)</b>		(362,316)
<b>Cash and cash equivalents at 1 January</b>			<b>366,892</b>		726,278
<b>Effect of foreign exchange rate changes</b>			<b>5,073</b>		2,930
<b>Cash and cash equivalents at 31 December</b>	18(a)		<b>192,068</b>		366,892

The notes on pages 112 to 158 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

China Xinhua Education Group Limited (the “Company”) was incorporated in the Cayman Islands on 30 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 March 2018.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the formal higher and secondary vocational education business in the People’s Republic of China (the “PRC”).

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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 (see Note 2(e)) are stated at their fair value.

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

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

#### (d) Subsidiaries

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 23(d). These investments are subsequently accounted for as follows, depending on their classification.

#### (i) Investments other than equity investments

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

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

#### (ii) Equity investments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

#### (h) Leased assets

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

#### (i) As a lessee

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

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Leased assets (continued)**

**(i) As a lessee (continued)**

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

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

**(ii) As a lessor**

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

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

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

**(i) Credit losses from financial instruments**

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

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

*Measurement of ECLs*

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (i) Credit losses from financial instruments (continued)

###### *Measurement of ECLs (continued)*

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

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

ECLs are measured on either of the following bases:

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

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

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

###### *Significant increases in credit risk*

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (i) Credit losses from financial instruments (continued)

###### *Significant increases in credit risk (continued)*

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

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

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

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

###### *Basis of calculation of interest income*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (i) Credit losses from financial instruments (continued)

*Basis of calculation of interest income (continued)*

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

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

*Write-off policy*

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

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

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

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

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

###### – Calculation of recoverable amount

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

###### – Recognition of impairment losses

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

###### – Reversals of impairment losses

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

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

##### (iii) Interim financial reporting and impairment

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

#### (j) Contract liabilities

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Trade and other receivables

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

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

#### (l) Cash and cash equivalents

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

#### (m) Trade and other payables

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

#### (n) Interest-bearing borrowings

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

#### (o) Employee benefits

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

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

##### (ii) Share-based payments

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Income tax

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Income tax (continued)

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

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

#### (q) Provisions and contingent liabilities

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

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

#### (r) Revenue and other income

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

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Revenue and other income (continued)

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

##### (i) Tuition and boarding fee

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

##### (ii) Service income

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

##### (iii) Rental income from operating leases

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

##### (iv) Interest income

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

##### (v) Government grants

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Translation of foreign currencies

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

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

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

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

#### (t) Borrowing costs

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Related parties

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Segment reporting

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

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

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

##### **Structured contracts**

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

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

##### **Recognition of income taxes and deferred tax assets**

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

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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

##### **Recognition of income taxes and deferred tax assets (continued)**

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. However, as of the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard. Based on the historical tax returns filed to the relevant tax authorities, the Schools has historically enjoyed preferential tax treatment since its establishment.

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

#### (b) Sources of estimation uncertainty

Notes 13, 22(e) and 23(d) contain information about the assumptions and their risk factors relating to intangible asset impairment, fair value of share options granted and fair value of financial assets. Other significant sources of estimation uncertainty are as follows:

##### (i) Depreciation

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

##### (ii) Impairment of non-current assets

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

	2022 RMB'000	2021 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS15</b>		
Tuition fees	571,454	514,448
Boarding fees	54,022	50,938
<b>Total</b>	<b>625,476</b>	565,386

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

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

#### (b) Segment Reporting

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 OTHER INCOME

	2022 RMB'000	2021 RMB'000
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	15,654	12,815
(Deficit)/surplus on operation of the School of Clinical Medicine and Hongshan College (ii)	(16,357)	2,570
Others	(961)	2,831
	<b>52,760</b>	<b>83,042</b>

(i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the Group's teaching activities, scientific researches and other expenses.

(ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine of Anhui Medical University ("School of Clinical Medicine") with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter is responsible for the operation costs of the campus before the conversion.

On 29 April 2019, the Group entered into agreements with Nanjing University of Finance and Economics and Nanjing University of Finance and Economics Education Development Foundation, pursuant to which the Group would jointly operate Hongshan College of Nanjing University of Finance and Economics ("Hongshan College") with Nanjing University of Finance and Economics with the eventual goal of converting Hongshan College into a school owned and operated solely by the Group. According to the agreements, the Group is entitled to the tuition fees of Hongshan College from the 2019-2020 school year and thereafter is responsible for the operation costs of the campus before the conversion.

The amount represents the surplus or deficit to be absorbed by the Group, being the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the year. During the conversion period, the schools are governed by a board in which the Group has board seats but not control. The Group's other amounts and other investments in relation to the above two schools are disclosed in Notes 13, 15 and 17, representing the Group's related financial exposures prior to the completion of the conversion. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2022 RMB'000	2021 RMB'000
<b>(a) Finance costs</b>		
Interest expenses on loans and borrowings	15,794	17,413
<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	5,608	11,349
	<b>174,572</b>	<b>173,414</b>

- (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 RMB'000	2021 RMB'000
<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	1,900	2,000
	<b>71,098</b>	<b>68,080</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

- (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, the Group has not commenced the registration process.

In accordance with the historical tax returns filed to the relevant tax authorities and the communication with local tax authorities, the Group's schools which do not require reasonable returns have not been levied for income tax on the income from provision of formal educational services. As a result, no income tax expense for the income from provision of formal educational services is thus recognised for the Group's schools for the year ended 31 December 2022.

Subject to the outcome of the registration and other policy update which cannot be determined at the moment, the preferential tax treatment previously enjoyed by the Group under the prevailing practice may be unfavorably affected and the Group may be subject to corporate income tax for the income from provision of formal educational services as determined by the local tax bureau.

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	<b>239,403</b>	357,339
Tax at the statutory rate	<b>59,851</b>	89,335
Tax effect of non-taxable income	<b>(68,231)</b>	(92,377)
Tax effect of temporary difference and tax losses not recognized	<b>12,200</b>	5,809
Tax effect of non-deductible expenses	<b>72</b>	90
Actual income tax expense	<b>3,892</b>	2,857

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (c) Deferred tax assets not recognized

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses with total amount of RMB nil (2021: RMB88,330,000), as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

#### (d) Deferred tax liabilities not recognized

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

As at 31 December 2022, the Group has not recognized deferred tax liabilities in respect of undistributed earnings generated by its PRC entities, with approximate total amount of RMB1,799,665,000 (2021: RMB1,494,615,000). In the opinion of the directors, the Group's undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

### 8 DIRECTORS' EMOLUMENTS

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

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2022 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and non-executive Director</b>							
Mr. Wu Junbao	-	-	-	-	-	-	-
<b>Executive directors</b>							
Mr. Zhang Ming	-	442	-	-	442	4,219	4,661
Mr. Lu Zhen	-	369	144	10	523	237	760
Mr. Wang Yongkai	-	324	144	-	468	237	705
<b>Independent non-executive directors</b>							
Mr. Jiang Min	150	-	-	-	150	-	150
Mr. Yang Zhanjun	150	-	-	-	150	-	150
Mr. Chau Kwok Keung	125	-	-	-	125	-	125
Mr. Yao Heping	18	-	-	-	18	-	18
	443	1,135	288	10	1,876	4,693	6,569

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 DIRECTORS' EMOLUMENTS (continued)

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

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

The details of share-based payment transactions, including the principal terms and number of options granted, are disclosed in Note 22(e).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group, three of them are directors of the Company (2021: three). The aggregate of the emoluments in respect of the remaining two individuals (2021: two) are as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Salaries, allowance and benefits in kind	<b>700</b>	738
Discretionary bonuses	<b>188</b>	444
Share-based payments	<b>474</b>	2,366
Contributions to retirement benefit schemes	<b>19</b>	17
	<b>1,381</b>	3,565

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

	<b>2022</b>	2021
	<b>Number of individuals</b>	Number of individuals
Nil – HK\$2,000,000	<b>2</b>	–
HK\$2,000,001 – HK\$2,500,000	<b>–</b>	2

### 10 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic devices RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2021	665,349	13,836	163,969	93,872	83,088	1,020,114
Additions	3,176	69	7,129	6,593	20,499	37,466
Disposals	(680)	-	-	-	-	(680)
Transfers	81,847	-	-	-	(81,847)	-
At 31 December 2021	749,692	13,905	171,098	100,465	21,740	1,056,900
At 1 January 2022	<b>749,692</b>	<b>13,905</b>	<b>171,098</b>	<b>100,465</b>	<b>21,740</b>	<b>1,056,900</b>
Additions	-	579	13,044	20,000	12,705	46,328
Disposals	-	(1,940)	-	-	-	(1,940)
Transfers	34,354	-	-	-	(34,354)	-
At 31 December 2022	<b>784,046</b>	<b>12,544</b>	<b>184,142</b>	<b>120,465</b>	<b>91</b>	<b>1,101,288</b>
<b>Accumulated depreciation:</b>						
At 1 January 2021	(275,212)	(8,938)	(131,539)	(70,834)	-	(486,523)
Charge for the year	(34,319)	(1,297)	(11,703)	(10,948)	-	(58,267)
Disposal	-	-	-	-	-	-
At 31 December 2021	(309,531)	(10,235)	(143,242)	(81,782)	-	(544,790)
At 1 January 2022	(309,531)	(10,235)	(143,242)	(81,782)	-	(544,790)
Charge for the year	(39,742)	(1,085)	(10,601)	(10,660)	-	(62,088)
Disposal	-	1,731	-	-	-	1,731
At 31 December 2022	<b>(349,273)</b>	<b>(9,589)</b>	<b>(153,843)</b>	<b>(92,442)</b>	<b>-</b>	<b>(605,147)</b>
<b>Net book value:</b>						
At 31 December 2021	440,161	3,670	27,856	18,683	21,740	512,110
At 31 December 2022	<b>434,773</b>	<b>2,955</b>	<b>30,299</b>	<b>28,023</b>	<b>91</b>	<b>496,141</b>

The Group's buildings are situated in the PRC. Certificates of ownership in respect of certain buildings of the Group with total net carrying amounts of RMB70,510,000 as at 31 December 2022 (2021: RMB78,109,000) have not yet been issued by the relevant PRC authorities. As at the end of the year, the directors were in the process of obtaining these certificates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 RIGHT-OF-USE ASSETS

	RMB'000
<b>Cost:</b>	
At 1 January 2021, 31 December 2021 and 2022	127,872
<b>Accumulated depreciation:</b>	
At 1 January 2021	(45,108)
Charge for the year	(2,558)
At 31 December 2021	(47,666)
At 1 January 2022	(47,666)
Charge for the year	(2,557)
At 31 December 2022	(50,223)
<b>Net book value:</b>	
At 31 December 2021	80,206
At 31 December 2022	77,649

As at 31 December 2022, the right-of-use assets represent the land use rights in respect of land located in the PRC with lease term of 50 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 INTANGIBLE ASSETS

	Computer software RMB'000	School operation right RMB'000	Total RMB'000
<b>Cost:</b>			
At 1 January 2021	24,792	195,961	220,753
Additions	3,333	–	3,333
At 31 December 2021	28,125	195,961	224,086
At 1 January 2022	<b>28,125</b>	<b>195,961</b>	<b>224,086</b>
Additions	<b>655</b>	–	<b>655</b>
At 31 December 2022	<b>28,780</b>	<b>195,961</b>	<b>224,741</b>
<b>Accumulated amortisation:</b>			
At 1 January 2021	(15,038)	–	(15,038)
Charge for the year	(5,255)	–	(5,255)
At 31 December 2021	(20,293)	–	(20,293)
At 1 January 2022	<b>(20,293)</b>	–	<b>(20,293)</b>
Charge for the year	<b>(4,553)</b>	–	<b>(4,553)</b>
At 31 December 2022	<b>(24,846)</b>	–	<b>(24,846)</b>
<b>Net book value:</b>			
At 31 December 2021	7,832	195,961	203,793
At 31 December 2022	<b>3,934</b>	<b>195,961</b>	<b>199,895</b>

As at 31 December 2022, intangible assets mainly represent a school operation right for the School of Clinical Medicine acquired from Anhui Medical University with the amount of RMB195,961,000.

The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite, and the Group performs impairment assessment annually or when indicators of potential impairment are identified. The school operation right is allocated to the cash-generating unit (“CGU”) of the School of Clinical Medicine, and the recoverable amount of this CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the six-year period are extrapolated by using an estimated growth rate of 3% (2021: 3%) which is based on the relevant industry growth forecasts. The discount rates applied to the cash flow projections is 16% (2021: 16%). Key assumptions used for value in use calculations are the growth rates for sales, corresponding gross margin rates and working capital changes, based on management’s projection and expected market development.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INVESTMENTS IN SUBSIDIARIES

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

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

*Notes:*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayment for investments	660,000	660,000
Other receivables	2,040,291	–
	<b>2,700,291</b>	660,000

As at 31 December 2022, the prepayment for investments represents the down-payment for becoming the new school sponsor of Hongshan College with the amount of RMB660 million. The other receivables represents the payment for campus construction for the School of Clinical Medicine with the amount of RMB1,001,872,000 and for Hongshan College with the amount of RMB1,038,419,000.

### 16 TRADE RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Within 1 year	2,639	2,606

Details on the Group's credit policy are set out in Note 23(a). No allowance for doubtful debts was made as at the end of the year.

### 17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2022 RMB'000	2021 RMB'000
Long-term bank time deposits	180,000	170,000
Cash and bank balances		
– Time deposits	130,000	109,000
– Other bank deposits	192,068	366,892
	<b>502,068</b>	475,892

The interest rate on bank time deposits as at 31 December 2022 was 2.96% to 3.70% per annum (31 December 2021: 3.55% to 4.18%).

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

	Note	2022 RMB'000	2021 RMB'000
<b>Profit before taxation</b>		<b>239,403</b>	357,339
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	6(c)	62,088	58,267
Amortisation of intangible assets	6(c)	4,553	5,255
Depreciation of right-of-use assets	6(c)	2,557	2,558
Finance costs	6(a)	15,794	17,413
Share-based payment expenses	6(b)	5,608	11,349
Net realised and unrealised gain of financial assets measured at fair value through profit or loss		–	271
Foreign exchange loss/(gain)		89,669	(24,438)
<b>Operating profit before changes in working capital</b>		<b>419,672</b>	428,014
(Increase)/decrease in trade and other receivables		(1,268)	4,463
Increase in contract liability		21,000	40,562
Decrease in other payables		(4,575)	(17,764)
<b>Cash generated from operations</b>		<b>434,829</b>	455,275

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (c) Reconciliation of liabilities arising from financing activities

	<b>Loans and borrowings RMB'000 (Note 19)</b>	<b>Interest payable RMB'000 (Note 21)</b>	<b>Total RMB'000</b>
Balance at 1 January 2021	315,980	458	316,438
Non-cash change			
– Interest expense on bank loan (Note 6(a))	–	17,413	17,413
Cash flows			
– Inflow from financing activities	543,771	–	543,771
– Outflow from financing activities	(403,020)	(15,416)	(418,436)
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>456,731</b>	<b>2,455</b>	<b>459,186</b>
Non-cash changes			
– Interest expense on bank loan (Note 6(a))	–	15,794	15,794
– Exchange adjustments	20,990	387	21,377
Cash flows			
– Inflow from financing activities	68,415	–	68,415
– Outflow from financing activities	(50,020)	(11,069)	(61,089)
<b>Balance at 31 December 2022</b>	<b>496,116</b>	<b>7,567</b>	<b>503,683</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 LOANS AND BORROWINGS

	2022 RMB'000	2021 RMB'000
<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
	<b>162,920</b>	212,940
	<b>212,940</b>	262,960
<b>Loan from related party:</b>		
After 1 year but within 2 years	283,176	–
After 2 years but within 5 years	–	193,771
	<b>283,176</b>	193,771
	<b>496,116</b>	456,731

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 HKD80 million, equivalent to RMB68 million, with an annual interest rate of 2.00%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 CONTRACT LIABILITIES

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

#### *Movements in contract liabilities*

	2022 RMB'000	2021 RMB'000
Balance at 1 January	308,549	267,987
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(307,659)	(263,107)
Decrease in contract liabilities as a result of the boarding fee refund during the year	(890)	(4,880)
Increase in contract liabilities as a result of receipts in advance of performance	329,549	308,549
Balance at 31 December	<b>329,549</b>	308,549

### 21 OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
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
	<b>128,517</b>	126,260

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

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

#### Company

	Note	Attributable to equity shareholders of the Company				
		Share capital RMB'000	Share premium RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2021</b>		12,952	864,575	49,915	58,383	985,825
<b>Changes in equity for 2021:</b>						
Profit for the year		-	-	-	22,213	22,213
Other comprehensive income		-	-	(21,314)	-	(21,314)
Total comprehensive income		-	-	(21,314)	22,213	899
Dividends approved in respect of the previous year	22(b)	-	(97,169)	-	-	(97,169)
<b>Balance at 31 December 2021 and 1 January 2022</b>		<b>12,952</b>	<b>767,406</b>	<b>28,601</b>	<b>80,596</b>	<b>889,555</b>
<b>Changes in equity for 2022:</b>						
Loss for the year		-	-	-	(57,173)	(57,173)
Other comprehensive income		-	-	73,407	-	73,407
Total comprehensive income		-	-	73,407	(57,173)	16,234
Dividends approved in respect of the previous year	22(b)	-	(148,237)	-	-	(148,237)
<b>Balance at 31 December 2022</b>		<b>12,952</b>	<b>619,169</b>	<b>102,008</b>	<b>23,423</b>	<b>757,552</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (b) Dividends

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

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

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 RMB'000	2021 RMB'000
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)	<b>148,237</b>	97,169

#### (c) Share capital

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

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

	2022		2021	
	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000
<i>Ordinary shares, authorised (i):</i>				
Ordinary shares of HK\$0.01 each	<b>2,000,000</b>	<b>20,000</b>	2,000,000	20,000
<i>Ordinary shares, issued and fully paid (ii):</i>				
At 1 January and 31 December	<b>1,608,583</b>	<b>16,086</b>	1,608,583	16,086
RMB equivalent ('000)		<b>12,952</b>		12,952

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (c) Share capital (continued)

##### (i) Authorised share capital

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

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

##### (ii) Issued share capital

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

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

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (d) Nature and purpose of reserves

##### (i) Share premium

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

##### (ii) PRC statutory reserves

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

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

	2022		2021	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	2.79	67,900	2.79	67,900
Granted during the year	-	-	-	-
Outstanding at the end of the year	2.79	67,900	2.79	67,900
Exercisable at the end of the year	2.80	53,650	2.80	41,800

The options outstanding at 31 December 2022 had an exercise price of HK\$2.69 or HK\$2.82 (2021: HK\$2.69 or HK\$2.82) and a weighted average remaining contractual life of 3.8 years (2021: 4.8 years).

#### (iii) Fair value of share options and assumptions

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (f) Capital management

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

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

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

The debt-to-asset ratio at 31 December 2022 and 2021 was as follows:

	2022 RMB'000	2021 RMB'000
Total liabilities	957,519	896,866
Total assets	4,191,912	3,964,983
Debt-to-asset ratios	23%	23%

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

### 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

#### (a) Credit risk

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (b) Liquidity risk

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

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

	At 31 December 2022			Carrying amount RMB'000
	Contractual undiscounted cash outflow Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Other payables	128,517	–	128,517	128,517
Loans and borrowings	51,971	476,070	528,041	496,116
	<b>180,488</b>	<b>476,070</b>	<b>656,558</b>	<b>624,633</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (c) Interest rate risk

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

#### (i) Interest rate profile

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

	2022		2021	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate borrowings	2% to 3.90%	496,116	2% to 4.70%	456,731
Fixed rate time deposits	2.96% to 3.70%	310,000	3.55% to 4.18%	279,000

#### (ii) Sensitivity analysis

The Group's interest-bearing financial instruments at variable rates as at 31 December 2022 are mainly cash and cash equivalent balances, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at 31 December 2022 are bank time deposits and loans and borrowings that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (d) Fair value measurement

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

###### *Fair value hierarchy*

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

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

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

During the year ended 31 December 2022 and 2021, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3.

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

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2022 and 2021.

### 24 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 31 December 2022 and 2021 not provided for in the consolidated financial statements were as follows:

	2022 RMB'000	2021 RMB'000
Authorised but not contracted for	<b>600,367</b>	662,693

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the directors are of the view that the following companies and persons are related parties of the Group:

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

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

#### (a) Significant related party transactions

	2022 RMB'000	2021 RMB'000
Service provided to related parties	279	–
Service fee charged by related parties	442	886
Rental fee charged by related parties	–	3,792
Loan from a related party	<b>68,415</b>	193,771

As at 31 December 2022, the Group's interest-bearing bank loan with the amount of RMB212,940,000 (2021: RMB262,960,000) was guaranteed by the controlling shareholder Mr. Wu Junbao.

#### (b) Key management personnel remuneration

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current assets</b>			
Investments in subsidiaries		–	–*
Amount due from a subsidiary		<b>1,044,138</b>	486,366
		<b>1,044,138</b>	486,366
<b>Current assets</b>			
Amount due from a subsidiary		–	517,069
Prepayments		–	–
Cash and cash equivalents		<b>3,904</b>	81,979
		<b>3,904</b>	599,048
<b>Current liability</b>			
Other payables		<b>7,314</b>	2,088
		<b>7,314</b>	2,088
<b>Net current assets</b>		<b>(3,410)</b>	596,960
<b>Total assets less current liability</b>		<b>1,040,728</b>	1,083,326
<b>Non-current Liability</b>			
Loans and borrowings		<b>283,176</b>	193,771
<b>NET ASSETS</b>		<b>757,552</b>	889,555
<b>CAPITAL AND RESERVES</b>			
	22(a)		
Share capital		<b>12,952</b>	12,952
Reserves		<b>744,600</b>	876,603
<b>TOTAL EQUITY</b>		<b>757,552</b>	889,555

\* The balance represents an amount less than RMB500.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 22(b).

### 28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be Wu Junbao Company Limited, which was incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

### 29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1, Presentation of financial statements: <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, Income taxes: <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

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

# FINANCIAL HIGHLIGHTS

## FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

### Results of operation

	2022 RMB'000	For the year ended 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	625,476	565,386	478,847	437,732	386,127
Gross profit	368,705	370,132	311,058	261,221	230,402
Profit before taxation	239,403	357,339	327,446	273,757	257,992
Profit for the year	235,511	354,482	325,293	270,673	256,010

### Assets and liabilities

	2022 RMB'000	As at 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Current assets	537,936	2,338,874	1,800,579	1,873,962	1,935,216
Current liabilities	511,423	490,155	463,920	675,410	318,767
Net current assets	26,513	1,848,719	1,336,659	1,198,552	1,616,449
Total non-current assets	3,653,976	1,626,109	1,750,070	1,419,728	768,085
Total equity	3,234,393	3,068,117	2,820,769	2,618,280	2,384,534

### Financial ratio

	2022	As at/for the year ended 31 December			
		2021	2020	2019	2018
Net profit margin (%)	37.7%	62.7%	67.9%	61.8%	66.3%
Current ratio	1.1	4.8	3.9	2.8	6.1
Return on equity	7.5%	12.0%	12.0%	10.8%	15.1%
Return on assets	5.8%	9.4%	10.5%	9.0%	12.7%

## DEFINITION

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

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

“COVID-19”	2019 novel coronavirus disease, being a disease caused by a new strain of coronavirus
“Deed of Non-competition”	a deed of non-competition dated 8 March 2018 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
“Director(s)”	the director(s) of the Company
“Directors’ Powers of Attorney”	the school sponsor appointed director’s power of attorney executed by each of the directors appointed by the School Sponsor of each PRC Operating School dated 31 October 2017
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Anhui dated 31 October 2017
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Xinhua Anhui, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated 31 October 2017
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Xinhua Anhui and our PRC Consolidated Affiliated Entities dated 31 October 2017
“Foreign Investment Catalog”	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會*) on 28 July 2017 and became effective from 28 July 2017, which is amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we”, “our” or “us”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hongshan College”	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics

## DEFINITION

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

“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, as amended, supplemented or otherwise modified from time to time
“PRC Consolidated Affiliated Entities”	namely, our School Sponsor and our PRC Operating Schools, each a consolidated affiliated entity of our Company
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Advisors”	Jingtian & Gongcheng or Anhui Lanyan Law Firm (as the case may be), our legal advisors as to PRC Laws
“PRC Operating Schools”	our consolidated affiliated entities, namely, Xinhua University, School of Clinical Medicine, Hongshan College and Xinhua School
“private schools”	schools which are not administered by local, provincial or national governments
“Prospectus”	the prospectus of the Company dated 14 March 2018
“Registered Shareholders”	the shareholders of Xinhua Group, namely Mr. Wu Junbao, Mr. Wu Di and Huayuan Partnership
“Reporting Period”	the year ended 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“School of Clinical Medicine”	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 as further described in “Business – Planned Additional Schools – School of Clinical Medicine” in the Prospectus
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the school sponsor’s and directors’ rights entrustment agreement entered into by and among Xinhua Group, the PRC Operating Schools, the directors of each PRC Operating School and Xinhua Anhui dated 31 October 2017
“School Sponsor’s Power of Attorney”	the school sponsor’s power of attorney executed by the School Sponsor in favor of Xinhua Anhui dated 31 October 2017
“school year”	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year

## DEFINITION

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

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

## DEFINITION

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

\* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

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