

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

China Xinhua Education Group Limited

中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

	Year ended 31 December		Percentage change %
	2023 RMB'000	2022 RMB'000	
Adjusted revenue ⁽¹⁾	907,451	860,098	5.5%
Revenue	642,660	625,476	2.7%
Gross profit	377,956	368,705	2.5%
Profit for the year	307,099	235,511	30.4%
Adjusted net profit ⁽²⁾	329,692	330,788	-0.3%

Notes:

- (1) The adjusted revenue consists of the revenue of the Group plus the revenue of the School of Clinical Medicine and Hongshan College. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.
- (2) The Group defines the adjusted net profit as the profit for the year after adjusting for those items which are not indicative of the Group's operating performances. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Renminbi Yuan)

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	642,660	625,476
Cost of sales		<u>(264,704)</u>	<u>(256,771)</u>
Gross profit		<u>377,956</u>	<u>368,705</u>
Other income	4	33,617	52,760
Selling and distribution costs		(3,726)	(7,915)
Administrative expenses		<u>(80,391)</u>	<u>(158,353)</u>
Profit from operations		327,456	255,197
Finance costs	5(a)	<u>(14,293)</u>	<u>(15,794)</u>
Profit before taxation	5	313,163	239,403
Income tax	6	<u>(6,064)</u>	<u>(3,892)</u>
Profit for the year		<u>307,099</u>	<u>235,511</u>
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		11,488	73,394
Other comprehensive income for the year		<u>11,488</u>	<u>73,394</u>
Total comprehensive income for the year		<u>318,587</u>	<u>308,905</u>
Earnings per share	7		
Basic and diluted (RMB cents)		<u>19.09</u>	<u>14.64</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(Expressed in Renminbi Yuan)

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		460,456	496,141
Right-of-use assets		75,092	77,649
Intangible assets		200,833	199,895
Other non-current assets	8	2,825,104	2,700,291
Long-term bank time deposits		160,000	180,000
		<u>3,721,485</u>	<u>3,653,976</u>
Current assets			
Trade receivables	9	2,885	2,639
Prepayments, deposits and other receivables	10	226,647	213,229
Cash and bank balances		524,639	322,068
		<u>754,171</u>	<u>537,936</u>
Current liabilities			
Loans and borrowings	11	50,020	50,020
Contract liabilities	12	339,995	329,549
Other payables	13	119,420	128,517
Current taxation		6,064	3,337
		<u>515,499</u>	<u>511,423</u>
Net current assets		<u>238,672</u>	<u>26,513</u>
Total assets less current liabilities		3,960,157	3,680,489
Non-current liabilities			
Loans and borrowings	11	496,231	446,096
NET ASSETS		<u>3,463,926</u>	<u>3,234,393</u>
CAPITAL AND RESERVES			
Share capital		12,952	12,952
Reserves		3,450,974	3,221,441
TOTAL EQUITY		<u>3,463,926</u>	<u>3,234,393</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

2 Material accounting policies

(a) *Statement of compliance*

The consolidated financial statements of the Group 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Material 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 2023 comprise the Group.

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

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

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

2 Material accounting policies (Continued)

(c) Changes in accounting policies

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

- IFRS 17, Insurance contracts
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

3 Revenue and segment reporting

(a) Revenue

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	588,144	571,454
Boarding fees	54,516	54,022
Total	<u>642,660</u>	<u>625,476</u>

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

During 2023 and 2022, all of the Group's revenues were generated in the PRC and all of its non-current assets were located in the PRC.

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

(b) Segment Reporting

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

4 Other income

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rental and property management income	24,476	24,963
Service income	26,838	26,828
Government grants	1,763	2,633
Interest income on financial assets measured at amortised cost	12,351	15,654
Deficit on operation of the School of Clinical Medicine and Hongshan College (i)	(30,433)	(16,357)
Others	(1,378)	(961)
	<u>33,617</u>	<u>52,760</u>

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

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

The amount represents the surplus or deficit to be absorbed by the Group, being the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the year. During the conversion period, the schools are governed by a board in which the Group has board seats but not control. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

5 Profit before taxation

Profit before taxation is arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(a) Finance costs		
Interest expenses on loans and borrowings	<u>14,293</u>	<u>15,794</u>
(b) Staff costs		
Salaries, wages and other benefits	155,947	159,505
Contributions to defined contribution retirement plan (i)	13,037	9,459
Share-based payment expenses	<u>7,162</u>	<u>5,608</u>
	<u>176,146</u>	<u>174,572</u>

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

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(c) Other items		
Depreciation of property, plant and equipment	60,070	62,088
Net foreign exchange loss	15,431	89,669
Amortisation of intangible assets	3,032	4,553
Depreciation of right-of-use assets	2,557	2,557
Auditors' remuneration	<u>1,900</u>	<u>1,900</u>
	<u>82,990</u>	<u>160,767</u>

6 Income tax in the consolidated statement of profit or loss and other comprehensive income

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

	2023 RMB'000	2022 RMB'000
Current tax		
Provision for PRC income tax for the year	<u>6,064</u>	<u>3,892</u>

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.
- (iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on its taxable income.
- (iv) According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education (the “**Implementation Rules**”), private schools for which the school sponsors do not require reasonable returns/schools elected as not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. After the Implementation Rules for the Law for Promoting Private Education announced with effective from 1 September 2021, under the Implementation Opinions of the Anhui Provincial People’s Government on Encouraging Social Forces to Establish Education to Promote the Healthy Development of Private Education (the “**Implementation Opinions**”), the Group’s schools are required to register as either a for-profit or a not-for-profit organization by the end of 2022. Up to the date of this announcement, 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. Following the prevailing practice, Management considered that no CIT would be imposed by the local tax bureau on the income from provision of formal educational services based on the PRC relevant tax collection administration circumstance. 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 2023.

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.

7 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2023 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2023 of RMB307,099,000 (2022: RMB235,511,000) and the weighted average number of ordinary shares of RMB1,608,583,000 in issue during the year (2022: RMB1,608,583,000 shares).

There were no dilutive potential ordinary shares in issue for the year ended 31 December 2023 and 2022, therefore, diluted earnings per share are equivalent to basic earnings per share.

8 Other non-current assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayment for investments	660,000	660,000
Advance to the School of Clinical Medicine and Hongshan College	<u>2,165,104</u>	<u>2,040,291</u>
	<u><u>2,825,104</u></u>	<u><u>2,700,291</u></u>

As at 31 December 2023, the prepayment for investments represents the payment for the acquisition of Hongshan College with the amount of RMB660,000,000. The advance to the School of Clinical Medicine and Hongshan College represent the payment to the School of Clinical Medicine for its campus construction with the amount of RMB1,090,479,000 (31 December 2022: RMB1,001,872,000) and the payment to Hongshan College for its campus construction with the amount of RMB1,074,625,000 (31 December 2022: RMB1,038,419,000), which were unsecured and interest-free. For backgrounds of establishing a new campus for the School of Clinical Medicine and Hongshan College, please refer to the Company's prospectus dated 14 March 2018 and announcement dated 29 April 2019, respectively.

9 Trade receivables

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	<u>2,885</u>	<u>2,639</u>

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

10 Prepayments, deposits and other receivables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayments and deposits	201,757	205,089
Other receivables	<u>24,890</u>	<u>8,140</u>
	<u><u>226,647</u></u>	<u><u>213,229</u></u>

As at 31 December 2023 and 2022, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000.

11 Loans and borrowings

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unsecured bank loan:		
Within 1 year or on demand	50,020	50,020
After 1 year but within 2 years	50,020	50,020
After 2 years but within 5 years	62,880	112,900
	<u>112,900</u>	<u>162,920</u>
	<u>162,920</u>	<u>212,940</u>
Loan from related party:		
After 1 year but within 2 years	–	283,176
After 2 years but within 5 years	287,272	–
After 5 years	96,059	–
	<u>546,251</u>	<u>496,116</u>

As at 31 December 2023, the unsecured bank loans carried interest at annual rates of 3.05% (2022: 3.90%).

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 approximately RMB68 million, with an annual interest rate of 2.00%. In June 2023, the Group signed a loan extension agreement with Wu Junbao Company Limited to extend the expired date under the previous loan agreement from 21 June 2024 to 21 June 2027. In July 2023, the Group borrowed an additional sum of HKD106 million, equivalent to approximately RMB97 million, with an annual interest rate of 2.00%.

12 Contract liabilities

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Tuition fees	305,912	296,718
Boarding fees	34,083	32,831
	<u>339,995</u>	<u>329,549</u>

13 Other payables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Miscellaneous expenses received from students (i)	5,011	16,491
Accrued expenses	9,821	8,175
Payables to suppliers	64,109	68,103
Accrued staff costs	25,357	27,421
Interest payable	14,362	7,567
Others	760	760
	<u>119,420</u>	<u>128,517</u>

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

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

14 Dividends

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK6.32 cents per ordinary share (2022: HK6.56 cents)	<u>92,130</u>	<u>94,204</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.56 cents per share (2022: HK10.78 cents)	<u>96,216</u>	<u>148,237</u>

The Board recommended the payment of a final dividend of HK6.32 cents per share (equivalent to RMB5.73 cents per share) for the reporting period (2022: HK6.56 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta in terms of total student enrollment in the Yangtze River Delta Region. Due to the implementation of the Strategic Cooperation Framework Agreement for the Integrated Development of Higher Quality Education in the Yangtze River Delta Region and the Three-year Action Plan for the Integrated Development of Education in the Yangtze River Delta Region, the Group's influence in terms of running schools will be further expanded, which will improve the quality and accelerate the development of the Group's education business in the future.

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

We are committed to providing high-quality application-oriented formal education services to our students, including formal university education and secondary vocational education covering various mainstream subjects and areas of employment. Through continuous and efficient market research, we strive to design comprehensive and diversified courses to meet employers' preferences and labor market demands. Meanwhile, we actively adjust our major offerings, continuously optimize our teaching conditions by improving our tangible and intangible infrastructure, optimize the educational environment, and strengthen strategic cooperation with various private enterprises and public institutions, in order to help our students acquire useful skills and seek good employment opportunities. As a whole, our graduate employment rate is higher than the average graduate employment rate in the provinces and cities where we operate. The high employment rate will further consolidate our reputation, and to improve our image in the industry, and enable our schools to attract more talented students. With professional and high-quality education, the Group has continuously made outstanding contributions to students and their families, to employers, economic and social development.

BUSINESS REVIEW AND OPERATION UPDATE

Our Schools

As at 31 December 2023, the Group invested and operated four education institutions, namely (i) Xinhua University, a private university for formal education; (ii) School of Clinical Medicine, a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); (iii) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學); and (iv) Xinhua School, a private secondary vocational school.

Xinhua University

Founded in 2000, Xinhua University is a formal university-level education institution, which provides undergraduate education and continuing education focusing on applied education, 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 2023, Xinhua University had 10 subordinate colleges and 2 teaching departments, with a total of 59 undergraduate majors, including 4 national-level first-class undergraduate majors in communication engineering, financial management, economics and finance and software engineering. It also introduced a new national-level first-class undergraduate course "Digital Circuits". During the 2023/2024 school year, the number of awards won by students in various disciplinary competitions increased by 29.7% year-on-year, of which the number of national awards increased by 49.5% year-on-year; the number of awards won by teachers in national and provincial teaching competitions increased by 39.0% year-on-year. In addition, as one of the first batch of universities in Anhui Province to undergo a new round of evaluation, the Xinhua University successfully completed the evaluation of undergraduate education teaching by the Ministry of Education, which was unanimously praised by experts.

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 15 undergraduate majors, while its major offerings focus on clinical medicine.

The number of student enrollment reached 7,325 for the 2023/2024 school year, representing a year-on-year increase of 22.2%. Since our operation, students have had a strong desire to apply for admission to the School of Clinical Medicine, and 3 new enrollment provinces were added this school year 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. It has also introduced a new provincial-level high-level school of public health, and 2 new provincial-level experimental and training centers and the number of its teaching and research projects increased by 35.0% year-on-year.

The construction of the phase I of the new campus project had been officially put into operation in the 2021/2022 school year. The phase II of the project will be built gradually with the increasing number of students. Two rounds of indicator optimization for the conversion have been completed, subject to approval by competent authorities.

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. The construction of the phase I of the new campus project has been completed. The new campus has been approved by regulatory authorities and will be officially launched soon.

Xinhua School

Xinhua School is a secondary vocational school, which has been 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 in-depth integration of school-enterprise cooperation, aimed at advancing to undergraduate level. As at 31 December 2023, the school received a total of 74 honorary titles such as “May 4th Red Flag Youth League Committee” of Hefei City and “May 4th Red Flag Youth League Branch Committee” in High-tech Zone.

Student Enrollment

	As at 31 December 2023	As at 31 December 2022
Xinhua University		
Full-time student enrollment	23,834	24,095
Continuing education	15,273	15,888
Subtotal	<u>39,107</u>	<u>39,983</u>
School of Clinical Medicine⁽¹⁾		
Full-time student enrollment	<u>7,325</u>	<u>5,993</u>
Hongshan College⁽¹⁾		
Full-time student enrollment	<u>9,950</u>	<u>9,826</u>
Xinhua School		
Full-time student enrollment	<u>2,732</u>	<u>4,708</u>
Total number of full-time students	<u>43,841</u>	44,622
Total number of students enrolled	<u>59,114</u>	<u>60,510</u>

Note:

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

OPERATION UPDATE AND HIGHLIGHTS

- 1. Significant achievements were made in major and program construction conducted in line with the needs of emerging industries.** The Group continued its efforts to enhance construction of majors based on the development needs of emerging industries and the transformation and upgrading of traditional industries. The colleges and universities of the Group currently have 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 undergraduate major in biopharmaceutics, and the majors of clinical medicine, nursing and biomedical engineering have been approved to be included in the “Six Excellent and One Top-notch” programme. The Group actively carried out curriculum construction, continuously created high-quality courses, and one course of Xinhua University has been newly included in the national-level first-class undergraduate courses. Currently, Xinhua University has 66 provincial first-class courses, and 7 courses have been recommended by the Education Department of Anhui Province (安徽省教育廳) to participate in the evaluation of new round of national first-class courses.
- 2. Strengthening the introduction and nurturing of talents to build a high-level teaching team.** The Group implemented the strategy of “strengthening schools with talents”, continuously introduced doctors, and talents with an associate senior title and above and cultivated and introduced 187 doctoral teachers to further optimize the structure of the teacher team. At the same time, 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 and continuing to improve the faculty’s training sessions. The Group strengthened personnel training and carried out 510 training sessions by levels and categories.
- 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 practice educational base and provincial-level modern industrial college. The Group deepened international exchanges and cooperation to enhance its international influence by holding international forums. The Group’s colleges and universities carried out educational cooperation with universities including The Ider University in Mongolia and Management and Science University in Malaysia. 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.** We continued to increase investment, continuously improved the infrastructure on campus to provide a better working and learning environment for teachers and students. During the year, we built and renovated projects of 246,500 square meters, built 40 laboratory projects such as 5G+, Huawei ICT, virtual simulation, constructed 93 smart classrooms and multimedia classrooms and newly added 164,000 books to the libraries, which further improved the conditions of each school and further optimized the campus environment. Specifically, Xinhua University continued to update and upgrade laboratory equipment to better meet the needs of education and teaching while the library of the new campus of School of Clinical Medicine has been completed, and the east campus has been officially put into operation. Gaochun Campus of Hongshan College with complete facilities, sound functions and superior conditions is about to be put into operation.

5. **Based on the development needs, social service skills have been continuously strengthened.** We actively performed social service value while achieving our own development. Our colleges and universities provide 10,862 graduates to all walks of life, with an average employment rate of 94.8%. The Group also actively undertook the “Double Thousand Training Project” (「雙千培養工程」) and other government purchase service projects. With its vigorous development of scientific and technological innovation, Xinhua University’s unmanned vessels and intelligent embedded technology appeared in the 3rd China University Scientific and Technological Achievement Fair (「第三屆中國高校科技成果交易會」).

FUTURE PROSPECTS

I. Grasping the policy spirit and serving the construction of an education power

President Xi Jinping emphasised in the report of the 20th National Congress of the Communist Party of China that we should “give priority to the development of education, rely on ourselves to advance science and technology, drive the development with talents, accelerate efforts to build China into a powerhouse of education, technology and talents, keep cultivating talents for the Party and the Country to fully improve the quality of independent talents cultivation”; in December 2023, President Xi Jinping emphasized in the fifth study seminars for members of the Standing Committee of the Political Bureau of Central Committee of the Communist Party of China that accelerating the construction of a powerful education country to provide strong support for the great rejuvenation of the Chinese nation and accelerating the construction of a high-quality education system to provide satisfactory education are not only the requirements of the times, but also the needs of the people. In addition, the organization and implementation of the Plan for a powerful education country is the “main line of work, the first priority, and the No. 1 project” of the education system, which will bring new opportunities for the development of private education and higher education. With the industrial upgrading and the increasing demands for the applied talents from advanced manufacturing and other sectors, the Group will resolutely implement the fundamental task of fostering character and civic virtue, actively practice the applied talent nurturing philosophy of “orientation towards students and output, and continuous improvement”, so as to nurture high-quality applied talents with a sound personality, solid foundation, strong practical ability, international vision, innovative spirit and development potential.

II. Explore internal construction for high-quality education

- (1) We will take the development strategy of industries as the key to promote the construction of disciplines and majors in depth. The Group will closely follow the national and regional development strategies and demands of industrial development to dynamically adjust the layout of disciplines and majors, launch deeper integration of industry and education and school-enterprise cooperation, so as to build higher-level industrial colleges, achieve close combination of the major offerings with the industrial needs and promote the cluster development of advantaged majors. The Group will also actively create premium courses, formulate and improve the applied talents cultivation program, so as to constantly improve the students’ high-quality employment.
- (2) We will create a high-level teaching faculty, actively build a professional and high-quality team of teachers, constantly deepen the construction of the team of “dual-certificate” teachers, advance the effective connection between educational chain, talent chain and industrial chain, and optimize the talent cultivation mechanism where universities and enterprises cooperate to cultivate talents.

- (3) We will take the opportunity of opening up education to the outside world to carry out in-depth international communication and cooperation. We will enhance cooperation and exchanges and actively play the role of social services to improve our level of serving the society in multiple forms including project co-construction and base co-construction. At the same time, we will actively strengthen cooperation and exchanges with overseas universities and colleges, actively promote the sharing of quality teaching resources, the faculty and student sources at home and abroad, continuously widen the platform for international exchanges and cooperation and broaden the students' vision for development.
- (4) We will take the digital transformation as the driving force and promote digital education in depth. We will continue to improve the level of informationization, increase the construction of the smart campus, build an interactive, intelligent, open and diverse smart teaching environment, and provide students with high-quality learning and living services. Based on meeting students' individualized needs, we will closely integrate emerging technologies with talent cultivation, education and teaching, disciplines and majors construction, scientific research innovation, and management services, continue to expand the supply of quality education resources, and continue to improve the level of education governance.

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 2.7% from RMB625.5 million for the year ended 31 December 2022 to RMB642.7 million for the Reporting Period. This increase was primarily due to the increase in the 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	642,660	625,476
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	<u>264,791</u>	<u>234,622</u>
Adjusted revenue	<u><u>907,451</u></u>	<u><u>860,098</u></u>

Other Income

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

Other income decreased by 36.4% from RMB52.8 million for the year ended 31 December 2022 to RMB33.6 million for the Reporting Period, primarily due to the decrease in interest income and 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 3.1% from RMB256.8 million for the year ended 31 December 2022 to RMB264.7 million for the Reporting Period, mainly due to the expansion of the school scale and the continuous increase in teaching investment.

Gross Profit

Our gross profit increased by 2.5% from RMB368.7 million for the year ended 31 December 2022 to RMB378.0 million for the Reporting Period, primarily due to combined effect of the continuous improvement in our management level and the scale effect brought by the resource integration, which was in line with the growth of our business.

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 53.2% from RMB7.9 million for the year ended 31 December 2022 to RMB3.7 million for the Reporting Period, primarily due to the decrease in student admission expenses and depreciation and amortization.

Administrative Expenses

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

Administrative expenses decreased by 49.3% from RMB158.4 million for the year ended 31 December 2022 to RMB80.3 million for the Reporting Period, mainly due to the decrease 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 RMB14.3 million (31 December 2022: RMB15.8 million), mainly due to the decrease in the interest rate and loan amount of bank loans during the Reporting Period.

Profit before Taxation

The Group's profit before taxation recognized for the Reporting Period was RMB313.2 million, as compared with RMB239.4 million for the year ended 31 December 2022, representing a year-on-year increase of 30.8% which was primarily due to the decrease of foreign exchange loss.

Income Tax

The Group's income tax increased by 56.4% from RMB3.9 million for the year ended 31 December 2022 to RMB6.1 million for the Reporting Period, which was due to the increase of the Group's taxable income.

Profit for the Year

As a result of the combined effects of the above income, costs and expenses, the Group recorded a profit of RMB307.1 million for the Reporting Period, representing a year-on-year increase of 30.4% as compared with RMB235.5 million for the year ended 31 December 2022.

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:

	2023 RMB'000	2022 <i>RMB'000</i>
Profit for the year	307,099	235,511
Add:		
Net foreign exchange loss	15,431	89,669
Share-based payment expenses	7,162	5,608
	<hr/>	<hr/>
Adjusted net profit	<u>329,692</u>	<u>330,788</u>

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

Working Capital and Source of Capital

The Group's cash is mainly used to satisfy the needs of working capital and purchase of property, plant and equipment. During the Reporting Period, the Group has funded for operations primarily with cash and cash equivalents generated from operations. As at 31 December 2023, the Group recorded long-term bank time deposits, cash and bank balances of RMB684.6 million (31 December 2022: RMB502.1 million).

Net Current Assets

As at 31 December 2023, the Group recorded net current assets of RMB238.7 million representing an increase of 800.8% as compared with the RMB26.5 million as at 31 December 2022, which was primarily attributable to the increase in cash and bank balance.

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 RMB151.9 million (for the year ended 31 December 2022: RMB436.7 million). The Group's capital expenditures were primarily related to the construction of buildings and school facilities and the purchase of equipment and software. The Group has funded these capital expenditures primarily with cash generated from operations.

Bank Loans and Other Borrowings

Bank loans and other borrowings of the Group were mainly working capital loans and specific loans. The bank loans and loan from related party of the Group amounted to RMB546.3 million as at 31 December 2023 (31 December 2022: RMB496.1 million).

Contingent Liabilities and Guarantees

As at 31 December 2023, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total liabilities divided by total assets, was 22.6% as at 31 December 2023, in compare with the figure of 22.8% as at 31 December 2022, there was no significant difference.

Future Plan for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets as at the 31 December 2023 and up to date of this announcement.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Significant Investments Held by the Group

Save as disclosed herein, there was no significant investment held by the Group during 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 2023, 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 to pay 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 2023, no assets of the Group were pledged.

Human Resources

As at 31 December 2023, the Group has approximately 2,504 employees (31 December 2022: 2,297). All of our employees are based in the PRC. 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 2023, the Group has not conducted any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

Save as described below, there was no event occurred subsequent to 31 December 2023 and up to the date of this announcement that would cause material impact on the Group.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 18 June 2024 and a notice convening the AGM will be published and despatched to the Shareholders on or before 30 April 2024.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.32 cents per share (equivalent to approximately RMB5.73 cents per share) for the Reporting Period (2022: HK6.56 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 Tuesday, 9 July 2024 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 26 June 2024.

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 Thursday, 13 June 2024 to Tuesday, 18 June 2024, 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 Tuesday, 18 June 2024, 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 Wednesday, 12 June 2024.

For Determining the Eligibility to the Proposed Final Dividend

The register of members of the Company will be closed from Monday, 24 June 2024 to Wednesday, 26 June 2024, 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 Friday, 21 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SCOPE OF WORK OF THE AUDITORS

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

REVIEW OF ANNUAL RESULTS

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaxhedu.com). The annual report of the Company for the Reporting Period will be made available on the above websites and dispatched to the Shareholders who request the printed copy before the end of April 2024.

DEFINITION

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

“AGM”	the annual general meeting of the Company to be held on Tuesday, 18 June 2024
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China Xinhua Education Group Limited (中國新華教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 30 August 2017, whose shares are listed on the main board of the Stock Exchange (Stock Code: 2779)
“Director(s)”	the director(s) of the Company
“Group”, “we”, “our” or “us”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hongshan College”	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics
“IFRSs”	the International Financial Reporting Standard(s)

“independent college”	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nanjing University of Finance & Economics”	Nanjing University of Finance and Economics* (南京財經大學)
“Reporting Period”	the year ended 31 December 2023
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“School of Clinical Medicine”	Clinical College of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 as further described in “Business – Planned Additional Schools – School of Clinical Medicine” in the prospectus of the Company dated 14 March 2018
“School Year”	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
“Shareholders”	holder(s) of the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Xinhua Group”	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司) (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of our Company

“Xinhua School”	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from Department of Education of Anhui Province* (安徽省教育廳) for its establishment on 11 April 2002, of which the school sponsor’s interest is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
“Xinhua University”	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College* (安徽新華職業學院) which obtained approval from The People’s Government of Anhui Province (安徽省人民政府) for its establishment on 18 June 2000. The school sponsor’s interest of Xinhua University is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	per cent

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

Hong Kong, 28 March 2024

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

** The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*