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China Xinhua Education Group Limited

中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

	Year ended 31 December		Percentage change
	2024	2023	
	RMB'000	RMB'000	%
Revenue	648,078	642,660	0.8%
Gross profit	392,261	377,956	3.8%
Profit for the year	330,219	307,099	7.5%
Adjusted net profit ⁽¹⁾	359,406	329,692	9.0%

Note:

- (1) 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
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Renminbi Yuan)

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	<i>3</i>	648,078	642,660
Cost of sales		<u>(255,817)</u>	<u>(264,704)</u>
Gross profit		<u>392,261</u>	<u>377,956</u>
Other income	<i>4</i>	48,927	33,617
Selling and distribution costs		(3,897)	(3,726)
Administrative expenses		<u>(86,522)</u>	<u>(80,391)</u>
Profit from operations		350,769	327,456
Finance costs	<i>5(a)</i>	<u>(13,309)</u>	<u>(14,293)</u>
Profit before taxation	<i>5</i>	337,460	313,163
Income tax	<i>6</i>	<u>(7,241)</u>	<u>(6,064)</u>
Profit for the year		<u>330,219</u>	<u>307,099</u>
Attributable to:			
Equity shareholders of the Company		<u>330,219</u>	<u>307,099</u>
Earnings per share	<i>7</i>		
Basic and diluted (RMB cents)		<u>20.53</u>	<u>19.09</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in Renminbi Yuan)

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other comprehensive income for the year (after tax and reclassification adjustments)			
<i>Item that will not be reclassified subsequently</i> <i>to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		<u>12,730</u>	<u>11,488</u>
Other comprehensive income for the year		<u>12,730</u>	<u>11,488</u>
Total comprehensive income for the year		<u>342,949</u>	<u>318,587</u>
Attributable to:			
Equity shareholders of the Company		<u>342,949</u>	<u>318,587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Expressed in Renminbi Yuan)

	<i>Note</i>	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		434,872	460,456
Right-of-use assets		72,535	75,092
Intangible assets		200,519	200,833
Other non-current assets	<i>8</i>	2,890,700	2,825,104
Long-term bank time deposits	<i>11</i>	330,000	160,000
		3,928,626	3,721,485
Current assets			
Trade receivables	<i>9</i>	2,137	2,885
Prepayments, deposits and other receivables	<i>10</i>	228,101	226,647
Cash and bank balances	<i>11</i>	689,882	524,639
		920,120	754,171
Current liabilities			
Loans and borrowings	<i>12</i>	50,020	50,020
Contract liabilities	<i>13</i>	362,045	339,995
Other payables	<i>14</i>	152,114	119,420
Current taxation		12,402	6,064
		576,581	515,499
Net current assets		343,539	238,672
Total assets less current liabilities		4,272,165	3,960,157
Non-current liabilities			
Loans and borrowings	<i>12</i>	551,829	496,231
NET ASSETS		3,720,336	3,463,926
CAPITAL AND RESERVES			
Share capital	<i>15</i>	12,952	12,952
Reserves		3,707,384	3,450,974
TOTAL EQUITY		3,720,336	3,463,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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 Act 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 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 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 2024 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“**2020 amendments**”) and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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*

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	596,626	588,144
Boarding fees	51,452	54,516
Total	<u>648,078</u>	<u>642,660</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 2024 and 2023, 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

	2024 RMB'000	2023 RMB'000
Rental and property management income	26,124	24,476
Service income	23,512	26,838
Government grants	1,578	1,763
Interest income on financial assets measured at amortised cost	14,347	12,351
Deficit on operation of Anhui School and Jiangsu School	(17,105)	(30,433)
Others	471	(1,378)
	<u>48,927</u>	<u>33,617</u>

5 Profit before taxation

Profit before taxation is arrived at after charging:

	2024 RMB'000	2023 RMB'000
(a) Finance costs		
Interest expenses on loans and borrowings	<u>13,309</u>	<u>14,293</u>
(b) Staff costs		
Salaries, wages and other benefits	161,959	155,947
Contributions to defined contribution retirement plan (i)	13,256	13,037
Share-based payment expenses	<u>6,070</u>	<u>7,162</u>
	<u>181,285</u>	<u>176,146</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.

	2024 RMB'000	2023 RMB'000
(c) Other items		
Depreciation of property, plant and equipment	49,378	60,070
Amortisation of intangible assets	2,299	3,032
Depreciation of right-of-use assets	2,557	2,557
Net foreign exchange loss	23,117	15,431
Auditors' remuneration	<u>1,900</u>	<u>1,900</u>
	<u>79,251</u>	<u>82,990</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:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for PRC income tax for the year	<u>7,241</u>	<u>6,064</u>

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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 the PRC 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 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 2024.

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 2024 is based on the profit attributable to shareholders of the Company for the year ended 31 December 2024 of RMB330,219,000 (2023: RMB307,099,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2023: 1,608,583,000 shares).

For the year ended 31 December 2024, the outstanding share options under the Company's Share option scheme were not included in the calculation of diluted earnings per share as their inclusion would have been anti-dilutive. Accordingly, diluted earnings per share for the year ended 31 December 2024 were the same as basic earnings per share.

8 Other non-current assets

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Prepayment for investments	660,000	660,000
Advance to Anhui School and Jiangsu School	<u>2,230,700</u>	<u>2,165,104</u>
	<u><u>2,890,700</u></u>	<u><u>2,825,104</u></u>

As at 31 December 2024, the prepayment for investments represents the payment for the acquisition of Jiangsu School with the amount of RMB660,000,000 (31 December 2023: RMB660,000,000). The advance to Anhui School and Jiangsu School represent the payment to Anhui School for its campus construction with the amount of RMB1,119,914,000 (31 December 2023: RMB1,090,479,000) and the payment to Jiangsu School for its campus construction with the amount of RMB1,110,786,000 (31 December 2023: RMB1,074,625,000), which were unsecured and interest-free. For backgrounds of establishing a new campus for Anhui School and Jiangsu School, 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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 year	<u><u>2,137</u></u>	<u><u>2,885</u></u>

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

10 Prepayments, deposits and other receivables

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Prepayments and deposits	201,838	201,757
Other receivables	26,263	24,890
	<u>228,101</u>	<u>226,647</u>

As at 31 December 2024 and 2023, prepayments and deposits mainly comprise the balance due from Jiangsu School with the amount of RMB200,000,000.

11 Long-term bank time deposits, cash and bank balances and other cash flow information**(a) Long-term bank time deposits, cash and bank balances:**

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Long-term bank time deposits	<u>330,000</u>	<u>160,000</u>
Cash and bank balances		
– Bank time deposits	548,100	280,000
– Cash and cash equivalents	141,782	244,639
	<u>689,882</u>	<u>524,639</u>
	<u>1,019,882</u>	<u>684,639</u>

The interest rate on bank time deposits as at 31 December 2024 were ranged from 1.45% to 3.55% per annum (31 December 2023: 2.30% to 3.59%).

12 Loans and borrowings

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Unsecured bank loans:		
Within 1 year or on demand	50,020	50,020
Over 1 year but within 2 years	62,880	50,020
Over 2 years but within 5 years	–	62,880
	<u>62,880</u>	<u>112,900</u>
	<u>112,900</u>	<u>162,920</u>
Loans from a related party:		
Over 2 years but within 5 years	293,555	287,272
Over 5 years	195,394	96,059
	<u>488,949</u>	<u>383,331</u>
	<u>601,849</u>	<u>546,251</u>

As at 31 December 2024, the unsecured bank loans carried interest rate of 2.70% (2023: 3.05%) per annum.

In July 2023, the Group borrowed HKD106 million from a related party Wu Junbao Company Limited. In July 2024, the Group borrowed an additional sum of HKD105 million from Wu Junbao Company Limited. As of 31 December 2024, all the loans from a related party were borrowed from Wu Junbao Company Limited, with interest rate of 2.00% per annum.

13 Contract liabilities

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Tuition fees	327,088	305,912
Boarding fees	34,957	34,083
	<u>362,045</u>	<u>339,995</u>

13 Contract liabilities (Continued)***Movements in contract liabilities***

	2024 RMB'000	2023 <i>RMB'000</i>
Balance at 1 January	339,995	329,549
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	(339,782)	(329,249)
Decrease in contract liabilities as a result of the boarding fee refund during the year	(213)	(300)
Net increase in contract liabilities as a result of receipts in advance of performance	362,045	339,995
Balance at 31 December	362,045	339,995

14 Other payables

	2024 RMB'000	2023 <i>RMB'000</i>
Miscellaneous expenses received from students (i)	6,643	5,011
Accrued expenses	4,274	9,821
Payables to suppliers	62,055	64,109
Accrued staff costs	25,381	25,357
Interest payable	23,535	14,362
Others	30,226	760
	152,114	119,420

- (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.

15 Capital, reserves and dividends

(a) Dividends

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

	2024 RMB'000	2023 RMB'000
Final dividend proposed after the end of the reporting period of HK0 cent per ordinary share (2023: HK6.32 cents)	–	92,130

No dividend has been proposed by the Company in respect of the year ended 31 December 2024.

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

	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.32 cents per ordinary share (2023: HK6.56 cents per ordinary share)	92,609	96,216

(b) Equity settled share-based transactions

On 30 April 2019, 15,000,000 share options were granted to Mr. Zhang Ming, an executive director of the Company (the “**Director(s)**”), 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 were granted to certain employees, including two executive Directors Mr. Lu Zhen and Mr. Wang Yongkai, with an exercise price of HK\$2.82 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company. 2,000,000 options granted on 15 July 2019 were expired during year 2024.

On 5 June 2023, 71,900,000 share options were granted to certain employees, including three executive Directors Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai, under the Company’s employee share option scheme, with an exercise price of HK\$0.764 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company.

15 Capital, reserves and dividends (Continued)

(c) 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 2024 and 2023 was as follows:

	2024 RMB'000	2023 <i>RMB'000</i>
Total liabilities	1,128,410	1,011,730
Total assets	4,848,746	4,475,656
Debt-to-asset ratio	23%	23%

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

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 a 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 quality 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, and upgrading and transforming the service industry.

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, 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, employers, as well as economic and social development.

BUSINESS REVIEW AND OPERATION UPDATE

Student Enrollment

In the 2024/25 academic year, the Group had a full-time student enrollment of approximately 42,553, representing a year-on-year decrease of approximately 2.94%. The number of registered students enrolled in continuing education reached 20,183, representing a year-on-year increase of approximately 32.15%. The student structure has been further optimized, with undergraduate students accounting for approximately 97.09% of the total full-time student population. The brand competitiveness has been further enhanced, and the high-quality development strategy has been steadily advanced.

OPERATION UPDATE AND HIGHLIGHTS

1. Significant Progress in Internal Construction

The Group has focused on the fundamental task of fostering virtue and nurturing talent, adhering to the mission of education for the Communist Party and the nation, vigorously strengthening internal construction, and continuously improving the quality of education. We have successfully obtained approval for 4 national-level first-class undergraduate programs and 14 provincial-level first-class undergraduate programs. Additionally, we have 1 national-level first-class undergraduate course and 130 provincial-level first-class undergraduate courses. Xinhua University has been approved as one of the first batch of application-oriented characteristic university cultivation units in Anhui Province.

2. Outstanding Achievements in Talent Cultivation

The Group has adhered to a student-centered approach, placing great emphasis on the comprehensive development of students' qualities and fostering a positive atmosphere of promoting learning through competitions. Students from various institutions have achieved a 21.7% year-on-year increase in awards at provincial-level and above competitions, and a 1.7-fold increase in awards at national-level and above competitions. Notably, Anhui Xinhua University's Ruihang Unmanned Vessel Project won an Outstanding Case Award at the International High-Tech Achievements Fair, and the university's ice hockey team secured the "Triple Crown" in the National College Ice Hockey League.

3. Continuous Improvement in Faculty Quality

The Group has further intensified efforts in faculty recruitment and development, continuously optimizing the teaching staff and enhancing their capabilities. Throughout the year, the number of newly recruited teachers with doctoral degrees and senior professional titles increased by 23.1% year-on-year. A total of 837 training sessions were organized, covering 30,000 participants. The number of provincial and above level teaching and research projects awarded to faculty members across institutions increased by 67.5% year-on-year. Among these, Anhui Xinhua University made new breakthroughs in national-level research projects and provincial/ministerial-level research awards.

4. Continuous Optimization of Educational Conditions

The Group has continued to increase investment in both software and hardware, allocating funds for the construction and renovation of school buildings, expansion of facilities, and upgrading of equipment. During the year, 34 laboratory projects were completed, along with 35 smart classrooms and multimedia classrooms, 1,470 dormitory rooms for teachers and students, and the addition of 1.55 million volumes to library collections. Teachers and students across our institutions now enjoy higher-quality educational resources and a more comfortable and beautiful campus environment.

5. Significant Enhancement of Social Service Capabilities

The Group has actively promoted inter-school, school-enterprise, and school-local cooperation, deepening industry-academia-research collaboration. Our institutions have added 171 industry-academia-research horizontal projects, 33 social service projects, and 29 cooperative education bases. Xinhua University has also established the Huawei ICT Industry College. Additionally, we have actively undertaken social examination projects such as safety production exams and IELTS, continuously enhancing the ability of higher education to serve society.

6. Deepening International Exchanges and Cooperation

The Group has established collaborations with renowned universities in the UK, Mongolia, Malaysia, Thailand, and Indonesia, strengthening cultural exchanges. We have added 5 new Sino-foreign cooperative education programs, established the University of Malaya Preparatory Center and the China-Thailand International Education Cooperation Base, and actively explored the establishment of overseas branches, language training programs, and joint “Belt and Road” colleges, contributing to the promotion of Chinese culture.

FUTURE PROSPECTS

1. Actively responding to the call of strengthening the country through education

In September 2024, the National Conference on Education was held, emphasizing that “education is the foundation for building a strong country and rejuvenating a nation”. In January 2025, the Outline for the Construction Plan for Strengthening the Country with Education (2024-2035) was issued, setting forth the “two-step” goal of the construction of an education power. Focusing on building China into a powerhouse of education, the Group will closely meet the needs of social development, continue to optimize the setting of disciplines and majors, deepen the reform of education and teaching, and promote the all-round development of students, continuously make efforts in strengthening characteristics and improving quality, so as to nurture more high-quality applied talents for economic and social innovation and development.

2. Continuously optimizing the development of disciplines and majors

The Group will continuously optimize and adjust the setting of disciplines and majors to promote the cross-integration of traditional disciplines and emerging technologies, closely integrate national development strategies and regional economic and social development needs with the development of disciplines and majors and deepen the integration of industry and education. We will also construct a “discipline-industry-region” coordinated development ecology, deepen the interaction with local industrial chains, and build more modern industrial colleges and future technology colleges, which will promote the precise connection between discipline resources and industrial needs. In light of the development requirements of applied majors, we will formulate and improve the training plan for applied talents to continuously improve the high-quality employment of students.

3. Promoting the construction of a high-level teaching faculty

The Group will continue to strengthen the introduction of high-calibre and high-quality teachers, continuously improve the classified training system for teachers, and build a comprehensive teacher echelon construction system. We will also deepen the cultivation of “dual-qualified teachers’ quality” and build a professional and high-quality teaching team by participating in corporate practice, establishing a dual-tutorial system of “corporate tutors and on-campus teachers”, and innovating the mechanism for improving teaching and scientific research capabilities, so as to lay a solid foundation for talent cultivation.

4. Advancing reform in AI education

The Group will persist in driving the digital transformation of education, intensifying research on new technologies and methods, and establishing an interactive, intelligent, and open smart teaching platform. We will establish an AI research institution to facilitate research on AI applications in multiple fields such as education and teaching, daily management and teacher-student services, as well as to explore the integration of generative AI into personalized teaching, constantly enhancing the AI literacy of educators and learners.

5. Enhancing collaboration with international education institutions

The Group will further enhance international exchanges and cooperation by collaborating with renowned universities in Europe, America, Asia, and other regions to facilitate the joint development and sharing of high-quality resources both domestically and internationally. We will efficiently manage Sino-foreign cooperative education initiatives, expand enrollment along the “Belt and Road” Initiative and bolster the development of overseas campuses, Chinese language teaching centers, and international education hubs to cultivate teachers and students with a global perspective and promote cultural communication and exchange.

FINANCIAL REVIEW

Revenue

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

The Group’s revenue increased slightly by 0.8% from RMB642.7 million for the year ended 31 December 2023 to RMB648.1 million for the Reporting Period. This increase was mainly due to the increase of average tuition fees.

Other Income

Other income primarily consists of rental and property management income, service income, interest income and surplus on operation of Anhui School and Jiangsu School.

Other income increased by 45.5% from RMB33.6 million for the year ended 31 December 2023 to RMB48.9 million for the Reporting Period, primarily due to the improvement on operation of Jiangsu School.

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 decreased by 3.4% from RMB264.7 million for the year ended 31 December 2023 to RMB255.8 million for the Reporting Period, mainly due to the decrease of depreciation expenses due to expiration of useful lives of parts of buildings.

Gross Profit

Our gross profit increased by 3.8% from RMB378.0 million for the year ended 31 December 2023 to RMB392.3 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 increased by 5.4% from RMB3.7 million for the year ended 31 December 2023 to RMB3.9 million for the Reporting Period, primarily due to the slight increase in staff costs.

Administrative Expenses

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

Administrative expenses increased by 7.6% from RMB80.4 million for the year ended 31 December 2023 to RMB86.5 million for the Reporting Period, primarily 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 RMB13.3 million (31 December 2023: RMB14.3 million), primarily due to the decrease in the interest rate of bank loans during the Reporting Period.

Profit before Taxation

The Group's profit before taxation recognised for the Reporting Period was RMB337.5 million, as compared with RMB313.2 million for the year ended 31 December 2023, representing a year-on-year increase of 7.8% which was primarily due to the increase of taxable profit in the PRC.

Income Tax

The Group's income tax increased by 18.0% from RMB6.1 million for the year ended 31 December 2023 to RMB7.2 million for the Reporting Period, which was primarily due to the increase in taxable income in the PRC.

Profit for the Year

As a result of the combined effects of the foregoing, the Group recorded a profit of RMB330.2 million for the Reporting Period, representing a year-on-year increase of 7.5% as compared with RMB307.1 million for the year ended 31 December 2023.

Adjusted Net Profit

Adjusted net profit was derived from the profit for the year after adjusting the net foreign exchange 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 that 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 indicated:

	2024 RMB'000	2023 RMB'000
Profit for the year	330,219	307,099
Add:		
Net foreign exchange loss	23,117	15,431
Share-based payment expenses	6,070	7,162
Adjusted net profit	<u>359,406</u>	<u>329,692</u>

Net foreign exchange 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 its operations primarily with cash and cash equivalents generated from operating activities. As at 31 December 2024, the Group recorded long-term bank time deposits and cash and bank balances of RMB1,019.9 million (31 December 2023: RMB684.6 million).

Net Current Assets

As at 31 December 2024, the Group recorded net current assets of RMB343.5 million representing an increase of 43.9% as compared with the RMB238.7 million as at 31 December 2023, which was primarily attributable to the increase in current assets exceeding the change in contract liabilities and other payables and accruals.

Capital Expenditures

Capital expenditures consist of purchase or construction cost of property and equipment, prepayment of land lease outlay and other intangible assets. Since Anhui School and Jiangsu School have not yet been consolidated, the Group's capital expenditures do not include the scope of the two schools mentioned above.

During the Reporting Period, the Group's capital expenditures were RMB93.7 million (31 December 2023: RMB151.9 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 operating activities.

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 loans from a related party of the Group amounted to RMB601.8 million as at 31 December 2024 (31 December 2023: RMB546.3 million).

Contingent Liabilities and Guarantees

As at 31 December 2024, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Gearing Ratio

The gearing ratio of the Group, calculated as total liabilities divided by total assets, was 23.3% as at 31 December 2024, compared to the figure of 22.6% as at 31 December 2023. This increase was primarily attributable to the rise in total liabilities exceeding the increase in total assets.

Future Plan for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets as at 31 December 2024 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 functional currency is RMB, as most revenues and expenditures of the Group are denominated in RMB. As at 31 December 2024, 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 2024, no assets of the Group were pledged.

Human Resources

As at 31 December 2024, the Group has approximately 2,559 employees (31 December 2023: 2,504). 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 2024, the Group has not conducted any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

There was no event occurred subsequent to 31 December 2024 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 Thursday, 26 June 2025 and a notice convening the AGM will be published and despatched to the Shareholders on or before 30 April 2025.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Period (2023: HK6.32 cents).

CLOSURE OF THE REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

The register of members of the Company will be closed from Monday, 23 June 2025 to Thursday, 26 June 2025, both days inclusive, in order to determine the identity of the Shareholders who are eligible to attend and vote at the AGM to be held on Thursday, 26 June 2025, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 June 2025.

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 (including any sale or transfer of treasury shares) of the Company during the Reporting Period.

The Company did not have any treasury shares (as defined under the Listing Rules) as at 31 December 2024.

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 BY THE AUDIT COMMITTEE

The Group's annual results for the Reporting Period, the accounting principles and policies adopted by the Company and internal control matters 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 PRACTICES

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 monitor the corporate governance practices of the Group to ensure compliance with the CG Code from time to time, and to ensure that the Group is led by an effective Board with an independent view from the independent non-executive Directors, in order 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 or she 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.chinaxhdu.com). The annual report of the Company for the Reporting Period will be made available on the above websites and despatched to the Shareholders who request the printed copy before the end of April 2025.

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 Thursday, 26 June 2025 (or any adjournment thereof)
“Anhui School”	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 and not a consolidated affiliated entity of the Group
“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
“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

“Jiangsu School”	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, which is currently jointly operated by the Group and Nanjing University of Finance and Economics*(南京財經大學) and not a consolidated affiliated entity of the Group
“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
“Reporting Period”	the year ended 31 December 2024
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“School Year”	the school year for all of our schools, which generally starts on 1 September of each calendar year and ends on 30 June 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, 31 March 2025

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. Wang Yongkai and Ms. Chen Ming; 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.*