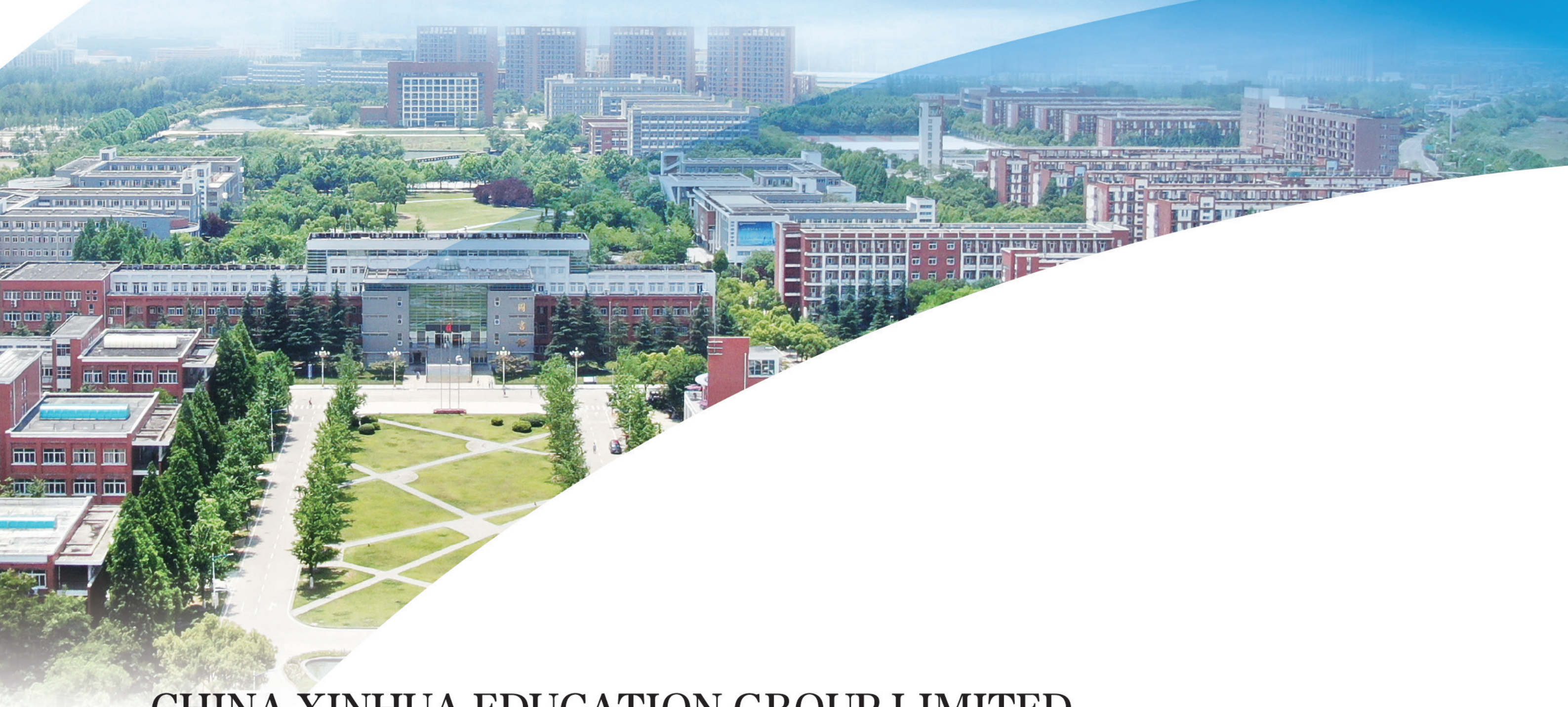
2020

年報

ANNUAL REPORT



CHINA XINHUA EDUCATION GROUP LIMITED

中國新華教育集團有限公司

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

Stock Code 股份代號：02779

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director
Mr. Wu Junbao (吳俊保) *(Chairman)*

Executive Directors
Mr. Zhang Ming (張明)
Mr. Lu Zhen (陸真)
Mr. Wang Yongkai (王永凱)

Independent Non-executive Directors
Mr. Jiang Min (蔣敏)
Mr. Yang Zhanjun
Mr. Chau Kwok Keung (鄒國強)

AUDIT COMMITTEE
Mr. Chau Kwok Keung (鄒國強) *(Chairman)*
Mr. Wu Junbao (吳俊保)
Mr. Jiang Min (蔣敏)

REMUNERATION COMMITTEE
Mr. Jiang Min (蔣敏) *(Chairman)*
Mr. Wu Junbao (吳俊保)
Mr. Yang Zhanjun

NOMINATION COMMITTEE
Mr. Wu Junbao (吳俊保) *(Chairman)*
Mr. Jiang Min (蔣敏)
Mr. Yang Zhanjun

COMPANY SECRETARY
Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES
Mr. Wang Yongkai (王永凱)
Mr. Wong Yu Kit (黃儒傑)

REGISTERED OFFICE
Cricket Square
Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 555 Wangjiangxi Road
Heifei City, Anhui Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW
Morgan, Lewis & Bockius
Suites 1902-09, 19th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
Hefei Science and Technology Rural Commercial Bank
Huishang Bank
Hangzhou Bank
Industrial and Commercial Bank of China

COMPANY WEBSITE
http://www.chinaxhedu.com

STOCK CODE
02779

Dear Shareholders,

On behalf of the Board of Directors of China Xinhua Education Group Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2020.

OVERVIEW OF THE GROUP

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta, as measured by the number of full-time student enrollment of the higher education programs. As of 31 December 2020, the Group invested in and operated four educational institutions, namely, (i) Xinhua University, a private formal university; (ii) Xinhua School, a private secondary vocational school; (iii) School of Clinical Medicine, a university jointly operated by the Group and Anhui Medical University* (安徽醫科大學); and (iv) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics.

The educational mission of the Group is "to serve our country through education" (興教報國). We are committed to providing applied science education to students and seeks to cultivate high quality talents with applicable skills, potential for future development and an ability and willingness to keep learning. The Group achieved fruitful results in 2020, achieved breakthroughs in outward expansion, continued to expand the size of its students, and achieved steady development in all major operating indicators.

REVIEW OF RESULTS

The total students enrolled in the schools we operated increased from 45,244 as of 31 December 2019 to 46,415 as of 31 December 2020. The revenue of the Group has increased from RMB437.5 million for the year ended 31 December 2019 to RMB478.8 million for the year ended 31 December 2020, while the profit for the year increased from RMB270.7 million for the year ended 31 December 2019 to RMB325.3 million for the year ended 31 December 2020.

FUTURE PROSPECTS

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

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

Wu Junbao
Chairman

26 March 2021

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, as measured by the total student enrollment. As at 31 December 2020, the student enrollment of the Group was 46,415, of which the number of full-time students reached 42,541, representing an increase of 6.8% as compared with 31 December 2019.

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 popular subjects and areas of employment. Through continuous and efficient market research, we actively design comprehensive and diversified courses to meet employers' preferences and employment market demands. Meanwhile, we have been actively adjusting our major offerings, continuously optimizing our teaching conditions by improving our tangible and intangible infrastructure, optimizing the educational environment, and strengthening 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 regions where we operate. The high employment quality will further reinforce 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 been continuously making outstanding contributions to students and their families, employers and economic and social development.

BUSINESS REVIEW

Our Schools

As at 31 December 2020, the Group invested and operated four education institutions, namely (i) Xinhua University, a private university for formal education; (ii) Xinhua School, a private secondary vocational school; (iii) School of Clinical Medicine, a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); and (iv) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics.

Xinhua University

Founded in 2000, Xinhua University is a formal university-level education institution, which provides undergraduate education, junior college education and continuing education focusing on applied sciences. Xinhua University 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 2020, Xinhua University had 11 subordinate colleges, offering a total of 82 majors for full-time higher education, including 60 undergraduate majors and 22 junior college majors. In addition, Xinhua University also provides the continuing education program to students in the society. The number of undergraduate students newly enrolled by the Xinhua University for the 2020/2021 school year was 6,042, representing a year-on-year increase of 21%. Xinhua University ranks the first among the private higher colleges and universities in the Yangtze River Delta, as measured by the full-time student enrollment.

School of Clinical Medicine

School of Clinical Medicine is an independent college approved by the Ministry of Education to train full-time undergraduate students. During the 2020/2021 school year, the number of majors in the School of Clinical Medicine increased from 7 in the previous school year to 10, with three new majors, namely "medical laboratory technology", "optometry" and "health and service management". Meanwhile, the school additionally enrolled students in two provinces, namely Jiangsu and Sichuan, thus increasing the number of provinces for enrollment to 10. The number of student enrollment of the School of Clinical Medicine reached 2,831 for the 2020/2021 school year, representing a year-on-year increase of 61.7%. As students have had a strong will to apply for admission to the school since our operation, its lowest admission mark for science was the highest among schools of the same type in Anhui Province, and its admission rate was also the highest among schools of the same type in Anhui Province.

The conversion of the School of Clinical Medicine and the construction of the new campus were processed smoothly. As at 31 December 2020, the main building of the new campus project (Phase I) was completed in advance and was at the stage of interior decoration and equipment installation, and the new campus will be officially put into use in the 2021/2022 school year and satisfy the relevant requirements on the conversion to independent colleges.

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. During the 2020/2021 school year, the student enrollment of Hongshan College reached 9,928, representing an increase of 9.7% compared with the previous school year.

The conversion of Hongshan College and the construction of the new campus are promoting efficiently. As a two-level key project in Jiangsu and Nanjing, the new campus of Hongshan College is constructed smoothly, which will be officially put into use in the 2021/2022 school year and satisfy the relevant requirements on the conversion to independent colleges.

Xinhua School

As a secondary vocational school, Xinhua School, which was recognized as National Key Secondary Vocational School* (國家級重點中等職業學校), Model School for School-Enterprise Cooperation in Hefei* (合肥市校企合作示範校), and Experimental School for Moral Education Innovation in Hefei* (合肥市德育創新實驗學校), provides career-oriented general secondary vocational program with deep integration of school and enterprise, undergraduate oriented secondary vocational education program, and five-year junior college oriented secondary vocational education program. All students of Xinhua School take full-time courses. As at 31 December 2020, Xinhua School offered 16 majors, with 6,027 full-time students, representing a year-on-year increase of 8.0%. Xinhua School actively promotes the integration of industry and education, comprehensively promotes management innovation and connotation development, reforms the talent training model and curriculum system, and strengthens practical teaching and skills training. Xinhua School has successively launched a new model of cooperation with well-known enterprises inside and outside the province that includes the co-construction of training rooms, sharing of teachers, and shared management.

Student Enrollment

	As at 31 December 2020	As at 31 December 2019
Xinhua University		
Full-time student enrollment	23,755	23,442
Continuing education	3,874	5,414
Subtotal	27,629	28,856
Xinhua School		
Full-time student enrollment	6,027	5,583
School of Clinical Medicine		
Full-time student enrollment	2,831	1,751
Hongshan College		
Full-time student enrollment	9,928	9,054
Total number of full-time students	42,541	39,830
Total number of students enrolled	46,415	45,244

Tuition and boarding fees

	Tuition fees (RMB)		Boarding fees (RMB)	
	2020/2021 school year	2019/2020 school year	2020/2021 school year	2019/2020 school year
Xinhua University				
Four-year undergraduate program	19,800-23,800	19,800-23,800	1,500-2,000	1,500-2,000
Three-year junior college program	10,700-12,000	10,700-12,000	1,500-2,000	1,500-2,000
Continuing education program	2,400-6,000	2,400-11,900	1,500-2,000	1,500-2,000
School of Clinical Medicine				
Four-year undergraduate program	13,200-15,900	13,200-15,900	1,000	1,000
Five-year undergraduate program	15,900	15,900	1,000	1,000
Hongshan College				
Four-year undergraduate program	14,000	14,000	800-1,500	800-1,500
Xinhua School				
General secondary vocational program	9,000-16,000	9,000-11,400	1,500-2,000	1,500
Undergraduate oriented secondary vocational program	11,400	11,400	1,500-2,000	1,500
Five-year secondary vocational program	11,400	11,400	1,500-2,000	1,500

OPERATION UPDATE AND HIGHLIGHTS

1. **New full-time student enrollment increased continuously, and the number of enrolled students increased steadily.** In the 2020/2021 school year, the overall full-time enrollment plans of the Group reached 10,789, representing a year-on-year increase of 19.2%. The full-time student enrollment reached 42,541, representing a year-on-year increase of 6.8% and the continuous increase in the undergraduate and junior college student yields.

2. **The school conditions are improved continuously, and the new campuses are constructed smoothly.** The schools of the Group further expands the construction of their new campuses to increase their capacity: (i) with an area of approximately 185 thousand sq.m., the new campus (Phase I) of the School of Clinical Medicine will increase the capacity of the school by 5,000 students after completion and is expected to be put into use in September 2021; and (ii) with an area of approximately 235 thousand sq.m., the new campus (Phase I) of Hongshan College will increase the capacity of the school by 9,000 students after completion and is expected to be put into use in September 2021. After the new campuses (Phase I) are put into use, future construction will be arranged reasonably according to the change in the number of students. The successive completion of the new campuses will bring about a considerable capacity for the arrangements and development of the Group in the Yangtze River Delta in the future.

3. **Substantial progress was made in the conversion of independent colleges.** In May 2020, the Ministry of Education issued the Implementation Plan for Accelerating the Promotion of Conversion of Independent Colleges* (關於加快推進獨立學院轉設工作的實施方案) so as to accelerate the conversion of independent colleges. The conversion of the two independent colleges of the Group, namely the School of Clinical Medicine and Hongshan College was carried out smoothly. The conversion of the School of Clinical Medicine has been approved by the Anhui Education Department and reported to the Ministry of Education, and is subject to approval by the Ministry of Education after an investigation in the school by the expert team organized by the Ministry of Education. The conversion of Hongshan College is also proceeding with high efficiency and is under preparation for the investigation in school by the expert team organized by the Jiangsu Education Department. The Group believes that the successful conversion of independent colleges will contribute to increasing the number of enrolled students of the Group and the revenue level of its schools and further expanding the school influence.

4. **Connotation construction was improved continuously, and the construction of first-class undergraduate majors and modern industry colleges brought about concrete results.** According to the positioning of high level university in applied sciences, the Group deepened the connotation construction, innovated talent cultivation methods and improved the quality of talent cultivation, thus making landmark achievements: (i) according to the Notice on the Publication of the List of National-level and Provincial-level First-class Bachelor Degree Programmes in 2020* (關於公佈2020年度國家級和省級一流本科專業建設點名單的通知) issued by the Ministry of Education, the list of schools under the "Double Ten Thousand Plan (雙萬計劃)" for development of first-class bachelor degree programmes (national-level and provincial-level first-class bachelor degree programmes) in 2020 has been officially published. 7 bachelor degree programmes of Xinhua University of the Group are included in the list, with 2 bachelor degree programmes, namely communication engineering and financial management, included in the list of national-level first-class bachelor degree programmes (national "financial majors"), and 5 bachelor degree programmes, namely software engineering, civil engineering, pharmacy, logistics management and animation included in the list of provincial-level first-class bachelor degree programmes. Xinhua University ranked third among homogeneous colleges and universities in China, in terms of the number of majors included in the list of national-level first-class bachelor degree programmes; and it tied for the first place among homogeneous colleges and universities in the province; and (ii) in accordance with the Guide to the Construction of Modern Industrial Colleges (for Trial Implementation)* (現代產業學院建設指南(試行)) formulated by the Ministry of Education and the Ministry of Industry and Information Technology, Xinhua University actively cooperated with JD.com, Gathering Stars* (聚星超媒) and Yonyou Seentao* (用友新道) and other well-known enterprises, in consideration of local economic and social development, and its advantages of disciplines and majors, so as to build a modern industrial college which integrates talent cultivation, scientific research, technological innovation, enterprise service, student entrepreneurship, etc. Accordingly, the Group will explore an effective mechanism to connect the industry chain, the innovation chain and the education chain, establish a new mechanism for sharing information, talents, technologies and material resources, improve the collaborative education mechanism for the integration of production and education, innovate the mechanism for evaluation and employment of part-time teachers from enterprises, build a mechanism for linking the development of higher education and industrial clusters, and continuously optimize the structure of majors and enhance the school vitality.

FUTURE PROSPECTS

1 New Development Opportunities for Private Colleges and Universities arising out of the Gradual Implementation of Favourable Policy

The Group has always been aiming to cultivate high-quality application-oriented talents with solid academic ability, innovative spirit, international vision and development potential. We believe that the implementation of the above policies and other related measures will help advantageous higher education groups expand their school size and improve their school quality through independent teaching and scientific research innovation as well as software and hardware construction, and effectively give full play to the advantages and features of private higher education.

In early 2019, there were favorable policies and information, including the strategic plan of China Education Modernization 2035 issued by the State Council, the National Vocational Education Reform Implementation Plan, "Enrollment of One Million Students for Vocational Education" and all-around revitalization of undergraduate education. Subsequently, the competent departments at all levels published a number of policies to support colleges and universities in further increasing the enrollment, and encourage the healthy development of vocational education. In terms of implementation, measures including social enrollment of colleges and universities, the construction of "high-level higher vocational" schools and the "1+X" teaching service of colleges and universities have been actively planned and advanced, and have achieved good results. In the first half of 2020, the State Council and the Ministry of Education issued documents to further increase the enrollment for top-up degree programs and master degree programs, thus bringing new opportunities for universities to expand their size.

Since the second half of 2020, the Ministry of Education has made written replies to the proposals and inquiries of the National People's Congress and the Chinese People's Political Consultative Conference with regard to private education. The replies of the Ministry of Education show its opinions that (i) it does not recommend a nation-wide unified transition period for the classified management of private schools, or the development by other relevant government departments of "one-size-fits-all" fiscal, taxation, land and other relevant supporting regulatory policies; (ii) relevant authorities should be open to legally compliant connected transactions, and in principle, fairly treat private schools that elect to be for-profit and not-for-profit, and simplify various relevant approval procedures; and (iii) it suggests that governments at all levels should provide more favorable policies and support for private schools. We believe that the above opinions reflect the recognition of the status of private colleges and universities by the government authorities, and provide strong support for the sustained and healthy development of high-quality private colleges and universities, and the continuous innovation according to the market and industry demand.

Benefiting from aforementioned policy, the enrollment plan of the Group's top-up degree programs increased by more than 1,500 during the 2020/2021 school year, representing an increase of more than 290% over the 2019/2020 school year, which is higher than the average level of private higher colleges and universities nationwide, and it is expected to be further improved in the future. The Group will, based on its high-quality resources and rich experience in the education industry and its position to cultivate high-end application-oriented talents, seize the policy opportunities, strengthen the integration of industry and education and school-enterprise cooperation, and further expand its school network and student enrollment by acquiring high-quality schools.

2 Actively promote the external development strategy to comprehensively expand the school network and the size of schools of the Group

The data in the Statistical Bulletin on National Education Development 2019 show that, at present, there are 757 private higher colleges and universities across China, including 257 independent colleges, and thus there is huge room for integration. At the same time, the Ministry of Education released a policy in May 2020, setting out more detailed requirements on the basic requirements, workflow and completion time for the conversion of independent colleges. The state has promoted the conversion of independent colleges. Based on the principle of "convert as many as possible and as soon as possible", high-quality private higher education institutions have many advantages in merger and acquisition of independent colleges and promotion of conversion, and may take the opportunity to expand their school size. In addition, since higher education in China is being popularized and the development of private colleges and universities varies, advantageous higher education institutions have more market opportunities to invest in, merge and acquire relevant colleges and universities. We believe that the policy changes will continue to bring more opportunities of merger and acquisition for the market, enabling high-quality private colleges and universities to expand their school network through investment, merger and acquisition, thus realizing cross-regional arrangements.

Our mergers and acquisitions will focus on the following two aspects: (1) long-term investment opportunities arising from the conversion of high-quality independent colleges; and (2) high-quality private colleges and universities located in regions highly attractive for talents or with a low gross enrollment rate in higher education. We believe that with our rich experience in running schools, abundant capital reserves and excellent brand reputation, we will be able to acquire higher-quality targets in future investments, mergers and acquisitions, and carry out the implementation through the best acquisition scheme, so that there will be a continuous and rapid growth in the sizes of schools of the Group and its profitability.

3 To meet the various service needs of students and continue to improve endogenous growth space

With the continuous expansion of the school size, the Group will continuously improve the software and hardware facility level and the strength of the teaching and scientific research teams of its colleges and universities, so as to satisfy the growing enrollment demand, with higher-level teaching equipment, teachers and living conditions, and improve the employment quality and school level, thus creating room for continuous growth in tuition and accommodation fees, and continuously expanding the school size.

In addition to building high-quality specialty majors, the Group also actively supports the "1+X" training model advocated by the State by providing value-added services for students in professional qualification examinations, practical training and other areas with the orientation of employment. After years of exploration, the Group has formed an education and service system with a variety of classes, flexible hours and competitive prices in the areas of various professional qualification assessment and professional practice examinations, enabling students to enjoy additional high-quality education services conveniently without going to school. In 2020, the Group established a professional department to further integrate various resources, expand its service categories and promote additional education services in Anhui Province, which has made positive progress. At the same time, the Group has also actively communicated and collaborated with government and enterprises to tailor various professional courses and continuing education related services for its staff. We believe that by satisfying the various learning and living needs of students, we can also enhance the income level of the Group and realize the diversification, differentiation and personalization of our business.

4 Capitalizing on the window for accelerating the conversion of independent colleges, to efficiently and steadily complete the conversion of the two independent colleges of the Group

In May 2020, the Ministry of Education published the Implementation Plan for Accelerating the Promotion of Conversion of Independent Colleges. We believe that the document clearly shows that the education authorities attach great importance to and their determination for the conversion of independent colleges, and specifies a specific schedule.

Currently, efficient progress has been made in the construction and conversion of the two independent colleges of the Group, with various indicators and hardware and software facilities basically satisfying the conversion requirements. We expect that the conversion of the two independent colleges will be completed in 2021, when the enrollment plans and tuition levels of the two colleges are expected to increase significantly.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations.

	Year ended 31 December	
	2020 (RMB'000)	2019 (RMB'000)
Caliber revenue[1]	**650,130**	514,067
Revenue	**478,847**	437,732
Cost of sales	**(167,789)**	(176,511)
Gross profit	**311,058**	261,221
Other income	**107,046**	115,436
Selling and distribution costs	**(10,869)**	(7,843)
Administrative expenses	**(66,708)**	(94,212)
Profit from operations	**340,527**	274,602
Finance costs	**(13,081)**	(845)
Profit before taxation	**327,446**	273,757
Income tax	**(2,153)**	(3,084)
Profit for the year	**325,293**	270,673
Adjusted net profit[2]	**320,816**	296,002
Normalised net profit[3]	**342,206**	296,002

(1) The caliber 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".

(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 IFRS measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review".

(3) The normalised net profit is calculated based on the adjusted net profit plus one-off boarding fee refund under the influence of the coronavirus epidemic. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review".

FINANCIAL REVIEW

Revenue

Revenue consists of the tuition fees and boarding fees the Group received from its students.

The Group's revenue increased by 9.4% from RMB437.7 million for the year ended 31 December 2019 to RMB478.8 million for the year ended 31 December 2020. This increase was primarily due to the increase in tuition fees from RMB391.9 million for the year ended 31 December 2019 to RMB448.3 million for the year ended 31 December 2020, representing a year-on-year increase of 14.4%. This was primarily attributed to the increase in the Group's full-time student enrollment and average tuition fees.

Caliber revenue

The caliber 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 caliber revenue of the Group for the years presented below:

	2020 **RMB'000**	2019 RMB'000
Revenue	**478,847**	437,732
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	**171,283**	76,335
Caliber revenue	**650,130**	514,067

Other Income

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

Other income decreased by 7.3% from RMB115.4 million for the year ended 31 December 2019 to RMB107.0 million for the year ended 31 December 2020, primarily due to decrease in rental and property management income provided to other independent third parties under the influence of COVID-19.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staff, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs.

Our cost of sales decreased by 4.9% from RMB176.5 million for the year ended 31 December 2019 to RMB167.8 million for the year ended 31 December 2020, mainly due to the decrease in salaries and benefits paid to our staff and teaching activities under the influence of COVID-19.

Gross Profit

Our gross profit increased by 19.1% from RMB261.2 million for the year ended 31 December 2019 to RMB311.1 million for the year ended 31 December 2020, which was attributable to the combined effects of increase in revenue and decrease in cost of sales.

Selling and Distribution Costs

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

Selling and distribution costs increased by 39.7% from RMB7.8 million for the year ended 31 December 2019 to RMB10.9 million for the year ended 31 December 2020, primarily due to the increase in salaries and benefits paid to our staff and increase in student admission expenses.

Administrative Expenses

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

Administrative expenses decreased by 29.2% from RMB94.2 million for the year ended 31 December 2019 to RMB66.7 million for the year ended 31 December 2020, mainly due to the foreign exchange differences occured during the Reporting Period.

Finance Costs

Finance costs primarily consist of interest expenses on bank loans.

The finance costs incurred for the year ended 31 December 2020 amounted to approximately RMB13.1 million (31 December 2019: RMB0.8 million), mainly due to the increase in weighted average bank loan balances.

Profit before Taxation

The Group's profit before taxation recognized for the year ended 31 December 2020 was RMB327.4 million, as compared with RMB273.8 million for the year ended 31 December 2019, representing a year-on-year increase of 19.6% which was a combined result of increase in revenue and decrease in administrative expenses.

Income Tax

The Group's income tax decreased by 29.0% from RMB3.1 million for the year ended 31 December 2019 to RMB2.2 million for the year ended 31 December 2020, which was in line with the decrease 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 RMB325.3 million for the year ended 31 December 2020, representing an increase of 20.2% as compared with RMB270.7 million for the year ended 31 December 2019.

Adjusted Net Profit and Normalised 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, adjusted net profit and normalised net profit of the Group for the years:

	2020 **RMB'000**	2019 RMB'000
Profit for the year	**325,293**	270,673
Add:		
Foreign exchange (gain)/loss	**(29,223)**	8,649
Share-based payment expenses	**24,746**	16,680
Adjusted net profit	**320,816**	296,002
Adjustment for:		
One-off boarding fee refund	**21,390**	–
Normalised net profit	**342,206**	296,002

FINANCIAL AND LIQUIDITY POSITION

Current Assets and Current Liabilities

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
CURRENT ASSETS		
Trade receivables	**2,752**	2,768
Prepayments, deposits and other receivables	**906,992**	488,198
Financial assets measured at fair value through profit or loss	**154,557**	–
Cash and cash equivalents	**736,278**	1,382,996
TOTAL CURRENT ASSETS	**1,800,579**	1,873,962
CURRENT LIABILITIES		
Loans and borrowings	**50,020**	330,000
Contract liabilities	**267,987**	239,480
Other payables	**141,941**	102,058
Current taxation	**3,972**	3,872
TOTAL CURRENT LIABILITIES	**463,920**	675,410
NET CURRENT ASSETS	**1,336,659**	1,198,552

Net Current Assets

As at 31 December 2020, the Group recorded net current assets of RMB1,336.7 million (31 December 2019: RMB1,198.6 million), the increase of which was primarily attributable to the decrease of short-term loans and borrowings.

Trade Receivables

Our trade receivables as at 31 December 2020 were RMB2.8 million. The following table sets forth the aging analysis of our trade receivables based on the transaction date as at the dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**2,752**	2,768
More than 1 year but less than 2 years	**–**	–
	2,752	2,768

Trade receivables remained stable as RMB2.8 million as at 31 December 2020, compared to RMB2.8 million as at 31 December 2019.

Prepayments, Deposits and Other Receivables

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments and deposits	**205,638**	207,723
Other receivables	**701,354**	280,475
	906,992	488,198

As at 31 December 2020, our prepayment and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200.0 million, and other receivable mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB326.3 million and the balance due from Hongshan College with the amount of RMB364.4 million.

Contract Liabilities

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Tuition fees	**240,306**	211,289
Boarding fees	**27,681**	28,191
	267,987	239,480

Contract liabilities increased by 11.9% from RMB239.5 million in 2019 to RMB268.0 million in 2020, primarily attributable to increased tuition fees and boarding fees we received for the 2019-2020 school year.

Other Payables

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

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Miscellaneous expenses received from students	**27,638**	27,318
Accrued expenses	**6,656**	8,279
Payable to suppliers	**53,936**	19,716
Accrued staff costs	**23,057**	21,949
Accrued listing expenses	**458**	196
Others	**30,196**	24,600
Total	**141,941**	102,058

Our other payables increased by 39.1% from RMB102.1 in 2019 to RMB141.2 in 2020 primarily due to the increase in payables to suppliers.

Working Capital and Source of Capital

During the year ended 31 December 2020, the Group had cash and cash equivalents and bank time deposits of RMB1,004.3 million (31 December 2019: RMB1,383.0 million), the fund of the Group was mainly arising from net cash inflow generated from operating activities and bank loans.

CAPITAL EXPENDITURES

The Group's capital expenditures were primarily related to the maintenance, renovation and construction of the existing school premises and the new campuses of the School of Clinical Medicine and Hongshan College. During the year ended 31 December 2020, the Group's capital expenditures were RMB482.6 million (for the year ended 31 December 2019: RMB309.1 million).

CAPITAL COMMITMENTS

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

	As at 31 December 2020 RMB' 000	As at 31 December 2019 RMB' 000
Authorized but not contracted for	**1,036,352**	966,090

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank Loans and Other Borrowings

Bank loans and other borrowings of the Group were mainly working capital loans. The bank loans of the Group amounted to RMB316.0 million as at 31 December 2020 (31 December 2019: RMB330.0 million).

Contingent Liabilities and Guarantees

As at 31 December 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December	
	2020	2019
Current ratio[1]	**3.9**	2.8
Return on equity[2]	**12.0%**	10.8%
Return on assets[3]	**10.5%**	9.0%

Notes:

(1) Current ratio was calculated based on our total current assets divided by our total current liabilities as at the end of the year.

(2) Return on equity equals profit for the year divided by average total equity amounts as at the end of the year.

(3) Return on assets equals profit for the year divided by average total assets as at the end of the year.

Current Ratio

Our current ratio increased from 2.8 as at 31 December 2019 to 3.9 as at 31 December 2020, primarily because of the decrease of current liabilities due to repayment of short-term borrowings of the Group.

Return on Assets and Return on Equity

Our return on assets ratio was 12.0% as at 31 December 2020, and return on equity ratio was 10.5% as at 31 December 2020. Both of the return ratios as at 31 December 2020 were higher than the return ratios as at 31 December 2019 primarily due to the increases in our profit for the year.

Gearing Ratio

Our gearing ratio remained stable as 21% as at 31 December 2020 as compared to that of 21% as at 31 December 2019.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2020, the Group has not entered into any off-balance sheet transaction.

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 year ended 31 December 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed herein, there was no significant investment held by the Group for the year ended 31 December 2020.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein, the Group did not have other plans for material investments and capital assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 31 December 2020, balances of several banks were denominated in USD or HKD. The management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

PLEDGE OF ASSETS

As at 31 December 2020, no assets of the Group were pledged.

HUMAN RESOURCES

As at 31 December 2020, the Group has approximately 1,797 employees. In accordance with the applicable laws and regulations, the Group has attended 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.

EVENTS AFTER THE REPORTING PERIOD

There was no event which has occurred subsequent to 31 December 2020 and up to the date of this report that would cause material impact on the Group.

IMPACT OF COVID-19 EPIDEMIC ON THE GROUP

At the beginning of 2020, the global outbreak of the COVID-19 epidemic was emerging, the PRC government has also taken various measures, including lockdowns, travel restrictions, quarantine and school closures, to curb the spread of COVID-19 in China. The Group has set up a joint prevention and control working group as soon as possible, established a four-level prevention and control system of "Group-University-School-Class", and comprehensively studied and deployed the epidemic prevention and control. The education and teaching was in effective operation and the schools were organized to carry out online courses to ensure the orderly progress of teaching. Most of the students of the Group successively returned to schools from April to June 2020. Prior to the return to schools, the Group has thoroughly cleaned and disinfected all campuses and ensured that there are adequate pandemic supplies, so as to improve the safety in the campuses. After returning to schools, the students and faculty members of each school strictly complied with strict epidemic prevention and control measures implemented by the government authorities.

In combating the COVID-19 epidemic, the Group has actively fulfilled its social responsibilities. The faculty members of the Group and its affiliated schools made donations of several millions of Renminbi in total. In accordance with the relevant guidelines issued by the local education authorities on the refund of student boarding fees under the influence of the COVID-19 epidemic, the schools under the Group refunded a total of approximately RMB21.39 million in boarding fees.

In consideration of the effective actions taken by the Group to reduce risks, the Directors believe that during the Reporting Period, COVID-19 did not materially and adversely affect the operation or finance of the Group, other than such one-off refund of the accommodation fees for the period of the outbreak as required by the PRC education authorities.

REGULATORY UPDATE

The Law of the People's Republic of China on Foreign Investment ("Foreign Investment Law") was passed and promulgated in the National People's Congress, and became effective on 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. At the same time, the Foreign Investment Law stipulates that any foreign investment activities are granted with the pre-establishment national treatment and shall follow the negative list management system. Foreign investors shall not invest in areas that are prohibited in the Negative List for the Access of Foreign Investment ("Negative List"). Foreign investors shall meet the conditions stipulated in the Negative List in order to invest in to the areas that are categorized by the Negative List as restricted category. Foreign investors shall follow the same principle as domestic investors in order to invest in areas that are not on the Negative List. There are no provisions in the Foreign Investment Law that explicitly mention the "actual control" or the "contractual arrangements". Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this report, the Foreign Investment Law has not been amended and the Company's operations have not been affected by the Foreign Investment Law.

The Company will continue to pay attention to the update on the Foreign Investment Law and relevant laws and regulations. The Company will make further announcements in this regard as and when appropriate in accordance with Listing Rules.

BOARD OF DIRECTORS

Chairman and non-executive Director

Mr. Wu Junbao (吳俊保), aged 55, the founder of the Group, was appointed as the chairman and a non-executive Director of the Company on 27 October 2017.

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

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

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

Executive Directors

Mr. Zhang Ming (張明), aged 43, joined the Group in April 2018 and was appointed as an executive Director on 31 October 2018.

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

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

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

Mr. Lu Zhen (陸真), aged 45, joined the Group in October 2014 and was appointed as an executive Director of the Company on 27 October 2017.

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

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

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

Mr. Wang Yongkai (王永凱), aged 63, joined the Group in March 2003 and was appointed as an executive Director of the Company on 27 October 2017.

Mr. Wang has more than 17 years of experience in education and financial matters. The following table shows the key working experience of Mr. Wang:

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

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

Independent non-executive Directors

Mr. Jiang Min (蔣敏), aged 56, was appointed as an independent non-executive Director of the Company on 30 September 2019. Mr. Jiang has nearly 30 years of experiences in legal practices. Mr. Jiang graduated from Anhui University* (安徽大學) in July 1987 and July 1990 with a bachelor's degree and a master's degree in law, respectively. Mr. Jiang received his lawyer qualification certificate (律師資格證書) from Ministry of Justice of the PRC in March 1989.

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

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

Period	Company	Position
May 2016 to present	Shandong Pharmaceutical Glass Co., Ltd.* (山東省藥用玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600529)	Independent non-executive director
January 2019 to present	Keda Intelligent Technology Co., Ltd.* (科大智能科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 300222)	Independent non-executive director
May 2019 to present	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601298) and the Stock Exchange (stock code: 6198)	Independent non-executive director
December 2016 to May 2020	Sunshine Power Co., Ltd.* (陽光電源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300274)	Independent non-executive director
June 2014 to June 2020	Tsingtao Brewery Co., Ltd.* (青島啤酒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600600) and the Stock Exchange (stock code: 168)	Independent non-executive director

Mr. Yang Zhanjun, aged 51, was appointed as an independent non-executive Director of the Company on 27 October 2017.

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

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

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

Mr. Chau Kwok Keung (鄒國強), aged 44, was appointed as an independent non-executive Director of the Company on 27 October 2017.

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

Period	Company	Position
January 2001 to June 2002	Arthur Andersen & Co.	Experienced staff accountant/senior consultant
June 2002 to August 2003	Shanghai Hawei New Material and Technology Co., Ltd.	Financial controller
August 2003 to April 2005	China South City Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1668)	Deputy group financial controller
October 2005 to October 2007	China. com Inc., a company whose shares are listed on the Stock Exchange (stock code: 8006)	Qualified accountant/chief financial officer/ company secretary/authorised representative
May 2010 to June 2013	RIB Software AG, a German software company whose shares are listed in Frankfurt Stock Exchange (stock code: RSTAG)	a member of supervisory board
May 2014 to May 2019	Qingdao Port International Co., Ltd., a company listed on the Shanghai Stock Exchange with stock code of 601298 and the Stock Exchange with stock code of 06198	Independent non-executive director, chairman of the audit committee
October 2015 to present	The9 Limited, whose shares are listed by way of American Depositary Shares on the NASDAQ (stock code: NCTY)	Independent director
November 2007 to January 2020	Comtec Solar Systems Group Limited ("Comtec"), a company whose shares are listed on the Stock Exchange (stock code: 712)	Executive director, chief financial officer and directors of certain subsidiaries of Comtec
June 2008 to May 2020	Comtec, a company whose shares are listed on the Stock Exchange (stock code: 712)	Authorised representative and company secretary
December 2018 to present	China Tobacco International (HK) Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 6055)	Independent non-executive director, member of the audit committee and member of the connected transactions control committee
December 2019 to present	Forward Fashion (International) Holdings Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 2528)	Independent non-executive director and the chairman of the audit committee
April 2020 to present	Bank of Zhangjiakou Co., Ltd	Independent non-executive director
September 2020 to present	BetterLife Holding Limited	Executive director and chief financial officer

Mr. Chau was awarded a bachelor's degree in business administration from the Chinese University of Hong Kong in May 1998. Mr. Chau has been a member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a chartered financial analyst of CFA Institute since September 2003. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking Regulatory Commission as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020.

SENIOR MANAGEMENT

Mr. Huang Yuan (黃源), aged 57, joined the Group in January 2015. Mr. Huang has been the vice president of the Xinhua Group since January 2015, and the chairman of the board of supervisors of Xinhua University since March 2015.

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

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

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

Mr. Ni Zheng (倪徵), aged 44, joined the Group in December 2012 and was appointed as the chief officer of international operations on 31 October 2017.

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

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

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

Ms. Wang Jihong (王繼紅) (also known as **Wang Ke (王可)**), aged 62, joined the Group in February 1998 and was appointed as the chief strategic officer of our Company on 31 October 2017.

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

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

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

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The Group is a leading private higher education provider in the Yangtze River Delta. Analysis of the principal activities of the Group during the year ended 31 December 2020 is set out in the note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 December 2020 as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 20. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Non-adjusting Events after the reporting period" on page 160.

SUBSIDIARIES

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

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 109 of this annual report.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 18 June 2021 and a notice convening the AGM will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$7.23 cents per share (equivalent to approximately RMB6.07 cents per share) for the year ended 31 December 2020 (2019: HK$5.53 cents per share). The final dividend is subject to the approval of the Shareholders at the AGM and the final dividend will be payable on or around Friday, 16 July 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 July 2021.

CLOSURE OF THE REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive, in order to determine the identity of the Shareholders who are eligible to attend and vote at the AGM to be held on Friday, 18 June 2021, 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, 11 June 2021.

For Determining the Eligibility to the Proposed Final Dividend

The register of members of the Company will also be closed from Tuesday, 29 June 2021 to Friday, 2 July 2021, 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 Monday, 28 June 2021.

PRINCIPAL RISK AND UNCERTAINTIES AND RISK MANAGEMENT

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

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

Credit Risk

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

Liquidity Risk

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

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

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

- The Board of Directors is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks of the Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as the decision to expand the Group's school network into new geographic areas, to raise its tuition fees, and to enter into cooperative business relationships with third parties to establish new schools and/or new programs;

- The Group maintains insurance coverage, which it believes is in line with customary practice in the PRC education industry, including school liability insurance; and

- The Group has made arrangements with banks to ensure that it is able to obtain credits to support the business operation and expansion.

ENVIRONMENT, HEALTH AND SAFETY

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

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

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 161 "Financial Highlights" of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

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

As at 31 December 2020, a total amount of HK$236.2 million (equivalent to approximately RMB197.75 million) out of the net proceeds had been used by the Group according to the allocation set out in the Prospectus. The following sets forth a summary of the utilization of the net proceeds as at 31 December 2020:

Purpose	Percentage to total amount	Net proceeds HK$ (million)	Unutilized amount (as at 31 December 2019) HK$ (million)	Utilized amount during the Reporting Period HK$ (million)	Unutilized amount (as at 31 December 2020) HK$ (million)	Expected timeframe for full utilisation(1)
Acquire other schools to expand our school network, acquire undergraduate colleges that can grant bachelor's degrees and entities that own educational assets or institutions	53.0	657.1	310.4	169.2	310.4	2021-2022
Improve our school facilities and educational equipment	35.0	433.9	388.2	59.2	388.2	2021-2023
Strengthen our market position and enhance our brand recognition	2.0	24.8	24.8	–	24.8	2021-2023
Fund our working capital and general corporate purposes	10.0	124.0	34.0	7.8	34.0	2021-2023
Total	100.0	1,239.8	757.4	236.2	757.4	

(1) The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.

MAJOR CUSTOMERS AND SUPPLIERS

The customers primarily consist of our students. For the year ended 31 December 2020, the Group's five largest customers accounted for less than 30% of our revenue, and the Group did not have any single customer who accounted for more than 10% of our revenue.

The Group's suppliers primarily consist of construction companies, textbook suppliers and utility suppliers. For the year ended 31 December 2020, purchases from the Group's five largest suppliers amounted to approximately RMB97.3 million (2019: RMB30.0 million), accounting for approximately 49.5% (2019: 21.5%) of the total purchases for the Reporting Period. For the same period, purchases from the Group's largest supplier amounted to approximately RMB56.7 million (2019: RMB9.5 million), accounting for approximately 28.9% (2019: 6.8%), of the total purchases for the relevant periods. None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, had any interest in any of the Group's five largest suppliers or customers during the Reporting Period.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 112 of this annual report and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2020 comprised the share premium and retained earnings of RMB922,959,000.

BANK LOANS AND OTHER BORROWINGS

The bank loans of the Group amounted to RMB315.98 million as at 31 December 2020. Details of which were disclosed in note 20 to the consolidated financial statements.

DIRECTORS

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

Non-executive Director:
Mr. Wu Junbao *(Chairman)*

Executive Directors:
Mr. Zhang Ming
Mr. Lu Zhen
Mr. Wang Yongkai

Independent Non-executive Directors:
Mr. Jiang Min
Mr. Yang Zhanjun
Mr. Chau Kwok Keung

In accordance with article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election. Any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by the rotation. Accordingly, Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM to be held in due course.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 28 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of our Directors since the publication of the 2019 annual report are as below:

Independent non-executive Director, Mr. Jiang Min had the following changes in his information:

Mr. Jiang Min's term of office as an independent non-executive director of Tsingtao Brewery Co., Ltd.* (青島啤酒股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600600) and the Stock Exchange (stock code: 168) and Sunshine Power Co., Ltd.* (陽光電源股份有限公司), a company whose shares listed on the Shenzhen Stock Exchange (stock code: 300274), has been expired in June 2020 and May 2020, respectively.

Independent non-executive Director, Mr. Chau Kwok Keung had the following changes in his information:

Mr. Chau Kwok Keung was appointed as an independent non-executive director of Bank of Zhangjiakou Co., Ltd* (張家口銀行股份有限公司) since April 2020. Mr. Chau joined BetterLife Holding Limited as its chief financial officer in September 2020 and was appointed as an executive director in December 2020. Mr. Chau was approved by China Banking Regulatory Commission as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020.

Please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report for the updated details of their information.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 December 2020 and remain so as at the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

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

Save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, no Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020 and up to the date of this annual report.

Apart from the contract relating to the reorganization of the Group in relation to the Listing and save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Controlling Shareholder or any of its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020 and up to the date of this annual report.

No contract of significance for the provision of services to the Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2020 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2020 and up to the date of this annual report.

EMOLUMENT POLICY

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

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

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the Company

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company as at 31 December 2020
Mr. Wu Junbao[(1)]	Interest in a controlled corporation	1,152,618,879	71.65%

Note:

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

(ii) Long position in associated corporation

Xinhua Group

Name	Capacity/nature of interest	Amount of registered share capital	Approximate percentage of shareholding in the associated corporation as at 31 December 2020
Mr. Wu Junbao	Beneficial owner	RMB100,000,000	95.70%

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company as at 31 December 2020
WJB Company[(1)]	Beneficial owner	1,152,618,879	Long position	71.65%
Mr. Wu Junbao[(1)]	Interest in a controlled corporation	1,152,618,879	Long position	71.65%

Note:

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

Save as disclosed above, as at 31 December 2020, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

Eligible persons include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee"); (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, which is 160,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the over-allotment option granted by the Company, representing approximately 10% of the issued shares as at the Listing Date. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 92,100,000 Shares, representing approximately 5.73 % of the total issued share capital of the Company.

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 6 years and 11 months.

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

Category and name of participant	Date of grant	Exercise price per Share	Outstanding as at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 December 2020
Director							
Zhang Ming	30 April 2019	HK$2.69 (1)(2)	15,000,000	–	–	–	15,000,000
Lu Zhen	15 July 2019	HK$2.82 (3)(4)	6,000,000	–	–	–	6,000,000
Wang Yongkai	15 July 2019	HK$2.82 (3)(4)	6,000,000	–	–	–	6,000,000
Employees	15 July 2019	HK$2.82 (3)(5)	40,900,000	–	–	–	40,900,000

Notes:

(1) The closing price of the Share immediately before the date on which share options were granted was HK$2.71 per Share.

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

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

(3) The closing price of the Share immediately before the date on which share options were granted was HK$2.66 per Share.

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

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

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

Vesting Date	Percentage of Share Options to vest
15 July 2020	30% of the total number of the Group B Share Options granted
15 July 2021	30% of the total number of the Group B Share Options granted
15 July 2022	40% of the total number of the Group B Share Options granted

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

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

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

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

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

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" of this annual report and in the Prospectus, during the year ended 31 December 2020 and up to the date of this annual report, neither the Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DEED OF NON-COMPETITION

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

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

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

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(1) Tenancy Agreements

On 30 July 2020, School of Clinical Medicine entered into (i) a tenancy agreement ("Tenancy Agreement I") with Anhui New East Culinary Institute* (安徽新東方烹飪專修學院) ("New East Culinary Institute") to renew the existing agreement dated 25 December 2018, pursuant to which New East Culinary Institute (as landlord) has agreed to lease a premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui Province, the PRC, to School of Clinical Medicine (as tenant) as campus for a one-year term from 1 August 2020 to 31 July 2021 at a monthly rental of RMB500,000; and (ii) a tenancy agreement ("Tenancy Agreement II") with Anhui Wontone Automobile Maintenance Institute* (安徽萬通汽車專修學院) ("Anhui Wontone"), pursuant to which Anhui Wontone (as landlord) has agreed to lease a premise located at 699 Xuelin Road, Xinzhan District, Hefei, Anhui Province, the PRC, to School of Clinical Medicine (as tenant) as dormitory for a one-year term from 1 August 2020 to 31 July 2021 at a monthly rental of no more than RMB174,000, subject to the number of rooms actually used by the tenant. The rental amount under each of the Tenancy Agreement I and Tenancy Agreement II was determined based on arm's length negotiations between parties with reference to the prevailing market price of comparable properties in the vicinity.

Each of New East Culinary Institute and Anhui Wontone, being a 30%-controlled company of Mr. Wu Junbao who is a non-executive Director and a controlling shareholder of the Company, is an associate of Mr. Wu Junbao and a connected person of the Company. As such, the transaction contemplated under each of the Tenancy Agreement I and Tenancy Agreement II constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details of each of the Tenancy Agreement I and Tenancy Agreement II and the transactions contemplated thereunder, please refer to announcement of the Company dated 30 July 2020.

The Directors are of the view that the transactions contemplated under the Tenancy Agreements are on normal commercial terms or terms more favorable to the Group.

(2) Structured Contracts II

A. Overview

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

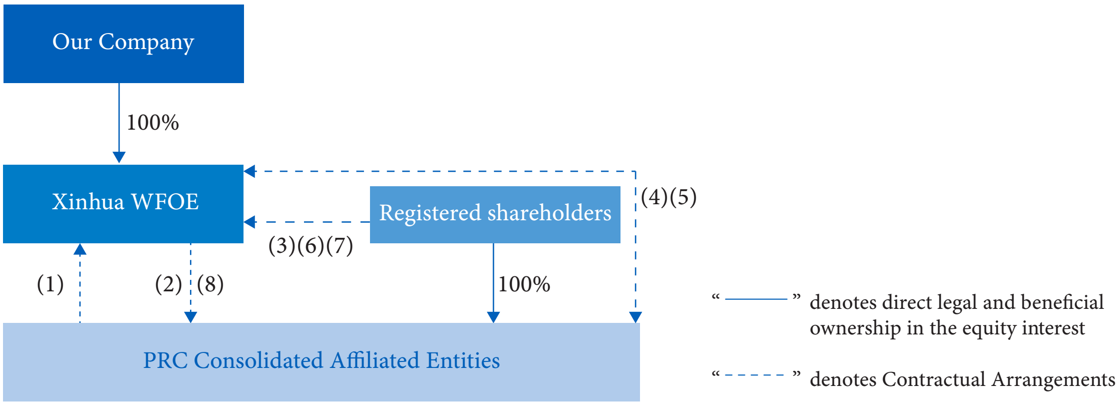
In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of the operations, on 31 October 2017, the wholly-owned subsidiary, Xinhua Anhui, entered into various agreements that constitute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

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

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

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

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



Notes:

1. Payment of service fees. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (2) Exclusive Technical Service and Management Consultancy Agreement" in the Prospectus for details.

2. Provision of exclusive technical and management consultancy services. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (2) Exclusive Technical Service and Management Consultancy Agreement" in the Prospectus for details.

3. Exclusive call option to acquire all or part of the School Sponsor's interest in the PRC Operating Schools and all or part equity interest in the School Sponsor. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement" in the Prospectus for details.

4. Entrustment of school sponsor' rights in the PRC Operating Schools by Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (5) School Sponsor's Powers of Attorney" in the Prospectus for details.

5. Entrustment of directors' rights in the PRC Operating Schools by directors of the PRC Operating Schools including Directors' Powers of Attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (6) Directors' Powers of Attorney" in the Prospectus for details.

6. Entrust of Shareholders' right including Shareholders' power of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (7) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (8) Shareholders' Powers of Attorney" in the Prospectus for details.

7. Pledge of equity interest by the Registered Shareholders of their equity interest in Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (10) Equity Pledge Agreement" in the Prospectus for details.

8. Provision of loans by Xinhua WFOE to Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (11) Loan Agreement" in the Prospectus for further details.

9. According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders." See "Regulatory Overview" in the Prospectus for further details.

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

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

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

(1) Business Cooperation Agreement

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

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

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

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

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

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

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

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

(3) *Exclusive Call Option Agreement*

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

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

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

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

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

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

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

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

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

(6) *Directors' Powers of Attorney*

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

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

(7) *Shareholders' Rights Entrustment Agreement*

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

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

(8) Shareholders' Powers of Attorney

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

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

(9) Spouse Undertakings

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

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts I by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts I in relation to the restrictions imposed on the direct or indirect equity interest in Xinhua Group, pledge or transfer the direct or indirect equity interest in Xinhua Group, or the disposal of the direct or indirect equity interest in Xinhua Group in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the School Sponsor and the PRC Operating Schools;

(c) the spouse authorizes the respective Registered Shareholders or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Xinhua Group (direct or indirect) in order to safeguard the interest of Xinhua Anhui under the Structured Contracts I and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Xinhua Group;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Xinhua Anhui and the spouses of the respective Registered Shareholders in writing.

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

(10) Equity Pledge Agreement

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

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

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

(a) any of the Registered Shareholders, the School Sponsor or the PRC Operating Schools commits any breach of any obligations under the Structured Contracts I;

(b) any representations or warranties or information provided by any of the Registered Shareholders, the School Sponsor or the PRC Operating Schools under the Structured Contracts I is proved incorrect or misleading; or

(c) any provision in the Structured Contracts I becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

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

(a) to the extent permitted under PRC laws and regulations, Xinhua Anhui may request the Registered Shareholders to transfer all or part of his or her or its equity interest in the School Sponsor to any entity or individual designated by Xinhua Anhui at the lowest consideration permissible under the PRC laws and regulations;

(b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

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

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

(a) as disclosed above, pursuant to the Business Cooperation Agreement, the School Sponsor, the Registered Shareholders and each of the PRC Operating Schools have undertaken that, without prior written consent of Xinhua Anhui or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Operating Schools and/or the School Sponsor or (ii) on the ability of School Sponsor, the Registered Shareholders and each of the PRC Operating Schools to perform the obligations under the Structured Contracts I. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (1) Business Cooperation Agreement" in the Prospectus for details.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Xinhua Anhui that, among others, each of them shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over school sponsor's interest in any of the PRC Operating Schools and/or equity interest in the School Sponsor without prior written consent of Xinhua Anhui. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement" in the Prospectus for details.

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

(11) Loan Agreement

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

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

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

C. Structured Contracts I and Structured Contracts II

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

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

D. Business Activities of the PRC Consolidated Affiliated Entities

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

E. Significance and financial contributions of PRC Operating Schools

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

	Significances and financial contribution to the Group					
	Revenue		Net profit		Total assets	
	For the year ended 31 December		For the year ended 31 December		As at 31 December	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC Consolidated Affiliated Entities	**478,847**	437,732	**284,792**	261,004	**3,051,027**	2,545,333

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

	Revenue	Net profit
	For the year ended 31 December 2020	As at 31 December 2020
PRC Consolidated Affiliated Entities	**100%**	**87.5%**

F. Regulatory Framework

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

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

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

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

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

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

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

(i) the Foreign Ownership Restriction and Qualification Requirements applies to Sino-Foreign Joint Venture Private Schools in their region;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Anhui Province;

(iii) as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in Anhui Province after the Sino-Foreign Regulation became effective on 1 September 2003;

(iv) the Anhui Education Department expects that the possibility of approving the establishment of Sino-Foreign Joint Venture Private Schools (including but not limited to the Sino-Foreign higher education institution and Sino-Foreign national key secondary vocational school) in Anhui in foreseeable future is very low; and

(v) the execution of the Structured Contracts does not require approval from the education authorities.

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

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

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

As at the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in its plan to adopt the Structured Contracts and the consolidated financial results of the PRC Operating Schools are consolidated to those of the Group. The PRC Legal Advisors have opined that each of the PRC Operating Schools and the School Sponsor has been legally established and except for those disclosed under "Structured Contracts – Legality of the Structured Contracts – PRC Legal Opinions" and "Risk Factors – Risks relating to our Structured Contracts" of the Prospectus, the Structured Contracts in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to the PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate the schools do not render the Group's education business as illegal operations in the PRC. As disclosed above, the Group has obtained confirmation from the Anhui Education Department during the consultations with them that the Structured Contracts do not require approval from the education authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, as no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

2. *Plan to Comply with the Qualification Requirement*

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

We have adopted a specific plan and taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed "Structured Contracts" in the Prospectus, the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2020 for the Group's efforts and actions undertaken to comply with the Qualification Requirement.

As advised by the Company's PRC legal advisors, there have been no updates to the implementation rules in relation to the Qualification Requirement during the Reporting Period.

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

(i) under the guidance of the Group's PRC Legal Advisors, continue to keep the Group updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

(ii) provide periodic updates in the annual and interim reports after Listing to inform the Shareholders of the efforts and actions undertaken with the Qualification Requirement.

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

The Foreign Investment Law came into effect on 1 January 2020, for further details of the Foreign Investment Law, please refer to "Management Discussion and Analysis - Regulatory Update" in this report. As at the date of this report, the Company's operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

H. Risks associated with the arrangements and the actions taken to mitigate the risks

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

1. *Risks associated with the arrangements*

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

2. *Actions taken to mitigate the risks*

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

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) the Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) the Company and its Directors undertake to provide periodic updates in its annual and interim reports regarding the Qualification Requirement and its status of compliance with the Foreign Investment Law as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the Foreign Investment Law as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as the Group's plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

(e) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Xinhua WFOE and the PRC Operating Schools and/or the School Sponsor to deal with specific issues or matters arising from the Structured Contracts.

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

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of the Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of the Group;

(c) the Company has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

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

I. Material changes

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

J. Unwinding of the Structured Contracts

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

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

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

(3) Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Tenancy Agreements and the Structured Contracts (collectively, the "Continuing Connected Transactions") on an annual basis to confirm that, during the relevant financial year:

(i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;

(ii) the Continuing Connected Transactions are on normal commercial terms; and

(iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(4) Confirmation of auditors of the Company

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 26 to the consolidated financial statements.

The related party transactions with regard to the service fee and rental fee paid as set out in note 26 constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES

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

During the Group's business operations, students and teachers are monitored by the internal guidelines for saving utilities such as turning off electrical appliances, air-conditioning, idle lightings and the water taps whenever it is likely to incur unnecessary waste of electricity and water resources. In addition, the Group has implemented and promoted the online and digital teaching methods at the classrooms which drastically reduce the possibility of paper waster. As at 31 December 2020, the Group has not been subject to any fines or regulatory or legal sanctions as a result of any non-compliance with the applicable PRC Environmental laws and regulations in any material aspects. Supported by the directors and senior management's long term strategy of sustainable development, the Group will continuously maintain its demanding standard for environmental protections and performance of its social responsibilities to the community. For more details, please refer to our separate Environmental, Social and Governance ("ESG") Report in this annual report.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB1,200,000.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

PERMITTED INDEMNITY PROVISION

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

IMPORTANT EVENTS SINCE THE YEAR END

The important events occurred since the year ended 31 December 2020 are disclosed in note 28 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 62 to 72 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

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

On behalf of the Board
Wu Junbao
Chairman

26 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2020.

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 Corporate Governance 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 Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

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

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

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

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

Non-executive Director:
Mr. Wu Junbao

Executive Directors:
Mr. Zhang Ming
Mr. Lu Zhen
Mr. Wang Yongkai

Independent Non-executive Directors:
Mr. Jiang Min
Mr. Yang Zhanjun
Mr. Chau Kwok Keung

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

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

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

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

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

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

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

Induction and Continuous Professional Development

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

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

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

Name of Directors	Nature of continuous professional development programmes [1]
Executive Directors	
Mr. Zhang Ming	√
Mr. Lu Zhen	√
Mr. Wang Yongkai	√
Non-Executive Director	
Mr. Wu Junbao	√
Independent Non-Executive Directors	
Mr. Jiang Min	√
Mr. Yang Zhanjun	√
Mr. Chau Kwok Keung	√

Note:

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

Chairman and Chief Executive

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

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

Appointment and Re-election of Directors

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

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

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

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

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

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

Board Meetings

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

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

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

During the year ended 31 December 2020, four Board meetings and one general meeting were held and the attendance of each Director at the Board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. Wu Junbao	4/4	1/1
Mr. Zhang Ming	4/4	1/1
Mr. Lu Zhen	4/4	1/1
Mr. Wang Yongkai	4/4	1/1
Mr. Jiang Min	4/4	1/1
Mr. Yang Zhanjun	4/4	1/1
Mr. Chau Kwok Keung	4/4	1/1

Model Code for Securities Transactions

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

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

Delegation by the Board

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

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

Corporate Governance Function

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

(a) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;

(d) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(e) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

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

The principal duties of the Audit Committee include the following:

1. To review the relationship with the auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the auditor;

2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board;

3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

During the year ended 31 December 2020, two meetings were held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of the Directors	Attendance/Number of committee meeting(s)
Mr. Chau Kwok Keung (Chairman)	2/2
Mr. Wu Junbao	2/2
Mr. Jiang Min	2/2

The Group's unaudited financial results for the six months ended 30 June 2020 and the audited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control of the Group and oversaw the risk management and internal control systems of the Group during the year of 2020.

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. to review the Board diversity policy.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

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

During the year ended 31 December 2020, one meeting was held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

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

During the Reporting Period, the Nomination Committee reviewed the structure, size and composition of the Board.

Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

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

During the year ended 31 December 2020, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

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

During the Reporting Period, the Remuneration Committee reviewed the remuneration packages of the Directors and senior management.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 21 to 28 of this annual report, for the year ended 31 December 2020 are set out below:

Remuneration band	Number of individual
NIL – HK$1,000,000	9
HK$1,000,001 – HK$1,500,000	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 107 and 108 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board conducts review of the effectiveness of the risk management and internal control system of the Group periodically and noted that the Company has established a risk management and internal control department and each of the schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures. In order to comply with the relevant requirements under the CG Code in relation to the risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls. In addition, the Company has adopted a set of internal rules and policies governing the conduct of the employees, including teachers and personnel performing other functions, and also set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. Therefore the Board considered the risk management and internal control system is effective and adequate.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended 31 December 2020 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	2,150
Non-audit services	–
Total	2,150

COMPANY SECRETARY

Mr. Wong Yu Kit as the company secretary of the Company, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company engaged in the business of providing corporate services, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. His primary contact person of the Company is Mr. Wang Yongkai, an executive Director.

For the year ended 31 December 2020, Mr. Wong Yu Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

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

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the company secretary of the Company at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum of association on 8 March 2018 with immediate effect and articles of association on 8 March 2018 with effect from the Listing Date. There was no change in the memorandum and articles of association of the Company during the Reporting Period and up to the date of this annual report.

1. ABOUT THE REPORT

The environmental, social and governance report (the "Report") has been published by China Xinhua Education Group and its subsidiaries (the "Group" or "we") every year since 2017 in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report discloses the policies, specific work, future planning, performance and other matters in relation to environmental, social and governance ("ESG") issues for the period from 1 January 2020 to 31 December 2020 (the "Year" or "Reporting Period"), under the sustainability philosophy. The Report has been reviewed and approved by the Board of Directors (the "Board"). In addition, for gaining more understanding of the governance of the Group, please see the section headed "Corporate Governance Report" in the annual report.

1.1 Scope of the Report

Unless otherwise specified, this ESG Report covers the core business of the Group, with the reporting scope consistent with the annual report. The environmental key performance indicators (KPIs) include the performance of two schools operated by the Group, namely Xinhua University and Xinhua School (the "Schools"). The "comply or explain" provisions set out in the Guide and the reporting principles of materiality, quantitative, balance and consistency have been adopted in preparing this ESG Report.

1.2 Contact Information

We attach great importance to your points of view about the Report. In case of any question or suggestion, please don't hesitate to contact us by the following means.

Address: No. 555 Wangjiangxi Road, High-Tech Development Zone, Hefei City, Anhui Province
E-mail: xhjtbgs@xhgroup.cn
Tel: 0551-6587 2266

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE SYSTEM

We adhere to the mission of "Rejuvenating the Country and Serving the People through Xinhua Education" and insist on the spirit of "Unity, Pragmatism, Exploration and Dedication". We hope our faculty members and students can unite together to make down-to-earth efforts and positively take their responsibility for contributing to the society and protecting the environment.

We established the ESG Working Group to manage the Group's ESG-related risks and promote various departments to implement the ESG policies. The ESG Working Group, which is under the leadership of the Vice President in charge of administration, reports to the Board every year to help the Board assess whether the ESG risk management and internal monitoring system are appropriate and effective.

2.1 Stakeholder Engagement

The stakeholders' opinions are conducive to the Group's identification of existing and potential opportunities and risks, which is an indispensable part for the stable development of our business. Therefore, we listen to the opinions and expectations of all stakeholders with an open attitude. During this Year, we communicated with the shareholders/investors, teachers/other employees, business partners, regulatory authorities, communities/non-governmental organizations (NGO), suppliers, students/parents and other stakeholders through various channels so as to know about the main issues they concern and regard these issues as an important reference for formulating the Group's sustainable development strategy.

Main Stakeholders	Engagement Channels
Shareholders/Investors	• Annual general meeting and other shareholders' meetings • Interim reports and annual reports • Corporate communications, such as letter or circular to shareholders and meeting notice • Shareholders' meetings • ESG meetings • Senior management meetings
Teachers/Other employees	• Performance appraisals • Panel discussion • Business presentation • Volunteering activities • Employee intranet
Business partners	• Reports • Meetings • Visits • Lectures
Regulatory authorities	• Meetings • Compliance reports
Communities/Non-governmental organizations (NGO)	• Volunteering activities • Donation • Seminars/lectures/workshops • Meetings
Suppliers	• Supplier management procedure • Supplier/contractor evaluation system • Meetings • Field inspection
Students/Parents	• Feedback in the classes • Satisfaction surveys • Regular visits • Education fair • Parents' meetings • Online platforms • Telephone

2.2 Materiality Assessment

In order to achieve better results in our sustainable development and enable the resources to be effectively put into key areas, we conducted ESG materiality assessment this Year. Based on the Group's operations and objectives, the expectations of various stakeholders, the requirements of the Guide, the SASB materiality matrix and the opinions of professional advisors, we identified and sorted the following material issues.

The following materiality matrix reflects the results of our ESG materiality assessment conducted this Year:

Highly material issues	Moderately material issues	Generally material issues
• Pollution reduction and emissions reduction • Wastes management • Use of materials/resources • Green building on campus • Environmental education • Development and training of faculty members • Benefits of faculty members • Employment management • Supply chain management • Teaching quality control • Health and safety of students • Dealing with teaching opinions • Protection of intellectual property rights • Anti-corruption • Sustainable procurement • Information privacy protection • Student employment rate • Teachers' qualifications and professional ethics • Educational resources • Brand propaganda • Community investment and engagement	• Energy consumption and efficiency	• Occupational health and safety

3. PROFESSIONAL TEAM

The Group strictly complies with the Labour Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Child Labour and other laws and regulations. We have established a sound employment management system, formulated a series of policies including the "Administrative Measures of Anhui Xinhua University for Recruitment of High-level Talents (《安徽新華學院高層次人才引進管理辦法》)" and the "Management Standards for Human Resource Allocation (《人力資源配置管理規範》)", and improved the rules and regulations for human resources planning, recruitment and employment, job promotion, attendance and assessment, training and development, remunerations, rewards and punishments, resignation, etc. We make full efforts to promote the development of our teaching staff based on the principle of "Making reasonable planning, Ensuring key areas, Taking overall considerations and Achieving coordinated development". We are committed to creating an equal, inclusive, healthy and safe working environment, which eliminates discrimination against gender, disability, pregnancy, family status, race, religion, age, sexual orientation, nationality and other categories, so as to realize the common development of the Group and faculty members.

During the Year, the total number of our faculty members was 1,797.

3.1 Employment Practices

We have formulated the "Recruitment Management Rules of Anhui Xinhua University (《安徽新華學院招聘管理規定》)", and recruited talents through multiple ways. Based on the principle of "Open Recruitment, Fair competition, Scientific evaluation and Employment of the best candidate", we carry out comprehensive assessment on teaching and scientific research achievements, teaching capabilities, academic level, teachers' code of morality, development potential, etc. of the candidates, and select the most suitable talents through multiple rounds of comprehensive tests. In the recruitment process, we also abide by and strictly prohibit the employment of child labour as defined by laws and regulations. We require the Personnel Department to strictly review the identity documents and qualifications of the candidates, so as to ensure that the enrolled faculty members comply with the laws and regulations. On the basis of equality, voluntariness, consensus and compliance with laws and regulations, we will sign a letter of intent or an employment agreement with the candidates to protect the rights and interests of both parties.

The Group and its employees are equally entitled to terminate the employment relationship, while the precondition is to complete the handover work within the notice period according to the agreement. For faculty members who resign or are dismissed, we will go through relevant resignation procedures, and arrange the resignation interviews to understand the reasons for resignation in accordance with relevant laws and regulations and the provisions of the Group.

In the meantime, we also completely eradicate forced labour. The working hours, remunerations, benefits and holidays of the faculty members have been expressly specified in their offers. The working time schedule and holiday arrangement of faculty members have been clearly stated in the "Management Regulations of Xinhua Group on Attendances (《新華集團考勤請假管理規定》)" and Leaves. We will handle any violations strictly according to law whenever found.

During the Year, the Group did not have any violation cases related to the employment of child labour or forced labour.

3.2 Care for Faculty Members

The Group attaches great importance to the physical and mental health and personal safety of faculty members, and complies with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Provisions on Supervision and Administration of Occupational Health at Work Sites, the Regulation on Work-Related Injury Insurance and other laws and regulations. We have implemented the following measures:

- Establish the safety warning system to report danger, injury, disease, etc;
- Punish those faculty members who do harm to their own or other people's safety;
- Cope with sudden accidents according to the guidelines of emergency plans;
- Arrange safety work meeting regularly;
- Prepare and print the Safety Education Manual for New Students and the Entrance Education Guide for New Students;
- Carry out earthquake prevention and fire safety drills regularly to improve students' safety protection skills; and
- Enhance the safety awareness of teachers and students through a series of safety meetings including regular campus meetings, broadcast conferences, daily morning meetings, weekend law lecture, class meetings, etc.

We have also set up an infirmary to provide necessary assistance and to organize regular physical examinations for the faculty members.

During the Year, no work-related fatalities or lost days due to work injury were found within the Group.

3.3 Benefits of Faculty Members

In order to regulate the management of benefits, show our care for the faculty members and stimulate their enthusiasm, we have particularly formulated the "Implementation Measures for the Management of Benefits of Faculty Members at Anhui Xinhua University (《安徽新華學院教職員福利管理實施辦法》)". In addition to the "Five Insurance Funds and One Housing Provident Fund" and statutory holidays stipulated by the Chinese government, we provide annual leave, funeral leave, marriage leave, maternity leave, sick leave, holiday allowance, marriage welfare, commercial insurance, communication allowance, working meal allowance, physical examination, collective dormitory (faculty members having no houses can enjoy one-year on-campus accommodation free of charge), transportation vehicle, team activity funds, etc. for our faculty members.

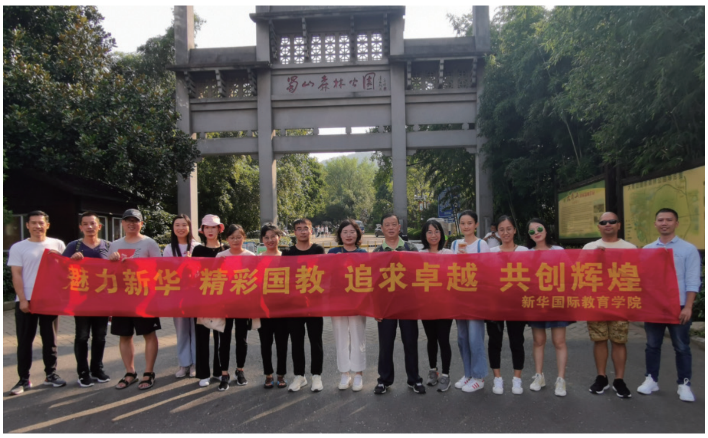
In terms of remuneration, we will review the salary strategy and salary structure every year, and adjust the salary of faculty members with reference to business performance of the Group, personal performance of the faculty members and the market situation.

In addition, we also organize various kinds of activities to promote the relationship between faculty members and maintain their work-life balance.

The School of International Education Carrying out Activities to Celebrate the Teachers' Day

In order to celebrate the 36th Teachers' Day, all teachers of the School of International Education and the International Cooperation & Exchange Department carried out the Teacher's Day celebrations. On 10 September, the LED screen in front of the teaching building scrolled with warm wishes for the Teachers' Day. Students also celebrated the festival for teachers in their own ways, such as writing blessing words to teachers on the blackboard in the classroom, sending blessing messages to teachers, or sending flowers and gifts to express their wishes and thanks to their teachers. In order to establish and commend advanced models, enhance their sense of honour, responsibility and mission as teachers, strengthen the cohesion and cooperation among faculty members of the department, and create a good atmosphere of respecting teachers and emphasizing teaching, all teachers of the School of International Education and the International Cooperation & Exchange Department came to Mountain Dashu to carry out the quality development activities on the Teachers' Day. This quality development was carried out in the form of group mountaineering competition, in which all teachers helped each other in the process of climbing and encouraged each other to finally climb the peak of Mountain Dashu.

This Teachers' Day activity has played a positive role in helping enhance teachers' awareness of unity and cooperation, challenge their own limits, discover their own potential and give full play to their leadership. It has also enabled every member to experience the charm of cooperation, share the joy of success, and enhance mutual trust and understanding.



The School of Accounting and Finance Holding a Scientific Research Symposium and a High-level Talent Salon Event

In order to promote the discipline construction of our university, give full play to the exemplary and leading role of high-level talents, and improve the scientific research capability of teachers, the School of Accounting and Finance held a scientific research symposium and a high-level talent salon event on 11 December. Professor Huang Anzhong gave a special lecture on "High-level essay writing skills", focusing on four aspects including the methods and skills for topic selection of high-level papers, the reading and use of references, the standardized form of academic papers, and the submission and revision of manuscripts. After the lecture, our senior teachers and key teachers conducted in-depth discussions in terms of key scientific research projects and high-level essay.

The successful holding of this salon has further clarified the direction of scientific research work of the School of Accounting and Finance in 2021, and played a positive role in establishing good scientific research awareness, forming an intense scientific research atmosphere, and improving teachers' scientific research level.

The School of Culture and Communication Conducting Field Investigation and Research on "Sangua Commune"

In order to deeply understand the promoting role of Internet technology in development and construction of the new countryside, and explore the enlightenment of this model for practical teaching related to the second classroom of students in the future, the representatives of teachers and counsellors of our school visited "Sangua Commune" for investigation on the morning of 10 December.

Hefei Sangua Commune Town is a business, cultural and tourism town focusing on the development of e-commerce industry and based on the integrated development of "Internet + Three Rural Issues" and "Internet + Three Rural Industries". The research team learned that Sangua Commune implemented the development concept of "Building rural areas more like rural areas", and focused on establishing the three main bases of cultural village, cuisine village and e-commerce village by relying on the internet and integrating various resources such as folk culture, leisure tourism and agricultural planting, thereby highlighting the humanistic characteristics of the rural nature. The research team came to the township innovation base and the provincial youth entrepreneurship park, where they visited some businesses in the commune. This has provided a strong reference and guidance for future practical teaching of the media and communication majors such as journalism, radio and TV editing and directing, etc. in our school.

This visit to "Sangua Commune" was brought to a successful conclusion. This research is conducive to the innovation and development of the second classroom, promoting students to put theory into action, enhancing their innovation capability, clarifying the development needs of the times, and cultivating "Comprehensive and Applied" talents.

3.4 Cultivation of Faculty Members

We believe that excellent teachers are of vital importance to maintaining and strengthening our competitiveness. We have formulated the training plan for faculty members in accordance with the Thirteenth Five-Year Plan for Development of Teaching Staff. We insist on putting moral education and ability first, and provide all kinds of trainings for all the faculty members based on the six core qualities, namely humanistic connotations, scientific spirit, learning ability, healthy life, responsibility, and practice and innovation, with the aim of leading the faculty members to improve their expertise and skills through diversified training and development opportunities. We will also understand the needs of faculty members and review the effectiveness of trainings so as to plan the training contents for the coming year.

Our training system consists of three parts: the "Source Power" training focusing on the grass-roots faculty members, the "Wing Power" training focusing on the middle and grass-roots faculty members, and "Nuclear Power" training focusing on the middle and senior management. During the Year, we have trained our faculty members in terms of corporate culture, business skills, management capability, teachers' morality and ethics.

"Source Power" Training —Procurement Training

In order to further strengthen the Group's procurement work, improve the level of procurement business and management of various units, and promote the realization of standardized, scientific and professional procurement, relevant procurement staff of the Group and various departments were invited to participate in this training. The training was carried out in the form of lecturing, institutional learning and forum, from which the trainees have taken another step forward on their professional road.

"Wing Power" Training —Management Training

This training was carried out for the purpose of further strengthening the Group's management work, promoting the realization of standardized, scientific and professional management, and improving the management level of various units. The training was carried out in the form of course training, cultural exchange and sharing among faculty members. The trainees were so enthusiastic, interactive and positive that a very good training atmosphere has been created.

Training Meeting for Teaching Administrators and Key Teachers

In this training, Mr. Wei Fayun, Director and Chief Expert of Anhui Big-Data Research Centre on University Management, was invited to give a lecture on "Several Thoughts on University Planning", Mr. Cai Jingmin, Secretary of the CPC Committee of Anhui University, was invited to give a lecture on "Practice and Application of the Newly-built, Emerging and New Type High-level Applied Universities", and Mr. Xu Fei, Professor and Doctoral Supervisor of the University of Science and Technology of China, was invited to give on-site guidance. The form of discussion and communication has also enriched the training contents and led to a good overall training effect.

The Group also provides equal promotion opportunities for all faculty members, and organizes commendation conferences for outstanding teachers. We request faculty members set their own career objectives and evaluate their performance every year. The Group formulates clear guidelines and regulations to improve the work efficiency of faculty members and departments. To facilitate effective communication, the faculty members will communicate with their immediate leaders on relevant performance. This system provides a reference standard for the promotion of faculty members.

4. STANDARD OPERATIONS

4.1 Clean Operation

The Group strictly complies with the Law of the People's Republic of China on Administrative Supervision, the Securities Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other relevant laws and regulations, and insists on clean and compliant operation.

In order to standardize the anti-corruption supervision on the Group's daily operations, we have formulated the "Integrity Promotion Management Rules (《廉政建設管理規定》)", the "Audit and Supervision Management Rules (《審計督察管理規定》)", the "Contract Review Management System (《合同審核管理制度》)", and the "Seals Management Rules (《印章管理規定》)" to strengthen inspection and assessment. A strict responsibility system is adopted. We prohibit the faculty members from receiving gifts or cash gifts in violation of the regulations, and prohibit the use of public funds for tourism, bribery, extortion or fraud, and we are committed to establishing a good atmosphere of integrity, diligence and dedication.

We also sign the "Integrity Undertaking (《廉政承諾書》)" with suppliers, requiring both parties to comply with the principles of openness, fairness and impartiality, and not to damage the other party's interests for obtaining improper interests. We require the faculty members and their families not to seek illegal interests, such as gifts, coupons, cash gifts, kickbacks, banquets, entertainment activities, etc., nor to recommend subcontractors to the suppliers for any reason, or require the suppliers to purchase materials and equipment other than those specified in the transaction contract. The suppliers shall not provide any illegal benefits to our faculty members either. If the suppliers or our faculty members violate the above regulations, we will deal with such violations according to law.

We have also formulated the "Rules of Xinhua Group on Management of Complaints and Reports (《新華集團投訴舉報管理規定》)" to provide safe and confidential whistle-blowing channels for the whistle blowers, and encourage them to report such illegal events in real names or anonymous ways through tip-off hotline, tip-off box, tip-off letter, visit, etc. Our Audit and Supervision Department will prudently handle the information obtained, and conduct a fair and impartial investigation on the reported incidents through the process of acceptance and registration, initiation, investigation and processing, feedback, implementation, review, data archiving and reporting, and take corrective measures against any misconducts discovered. If the reported incident is found authentic upon investigation, we will handle it according to law. All information and processing results will be sorted and filed.

During the Year, there were no litigations or convicted cases of corruption, bribery, extortion, fraud and money-laundering against the Group or its faculty members.

4.2 Information Security

Our business involves the collection, analysis and storage of students' personal information, so protecting the business information security is an important part of the Group's business operation. The Group strictly abides by the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, the Cybersecurity Law of the People's Republic of China, the Regulations on Technical Measures for Internet Security Protection, the Measures for the Administration of Internet Information Services, the Measures for Security Protection Administration of the International Networking of Computer Information Networks and other relevant laws and regulations to comprehensively maintain the information security.

We have formulated the "Rules of Xinhua Group on Confidentiality Management (《新華集團保密工作管理規定》)", which regulates the following behaviours, aiming at strengthening the information security management of the Group and preventing the occurrence of information security accidents.

- Classify the information according to the confidentiality level, and adopt different protection measures for different levels;
- Carry out authority management on classified files, under which the faculty members will have access to such files only upon approval by the responsible person;
- The provision of important information shall be subject to the approval by leaders of the Group;
- Copying or transfer of any data to any entity or individual without authorization is strictly forbidden;
- Set passwords for computers;
- Make backups regularly to prevent data loss;
- Regularly check and kill the virus, and clean up junk documents;
- Use authorized operating system and software;
- Keep the backup files in the database properly to prevent illegal copying and damage; and
- If there is a sudden information security incident, the person in charge will deal with it in a timely manner according to the established procedures.

4.3 Teaching Quality

Teaching work is the central focus of the Schools, and teaching quality is the lifeline of the Schools. Establishing and improving the teaching quality monitoring and assurance system is the basic precondition to stabilize the normal teaching order, improve the teaching quality and create a good educational environment. We strictly comply with the National Standard of Teaching Quality for Undergraduate Majors at Regular Institutions of Higher Education and the Opinions on Speeding up the Construction of High-level Undergraduate Education to Improve Talent Development Ability in an All-round Way, and have formulated the "Implementation Measures for the Monitoring and Assurance of Teaching Quality in Anhui Xinhua University (《安徽新華學院教學質量監控與保障實施辦法》)" by combining our actual circumstances.

We adhere to the "Student-centred, Output-oriented, Continuous improvement" principle, establish a "Three-level, Four- supervision, Five-system" teaching quality monitoring and assurance system, and make continual corrections and improvements in the specific practice process. "Three levels" refers to the management organization of teaching quality monitoring and assurance, including three levels of university, college (school) and department (teaching and research section) (hereinafter referred to as the "university-college-department" level), which have their corresponding duties for teaching quality monitoring and assurance. "Four supervisors" refers to the contents of teaching quality monitoring and assurance, which consists of four modules namely construction supervision, management supervision, teaching supervision and learning supervision. The teaching quality can be guaranteed effectively through the supervision, evaluation and rectification of all aspects of construction and operation. "Five systems" refers to the operation of the teaching quality monitoring and assurance system, including teaching objective system, quality standard system, teaching information system, teaching evaluation system and teaching control system. We have established a working committee to monitor and assure the teaching quality, which can find and solve the problems in time through regular, special and random inspections, and make annual reviews and plans to track the whole process of teaching work and assure teaching quality. This year, we achieved a 98.85% rating for our teaching.

We have always attached great importance to the construction of digital campus and smart campus. During the Year, Anhui Xinhua School was successfully approved as the first batch of pilot schools to construct smart campus in secondary vocational schools of Hefei. We provide humanized, intelligent and efficient campus education services for teachers and students, managements and parents, create a smart teaching environment characterized by open sharing, inclusive innovation, and interactive experience, actively develop high-quality digital education resources, explore and promote information-based teaching methods supported by new technologies such as mobile terminals, Internet, cloud computing, and big data, so as to facilitate effective teaching and deep learning.

Anhui Xinhua University Successfully Holding the "2020 Anhui Smart Building Development and Talent Training Forum"

In order to further promote the development of smart building industry, give full play to the supporting and leading role of scientific and technological innovation in the development of smart buildings, explore the application of information technology in smart buildings, and discuss the experience of smart construction and the cultivation of architectural talents, Anhui Xinhua University and The Civil Engineering and Architectural Society of Anhui Province co-sponsored the "2020 Anhui Smart Building Development and Talent Training Forum" on 5 December.

An in-depth keynote report was delivered in terms of the future development direction of smart buildings, the current situation and opportunities of Anhui Province, the innovation of talent training mode, and the research of key technologies. The participants conducted thematic discussions by focusing on the future development of prefabricated buildings in Anhui, the construction and talent training of smart construction majors, and the application and development of building information model technology in the construction field. The participants agreed that there would be a vast development space for smart buildings, but shortcomings still exist in training of professional talents and innovation of core technologies. Hence we need to continuously establish an exchange and interaction platform to form cohesions and share development.

The successful holding of this forum marks a pioneering and innovative move, which has built a platform and called on the industry and universities to keep close contact and to communicate and promote the rapid, healthy and sustainable development of the smart building industry in our province. After the forum, the participants visited Anhui Key Laboratory of Building Structures.

We also constantly improve the practical integration of vocational education and teaching, adhere to the employment-oriented strategy to deepen school-enterprise cooperation, and enable our students to "go out" and the enterprises to "come in", thereby truly making the students realize recruitment upon enrollment, application after learning, and employment after graduation.

eBay "E Youth" Talent Training Project Officially Settled in Our University

In this October, the School of Foreign Languages of Xinhua University and Xiamen Beifan Education Management Co., Ltd. held a grand cooperation signing and unveiling ceremony in the scientific research building of our university, symbolizing that we have become the first cooperative university of the eBay "E Youth" Talent Training Project in Anhui Province, and also marking the official launch of our eBay "E Youth" Talent Training Project. The eBay "E Youth" Talent Training Project will provide comprehensive support for cross-border e-commerce talent training and for students from industry guidance and textbook supporting system to industry practice and workplace connection through the four major segments of E-tutor, E-classroom, E-factory and E-workplace, and cultivate e-commerce talents with professional knowledge and practical operation experience for the industry.

4.4 Brand Protection

The Group strictly abides by the Patent Law of the People's Republic of China, the Rules for the Implementation of the Patent Law of the People's Republic of China, the Intellectual Property Law of the People's Republic of China, the Regulations on Protection and Management of Intellectual Property Rights in Institutions of Higher Education, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations. We respect and protect the intellectual property rights of our own and others on the market and regulate the management of intellectual property rights including trademark rights, patent rights, copyrights, etc.

In terms of intellectual property protection, we have formulated the "Management Measures for Scientific Research Projects of Xinhua University" to safeguard the legitimate rights and interests of the Group and its scientific researchers, stimulate the enthusiasm of our teachers and students for invention and creation, promote the development and progress of our scientific research, and legally protect the interests of both parties when we cooperate with the third-parties.

During the Year, the Group maintained 154 registered patents and had 51 new patents.

In terms of brand promotion, we have formulated the "Management Regulations for Official Media" and "Submission Approval and Publish Process of Propaganda Drafts" to standardize the Group's official media management. We also established the Brand Management Department to improve the Group's management regulations on official media, and guide and inspect the implementation of relevant management regulations by the Group and its departments. We require all departments to establish an audit mechanism for publication of the publicity contents, clarify the responsibilities of the leaders in charge, and include the original audit and reprinting authorization audit into the focus of the review. We also require the official media managers of all departments to clarify their responsibilities, register the information of the media properly, store and keep the login information confidential, and ensure the publish authority is safe and controllable. We provide trainings for the official media managers. If the management authority of the official media changes due to personnel changes, the authority change handover shall be completed on the same day, and the media-related job handover shall be filled in.

The contents published by various departments must comply with the national regulations, be consistent with the contents published by the Group, conform to the brand positioning, and ensure the authenticity and effectiveness of the information. For original works, we will strengthen the copyright protection thereof. For copyrighted contents, we strictly abide by the basic principles of "authorization before use" and "authorization before dissemination" for use of the copyright. Other people's works on our operation platforms can not be used without the permission of the obligees. Works authorized by the obligees shall be used legally and reasonably, and the user must indicate the source and origin of the work and ensure the integrity of the reprinted work.

4.5 Campus Construction

It is our key task to ensure the safety and health of students. We strictly abide by the Food Safety Law of the People's Republic of China, the Food Safety Standard Operating Procedure for Catering Industry, the Regulations on School Health Work, the Fire Protection Law of the People's Republic of China and other relevant laws and regulations, and are committed to establishing a high-quality and reassuring teaching and learning environment for teachers and students in terms of campus security, food safety, health and safety education, disease prevention and control, etc.

4.5.1 Campus Security

We have always attached great importance to campus security prevention and security management, and strengthened the construction of campus security prevention and control system through a variety of measures, including source prevention, internal security management, external security prevention and control, security education, emergency drills, etc. We continued to promote the linkage mechanism between the police and the school, and employed a police officer from High-Tech Zone Police Station of Hefei Public Security Bureau High-Tech Zone Branch to act as the Vice President in charge of the legal system of Xinhua School, who has comprehensively guided the legal education and public security prevention work in the school, and carried out a series of legal education report meetings, activities to prevent Internet and telecommunications frauds, and anti-drug publicity activities, which have improved the notion of law and self-protection awareness of our teachers and students, and created a harmonious, healthy and stable campus environment.

"18 September" Air Defence Emergency Evacuation Drill

In order to commemorate the 89th anniversary of the "18 September" Incident, implement the "Air Defence Law of the People's Republic of China" and the "Implementation Plan for the 2020 "18 September" Air Defence Trial Alarming Campaign in Hefei", enhance the national defence concept and the air defence and disaster prevention awareness of our teachers and students, and improve their self-help and mutual rescue abilities, we carried out the "18 September" air defence and disaster prevention emergency evacuation drill. Under the leadership of the teachers, all of our students quickly evacuated from the teaching buildings of the school to the designated positions according to the predetermined evacuation routes, and formed into teams by classes, where the number of students was quickly counted. The faculty members of the school took their respective responsibilities to ensure the smooth evacuation of everyone. The whole evacuation process was successfully completed in an orderly way.

New Students Were Organized to Take the First Safety Education Lesson

According to the safety education schedule for new students enrolled in 2020, in order to improve the ability of new students to identify and prevent telecom and Internet frauds, the Security Department, the Students' Affairs Office and the Publicity Department jointly held a publicity and education activity to prevent telecom and Internet frauds in the studio hall of the School of Culture and Communication in the afternoon on 15 September, for which both online and offline approaches were adopted, and a police officer was invited to deliver a special lecture.

The police officer described eight different types of telecom frauds common to college students, and gave all the new students a vivid lesson on how to prevent telecom and Internet frauds by combining the actual cases of students. The police officer interpreted the law by cases, and the teaching contents were simple but profound, easy to understand, vivid, close to reality and life, with very good results achieved. Director Pan interacted with the students, publicized the harmfulness, concealment and difficulty in recovery of the telecom and Internet frauds, and fully affirmed the active publicity and education activities of our school to prevent telecom and Internet frauds.

This activity has helped improve the new students' awareness of preventing telecom and Internet frauds, which played a positive role in curbing telecom and Internet frauds from the source, and laid a good ideological foundation for building a safe campus and creating a safe environment.

4.5.2 Fire Safety

We have established a number of safety management measures for aspects such as fire safety and dormitory safety.

In order to strengthen the fire safety and fire prevention work on campus, we formulated appropriate fire fighting, emergency plans and evacuation routes according to fire regulations, and carried out fire evacuation drills. In order to enhance the fire safety awareness of all teachers and students, we carried out publicity and education activities and trainings on fire protection knowledge.

We emphasize the electricity safety in dormitories, formulate relevant regulations, and regularly check the electronic equipment and electrical appliances in dormitories. We will deal with any illegal electrical appliances according to relevant requirements once found.

Fire Safety Training Activity

In order to further enhance the fire safety awareness of all teachers and students and popularize the fire safety knowledge, we invited instructors from Anhui Zheng'an Fire Education Centre to carry out fire safety training activities. The instructors elaborated the importance of fire prevention by combining the real fire cases occurring all over the country. They focused on explaining the reasons of fire, the fire prevention and fighting skills, the self-prevention and self-rescue skills, and demonstrated the use of fire extinguishers. All teachers and students benefited a lot from this training.

Fire Safety Education Activities for International Students

In order to strengthen the safety management of international students at our university and enhance their fire safety awareness and self-protection ability, our university held a fire safety education and training activity for international students in the afternoon on 23 October.

This activity mainly consists of three parts: Firstly, provide the fire safety knowledge lecture and the fire education warning film, which have astounded the international students a lot and had some alerting functions. Secondly, carry out the fire fighting drills, during which the international students picked up the fire extinguisher and put out the fire in batches as organized by the Security Department. Thirdly, check the dormitories for fire safety hazards and give a speech on fire escape.

Everyone is responsible for fire safety. The fire safety knowledge education has further enhanced the fire safety awareness of our international students, helped them master the basic skills of fire safety, and improved their self-protection ability.

4.5.3 Food Hygiene and Safety

Kitchen hygiene in the canteens is the first line of kitchen production. All of our canteens have the "Food Operation License", while each employee in the canteen has obtained the health certificate. We require the canteen staff to abide by the management regulations and operation rules, keep personal hygiene and kitchen hygiene well every day, and retain the professional qualified oil fume pipeline cleaning company to clean up the whole oil fume pipelines every semester, and issue the cleaning certificate.

We require that relevant staff must purchase the food raw materials in line with relevant sanitation permission provisions, and always prevent pollution during the whole food cooking and selling process, so as to ensure that the food is served to all teachers and students in a safe and reliable manner. All relevant staff and managers in contact with food must keep in mind to follow the hygiene standards in food production and assume their respective responsibilities. The Food and Drug Administration carries out sampling inspection on the raw materials processed in our canteens every semester to ensure the food safety in our canteens.

4.5.4 Mental Health Education

The mental health problem of the students is also the focus of our attention. We attach great importance to students' mental health, and the related work is becoming increasingly matured. We set up a psychological counselling room and a mental health education centre, established a team comprising lots of national level II and III psychological counsellors, and carried out general mental health test, group counselling for pre-exam anxiety, case interview, etc. In addition, we have also appointed a psychological counselling commissary in each class and trained them, hoping to provide assistance more conveniently and quickly when any student requires. Our psychological counselling room provides assistance and guidance in varying degrees for the common psychological problems of students, such as internet addiction, learning difficulties, parent-child relationship, study weariness, pre-exam anxiety, adolescent rebellious behaviours, premature love, etc., thus promoting the healthy growth of students.

"Post-Pandemic Growth with Cordial Smile" Mental Health Salon Event

In order to cultivate the rational, peaceful and healthy mentality of students during the COVID-19 pandemic period, we held a variety of mental health salon activities with rich contents on the theme of "Post-Pandemic Growth with Cordial Smile", aiming to protect students' mental health during the post-pandemic period. This event clarified the difficulties and key points of psychological work, and further improved the professional level of psychological education team. We also organize a series of excellent courses of "Mental Health Lecture Hall for College Students" online for students to watch, and invited psychological counsellors to carry out two lectures on the theme of "Identification and Intervention of Psychological Crisis" and "Understanding, Acceptance and Self-Cognition Growth", so as to allow students to learn from interpersonal communications to know themselves, explore themselves, adjust and improve their relationship with others, learn new attitudes and behaviours, and grow into better persons. Our mental health education centre has also prepared the "Cloud Confession" of the Graduates of Year 2020 to Xinhua Campus, which allows the graduates to confess to the most unforgettable people, the warmest things, the biggest gains and give the best wishes to the school with memories and smiles.

4.5.5 Pandemic Prevention

In order to implement the COVID-19 prevention and control measures in the education system of Anhui Province and ensure the smooth operation of the Schools in the spring semester of 2020, the Schools responded promptly and coped with the situation positively, established the leading group for pandemic prevention and control, adopted the online office mode, strengthened publicity on the pandemic prevention, carried out online teaching and strengthen daily management. Meanwhile, we require all teachers and students to protect themselves in strict accordance with the requirements of the Personal Protection Manual of Teachers, Students and Faculty Members against COVID-19 in Schools of Anhui. All teachers, students and faculty members returning to school need to sign a letter of commitment. The Schools have also issued the "Online Teaching Disciplines and Norms" to ensure "Continual learning even after suspension of classes" and "Continual teaching even after leaving school". In the meantime, we also provide psychological counselling services to help teachers and students relieve their psychological pressure during the pandemic period.

4.6 Communication of Opinions

We strictly comply with the Education Law of the People's Republic of China, the Higher Education Law of the People's Republic of China, the Provisions on the Administration of Students in Regular Institutions of Higher Education and other relevant laws and regulations. We continue to improve the teaching plans, so as to make students enjoy better teaching quality.

We have formulated the "Measures for Handling Students' Complaints" and solved all kinds of students' complaints through the establishment of a student complaints handling committee led by the director in charge of school leaders. The complaint handling process is composed of the following steps: the student or agent makes a complaint, the counsellor of the complainant and the administrative director of the secondary college verify and confirm the complaint, the student complaint handling committee accepts and reviews the complaint, and makes a conclusion. We have also established the "Anhui Xinhua School Parent and Student Complaint Handling Workflow (《安徽新華學校家長、學生投訴處理工作流程》)". When our Audit and Inspection Department receives a complaint from a parent or student or a complaint referred by a superior, it will report to the principal and the head of the school in charge in the first instance. The principal and the head of school will handle the complaint appropriately after the Audit and Compliance Department has investigated the situation and conducted an in-depth study of the situation. The Audit and Compliance Department will provide feedback to the complainant on the status of the investigation and handling of the complaint, report the final outcome to the principal or the head of the school, and maintain the complaint information in a secure manner.

During the Year, we didn't receive any complaints from students or parents.

4.7 Supply Chain Management

In order to strengthen collective purchase management, optimize the purchase structure, standardize the purchase behaviours, effectively improve the purchase efficiency, control the cost, guarantee the quality and evade risks, we have formulated the "Purchase Management System of Xinhua Group" and the "Management Measures of the Purchase Department of Xinhua Group for Selection and Evaluation of Suppliers.

Our Purchase Department sets up a supplier development investigation team according to the project needs. We make comparisons to select suitable suppliers through bidding, competitive negotiation, inquiry, fixed-point purchase, e-commerce purchase, etc. We evaluate our suppliers with comprehensive evaluation items including supplier qualification and scale, product quality, product price, terms of payment, business transactions, delivery, logistics quality, stock capacity, technical support capability, after-sales service level, information system and communication channel. We require the Purchase Department to actively reserve the supplier resources, optimize the selection of suppliers, and establish strategic partnership with high-quality suppliers and brands. We will also give priority to suppliers of eco-friendly products. We will never use the suppliers who violate local laws and regulations with unethical business practices, corruption, forced labour, etc. The Purchase Department of each unit shall actively build a purchasing resource sharing platform to share the same resources. For suppliers with whom we have cooperated many times, we will carry out effective evaluation on them at least once a year, and fill in the Supplier Assessment Form. Our assessment results are divided into four levels: "A", "B", "C" and "D". For suppliers with a score of Level "C", we will consider them as trial suppliers; for suppliers with a score of Level "D", we will eliminate them from our supplier list.

In addition, we will sign the "the Integrity Responsibility Letter" with cooperative suppliers, so as to strengthen integrity management, standardize our cooperation behaviours with the suppliers, safeguard the common interests of both parties, and promote the favourable development of bilateral relations. Please refer to the "Anti-Corruption" section for specific code of conduct.

During the Year, we have 20 suppliers, 13 in Anhui Province, 3 in Jiangsu Province, 1 in Zhejiang Province, 1 in Beijing, 1 in Guangdong Province and 1 in Shandong Province, our suppliers mainly provide teaching materials, student apartment supplies, apartment beds, school uniforms, steel, electrical equipment and laboratory construction materials, etc..

5. GREEN CAMPUS

We set up and implement the concept that "Clear waters and green mountains are as valuable as mountains of gold and silver", adhere to the basic national policy of saving resources and protecting the environment, and strictly comply with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other relevant laws and regulations. We try our best to reduce the environmental impact arising from operation and management activities, and are committed to enhancing the environmental awareness of all teachers and students, carrying out business operations cautiously, and encouraging the faculty members to improve the resource utilization efficiency. In addition, we will actively replace the old equipment with energy-saving and eco-friendly equipment to create a green campus.

During the Year, the Group did not violate any laws or regulations on environmental protection or caused major accidents affecting the environment and natural resources, nor did we receive any notice of punishment or litigation on environmental issues.

5.1 Energy Conservation

During the Year, we have actively taken the following energy-saving measures in our offices:

Green office measures

Lighting system	• Use high energy efficient lamps (e.g. T5 fluorescent lamp and LED) • Use daylight as much as possible • Turn off the lights when the office is not in use • Keep the lighting installations and lights clean to maximize their energy efficiency • Divide the office areas into multiple lighting areas controlled by independent switches • Install motion sensors in campus areas that are not frequently used • Reduce the number of lamps in campus areas where brightness is higher than required
Air-conditioning system	• Install the air-conditioner in areas without exposure to direct sunlight • Clean the air-conditioning filters regularly • Use sealing strips on doors and windows to avoid leakage of cool or warm air • Check and replace the connectors of pressure gauge, pressure hose and air compressor regularly to reduce the possibility of refrigerant leakage • Turn off the air-conditioner when the office is not in use
Other electronic equipment and electrical appliances	• Set the computer to enter the automatic standby/sleep mode when it is idle • Turn off the electronic equipment completely during non-working hours • Purchase electronic equipment with energy efficiency label • Upgrade the equipment in dormitory buildings to energy-saving equipment

During the Year, the Group's total electricity consumption in operations was 12,547,070.00 KWh, and the electricity consumption intensity was 25.93 KWh per square meter, representing a decrease of 24.66% in the total electricity consumption as compared with the previous year. We will continue to monitor the electricity consumption of our businesses to effectively save electricity in the coming year.

5.2 Low-carbon Operation

In active response to the national call for energy conservation and carbon reduction, we have also increased the number of trees in the Schools in addition to the above energy-saving measures. We planted a total of 362 trees this year. We conducted the GHG inventory for the Schools according to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development as well as the ISO14064-1 set by the International Organization for Standardization. Our total GHG emissions (Scope 1 & 2) are shown as follows:

GHG emissions	Unit	2020
GHG emissions and reduction		
Scope 1 Direct GHG emissions	Tonnes CO_2 equivalent (tCO_2e)	295.89
Scope 1 GHG reductions due to tree planting	tCO_2e	8.33
Scope 2 Indirect GHG emissions due to use of energy	tCO_2e	7,654.97
Total GHG emissions (Scope 1 & 2)	tCO_2e	7,942.53
GHG emission intensity		
Per square meter (Scope 1 & 2)	tCO_2e per square meter	0.02
Per employee and student (Scope 1 & 2)	tCO_2e per person	0.26

Scope 1: Direct GHG emissions from sources owned and controlled by the Group.

Scope 2: Indirect GHG emissions from the generation of electricity, heating and cooling, or steam purchased by the Group.

5.3 Emissions Management

Vehicle exhaust emission is an important source of air pollution. By learning about the fuel consumption and mileage of the vehicles under the Group, we plan and implement targeted exhaust emission reduction measures in cooperation with the Chinese government's action to control vehicle emissions, including: advocate the use of public transport, make prior planning for driving routes, prohibit vehicle abuse and regular maintenance schedule, and provide low-carbon driving training for drivers (such as avoiding sudden acceleration).

During the Year, our fleet consumed a total of 22,062.86 liters of gasoline and 5,645.69 liters of diesel fuel. As a result of the epidemic and the effective implementation of the above measures, our gasoline and diesel consumption decreased by 56.32% and 31.89% compared to 2019. Our air emissions come mainly from vehicles, during the year, the emissions of our nitrogen oxides (NO_X), sulfur oxides (SO_X) and particulate matters (PM) were 250.01kg, 0.42kg and 22.63kg respectively.

5.4 Utilization of Water Resources

The Group's water resources are all from the municipal water supply system, so there is no water intake problem. In order to save water resources, we set up a special working group, which has mainly checked the outdoor fire pipelines, replaced and repaired several leakage points, and changed all faucets and flushing valves into water-saving devices. Appliances with water-saving labels are all used in our toilets.

During the Year, the Group's total water consumption in operations was 846,776.00 tonnes, and the water consumption intensity was 1.75 tonnes per square meter, representing a decrease of 30.98% in the water consumption as compared with the previous year.

5.5 Wastes Management

The Group encourages the faculty members to reduce wastes through recovery and recycling. In the meantime, the Group strictly abides by the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other relevant laws and regulations, and properly disposes of wastes in compliance with relevant laws and regulations. During the Year, we implemented the following measures for resource optimization:

Use of resources	• Deliver messages by using electronic communication technology to reduce the use of paper • Use double-sided printing to save paper • Adjust the smaller font and line spacing before printing • Regularly conduct paper quantity statistics to monitor paper consumption and take appropriate improvement measures • Reuse all kinds of stationeries • Use ceramic water cup rather than disposable paper cup • Use E-greeting cards during festivals
Wastes management	• Set up classified recycling bins to increase the recycling rate • Evaluate materials consumption to avoid excessive inventory

During the Year, the Group generated a total of 6,000 tonnes non-hazardous wastes, all of them have been processed legally and hazardous wastes include 13 computers and 146 pieces of discarded ink cartridges. The used computers are formatted and recycled by our Asset Division for their accessories, and used ink cartridges are recycled by the manufacturer. In the future, we will continue to monitor the hazardous and non-hazardous wastes generated by the Group, so as to further improve wastes management measures and ensure effective waste reduction.

6. CONTRIBUTION TO THE SOCIETY

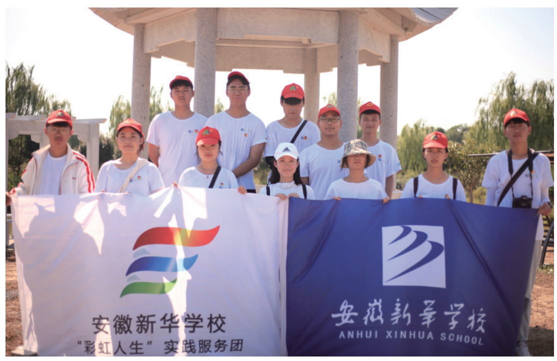
While actively developing its business, the Group never forgets to support community activities and repay the society. We will make use of our professional advantages in the industry to actively cooperate with charities in the future and participate in different community investment and public welfare activities. We encourage our faculty members and students to deeply understand the community needs and opinions through participating in public welfare activities, so as to cultivate their good habits of contributing to the society.

During the Year, the total number of faculty members and students involved in community activities reached 23,133, our social contributions mainly focused on three aspects: "Social Practice during Summer Vacation", "Helping with the Pandemic Prevention and Control" and "Caring for and Helping the Elderly".

6.1 Social Practice during Summer Vacation

In order to guide our students to strengthen their ideals and beliefs, and devote themselves to the great cause of developing China through social practice activities, we have actively carried out the social practice activities of "Go to rural areas" during the summer vacation.

The "Colourful Life" practice service team of Anhui Xinhua School launched lots of activities in Hefei, such as visit to grassroots workers, love rescue of stray dogs, research on post-disaster agricultural production resumption, helping to create a civilized Hefei, etc. Through these activities, our students carried out the one-day sanitation work with sanitation workers at 3:00 a.m.; they helped with cleaning and feeding work of the stray animal rescue station, and bought and sent dog food to the person in charge of the rescue station; they went to the kiwi fruit planting base in Feixi County, Hefei to help the base manager pick mature fruits; by combining the requirements of building a national civilized city, they carried out environmental sanitation and cleaning support activities in old communities, and conducted centralized rectification and comprehensive cleaning of garbage and sundries, disorderly stacked corridors, and neglected corners of public hygiene in communities.



Social Practice Activities of "Go to Rural Areas" of Anhui Xinhua School during the 2020 Summer Vacation

6.2 Helping with the Pandemic Prevention and Control

To support the prevention and control of COVID-19 pandemic, the CPC Committee of Anhui Xinhua University responded positively to the call of the CPC Central Committee on 28 February 2020, and issued the "Notice on Organizing the Party Members to Make Donations for Supporting the COVID-19 Pandemic Prevention and Control Work", mobilizing all the Party members among teachers and students to make volunteer donations, and helping with the pandemic prevention and control work. The virus is merciless, but there is love in the world. Since the outbreak of the pandemic, voluntary donations and voluntary services have been widely carried out among teachers and students. According to statistics, before this voluntary donation by the Party members, 646 teachers and students have donated a total of more than RMB60,000. Nearly 100 students at our Schools participated in the volunteer services for epidemic prevention and control in their hometown. Trickles of efforts gathered into a river of love to fight against the pandemic, where ordinary and warm forces were injected to the war against the pandemic.

As of 2 March 2020, 1900 Party members among the teachers and students of our Schools have donated a total of approximately RMB135,000. The Party members actively responded to the call of the CPC Committee and positively participated in the work of epidemic prevention and control, where they performed their duties with hard work, interpreted their loyalty with responsibilities, fulfilled their mission with youth, and demonstrated the vanguard nature of Party members.

6.3 Caring for and Helping the Elderly

On 15 November 2020, volunteers from Xinhua University went to Jianghe Community Residents' Service Centre to carry out the medical insurance e-vouchers promotion activities. Under the leadership of the staff, we carried out the medical insurance payment activities for urban and rural residents and the medical insurance e-voucher promotion activities, so as to make the residents there have a better understanding of the new medical insurance policies for urban and rural residents.

On the scene of the activities, the volunteers issued health insurance policy leaflets and medical insurance e-voucher operation flow sheets to the residents, explained in details the new medical insurance policy for urban and rural residents in 2021, and guided the residents to start the medical insurance e-vouchers and pay their insurance premiums by WeChat. The volunteers gave hand-in-hand guidance to the residents who came for consultation, and interpreted how to use various business functions of the medical insurance public service platform after starting the medical insurance e-voucher, so that the residents can have a deeper understanding of the policy and be familiar with the operating procedures. In addition, they also helped the residents apply for the medical insurance e-voucher, the pension qualification certification, battery car license plate, free oral examination, etc.

We are committed to providing endless services and making selfless contributions. These activities have not only trained the practical ability of college students, but also have been unanimously praised by the residents. Our volunteer service team will continue to uphold the tradition of "Serving the people and caring for the elderly", and effectively enhance people's sense of happiness and achievements in the field of medical security.

Medical Insurance E-Voucher Promotion Activities

APPENDIX 1: SUSTAINABILITY DATA STATEMENT

The following table sets out the Group's sustainability data statement in the environmental subject area of the Year:

Environmental Performance	Unit	2020
Air emissions [1]		
Nitrogen oxides	kg	250.01
Sulphur oxides	kg	0.42
Particulate matter	kg	22.63
GHG emissions		
Direct GHG emissions (Scope 1)	Tonnes CO_2 equivalent (tCO_2e)	295.89
Greenhouse gas emissions removals from newly planted trees (Scope 1)	tCO_2e	8.33
Indirect GHG emissions (Scope 2)	tCO_2e	7,654.97
Total GHG emissions (Scope 1 & 2)	tCO_2e	7,942.53
GHG emission intensity (per square meter) (Scope 1 & 2)	tCO_2e per square meter	0.02
GHG emission intensity (per faculty member and student) (Scope 1 & 2)	tCO_2e per person	0.26
Energy consumption		
Purchased electricity consumption	MWh	12,547.07
Purchased electricity consumption per square meter	MWh per square meter	0.03
Purchased electricity consumption per capita	MWh per person	0.41
Gasoline consumption	m^3	1.01
Natural gas consumption	m^3	48,777.00
Diesel consumption	m^3	0.20
Water consumption		
Total water consumption	m^3	846,776.00
Water consumption intensity (per square meter)	m^3 per square meter	1.75
Water consumption intensity (per faculty member and student)	m^3 per person	27.54
Paper consumption		
Total paper consumption	kg	11,035.63
Paper consumption per capita	kg per person	0.36
Non-hazardous wastes		
Non-hazardous wastes generation	tonnes	6,000.00
Intensity of non-hazardous wastes (per faculty member and student)	tonnes per person	0.20
Hazardous wastes		
Hazardous wastes generation		
Computers	set	13
Waste ink cartridge and waste toner cartridges	piece	146
Hazardous waste recycling		
Computers	set	13
Waste ink cartridge and waste toner cartridges	piece	146

[1] Vehicle emissions

The following table sets out the Group's sustainability data statement in the social subject area of the year:

Social Performance	Unit	2020
Faculty members		
Total faculty members	no. of people	1,797
Turnover rate		
Total faculty member turnover rate	%	10.49
Employee turnover rate (by gender)		
Female	%	6.21
Male	%	4.28
Employee turnover rate (by age group)		
Below 30	%	3.45
Aged 30-50	%	5.73
Above 50	%	1.31
Employee turnover rate (by geographical region)		
East China	%	10.49
Occupational health and safety		
Work-related fatalities	no. of people	0
Number of working days lost due to work injury	no. of days	0
Development and training		
Percentage of trained faculty members (by gender)		
Female	%	100
Male	%	100

Social Performance	Unit	2020
Percentage of trained faculty members (by employment type)		
Full-time junior faculty members	%	100
Full-time middle management	%	100
Full-time senior management	%	100
Average training hours completed per faculty member (by gender)		
Female	hours	27
Male	hours	22.6
Average training hours completed per faculty member (by faculty member type)		
Full-time junior faculty members	hours	26.3
Full-time middle management	hours	22.5
Full-time senior management	hours	18.2

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

Environmental			Related Sections
A1: Emissions	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. Green Campus; 5.1 Energy Conservation; 5.5 Wastes Management
	A1.1	The types of emissions and respective emissions data.	5.3 Emissions Management; Appendix 1: Sustainability Data Statement
	A1.2	Greenhouse gas emissions in total and intensity.	5.2 Low-carbon Operation; Appendix 1: Sustainability Data Statement
	A1.3	Total hazardous waste produced and intensity.	5.5 Wastes Management; Appendix 1: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced and intensity.	5.5 Wastes Management; Appendix 1: Sustainability Data Statement
	A1.5	Description of measures to mitigate emissions and results achieved.	5.3 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.5 Wastes Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.1 Energy Conservation; 5.4 Utilization of Water Resources
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	5.1 Energy Conservation; Appendix 1: Sustainability Data Statement
	A2.2	Water consumption in total and intensity.	5.4 Utilization of Water Resources; Appendix 1: Sustainability Data Statement
	A2.3	Description of energy use efficiency initiatives and results achieved.	5.1 Energy Conservation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.4 Utilization of Water Resources
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable, as the Group's business does not involve any packaging material
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5. Green Campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Green Campus

Social			Related Sections
B1: Employment	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3. Professional Team; 3.1 Employment Practices; 3.3 Benefits of Faculty Members
	B1.1	Total workforce by gender, employment type, age group and geographical region.	The Group will consider making relevant disclosure in the future
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statement
B2: Health and Safety	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	3.2 Care for Faculty Members
	B2.1	Number and rate of work-related fatalities.	3.2 Care for Faculty Members; Appendix 1: Sustainability Data Statement
	B2.2	Lost days due to work injury.	3.2 Care for Faculty Members; Appendix 1: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2 Care for Faculty Members
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.4 Cultivation of Faculty Members
	B3.1	The percentage of employees trained by gender and employee category.	Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statement
B4: Labour Standards	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labour.	3.1 Employment Practices
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employment Practices
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Employment Practices
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.7 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4.7 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.7 Supply Chain Management

Social			Related Sections
B6: Product Responsibility	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2 Information Security; 4.3 Teaching Quality; 4.5 Campus Construction
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As an educational institution, this disclosure is not applicable
	B6.2	Number of products and services related complaints received and how they are dealt with.	4.6 Communication of Opinions
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.4 Brand Protection
	B6.4	Description of quality assurance process and recall procedures.	As an educational institution, this disclosure is not applicable
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2 Information Security
B7: Anti-corruption	General Disclosure	Information on (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	4.1 Clean Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1 Clean Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.1 Clean Operation
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Contribution to The Society
	B8.1	Focus areas of contribution.	6.1 Social Practice during Summer Vacation; 6.2 Helping with the Pandemic Prevention and Control; 6.3 Caring for and Helping the Elderly
	B8.2	Resources contributed to the focus area.	6.1 Social Practice during Summer Vacation; 6.2 Helping with the Pandemic Prevention and Control; 6.3 Caring for and Helping the Elderly

KPMG

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

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Xinhua Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 109 to 160, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Revenue Recognition

Refer to Note 4 to the consolidated financial statements and the accounting policy on pages 125 and 126.

The Key Audit Matter	How the matter was addressed in our audit
Revenue comprises primarily tuition fees and boarding fees. The Group's schools generally receive these fees in advance prior to the beginning of each academic year or semester and initially record these fees as contract liabilities. Tuition fees and boarding fees are recognised proportionately over the reporting period of the applicable program. We identified revenue recognition as a key audit matter because revenue is a key performance indicator of the Group which increases the risk that revenue could be manipulated to meet financial expectations or targets and also because the large volume of transactions processed increases the error in recognising revenue.	Our audit procedures to assess revenue recognition included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the admission of students and collection of tuition fees and boarding fees; • performing recalculation of the amount of contract liabilities and the revenue recognised during the year; • analysing the revenue recognised during the year against the course fees and the number of students enrolled in the courses; • on a sample basis, inspecting the evidence of payment of tuition fees and boarding fees from the students; and • reconciling the enrolled student information of university students at the end of the reporting period to the records on the China Credentials Verification website and performing student count on a sample basis to verify the existence of enrolled students.

KEY AUDIT MATTERS (continued)

Income Tax

Refer to Note 7 to the consolidated financial statements and the accounting policy on page 124.

The Key Audit Matter

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

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

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

How the matter was addressed in our audit

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

- discussing with the Group's PRC legal advisors about the tax position taken by the Group, in particular, whether or not the Group's schools are required to pay income tax by their respective tax authorities during 2020 and whether the Group's schools which enjoy such preferential tax treatment are in compliance with applicable laws and regulations in China;

- inspecting the confirmation issued by local tax authorities, to identify if the Group's schools are default in tax or in violation of PRC tax laws; and

- involving our internal tax specialist to assist us in analysing the eligibility of the preferential tax treatment enjoyed by the Group's schools and assessing the adequacy of income tax provisions.

KEY AUDIT MATTERS (continued)

Impairment Assessment of Intangible Asset with Indefinite Useful Life

Refer to Note 13 to the consolidated financial statements and the accounting policy on pages 121 and 122.

The Key Audit Matter

As at 31 December 2020, the Group recorded an amount of RMB196.0 million for a school operation right for the School of Clinical Medicine of Anhui Medical University ("School of Clinical Medicine") as intangible asset with indefinite useful life. Management performs impairment assessments annually or when indicators of potential impairment are identified. No impairment charge has been recorded during 2020.

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

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

How the matter was addressed in our audit

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

- with the assistance of our internal valuation specialists, evaluating the methodology adopted by management in the preparation of the value in use calculation with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied were within the range adopted by other companies in the same industry;

- assessing the appropriateness of the key assumptions and estimates adopted in the value in use calculation by comparing to the School of Clinical Medicine's future business plans and financial and operational information of other university or school in the Group;

- comparing the actual results for the current year with management's key estimation for the previous year in order to assess the reliability of management's forecasts process;

- obtaining from management sensitivity analyses of the key assumptions and estimates adopted in the value in use calculation and assessing the impact of changes in the key assumptions and estimates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and

- evaluating the reasonableness of the disclosure in respect of impairment assessment of intangible assets in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**478,847**	437,732
Cost of sales		**(167,789)**	(176,511)
Gross profit		**311,058**	261,221
Other income	5	**107,046**	115,436
Selling and distribution costs		**(10,869)**	(7,843)
Administrative expenses		**(66,708)**	(94,212)
Profit from operations		**340,527**	274,602
Finance costs	6(a)	**(13,081)**	(845)
Profit before taxation	6	**327,446**	273,757
Income tax	7	**(2,153)**	(3,084)
Profit for the year		**325,293**	270,673
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**(66,215)**	25,504
Other comprehensive income for the year		**(66,215)**	25,504
Total comprehensive income for the year		**259,078**	296,177
Earnings per share	10		
Basic and diluted (RMB cents)		**20.22**	16.83

The notes on pages 114 to 160 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Note	**2020**	2019
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	**533,591**	467,747
Right-of-use assets	12	**82,764**	85,323
Intangible assets	13	**205,715**	206,658
Other non-current assets	15	**660,000**	660,000
Long-term bank time deposits	19	**268,000**	–
		1,750,070	1,419,728
Current assets			
Trade receivables	16	**2,752**	2,768
Prepayments, deposits and other receivables	17	**906,992**	488,198
Financial assets at FVPL	18	**154,557**	–
Cash and bank balances	19	**736,278**	1,382,996
		1,800,579	1,873,962
Current liabilities			
Loans and borrowings	20	**50,020**	330,000
Contract liabilities	21	**267,987**	239,480
Other payables	22	**141,941**	102,058
Current taxation		**3,972**	3,872
		463,920	675,410
Net current assets		**1,336,659**	1,198,552
Total assets less current liabilities		**3,086,729**	2,618,280

at 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000
Non-current liabilities			
Loans and borrowings	20	**265,960**	–
NET ASSETS		**2,820,769**	2,618,280
CAPITAL AND RESERVES			
Share capital	23	**12,952**	12,952
Reserves		**2,807,817**	2,605,328
TOTAL EQUITY		**2,820,769**	2,618,280

Approved and authorised for issue by the board of directors on 26 March 2021.

Zhen Lu	**Yongkai Wang**
Director	*Director*

The notes on pages 114 to 160 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		Attributable to equity shareholders of the Company						
	Note	**Share capital RMB'000**	**Share premium RMB'000**	**Capital reserves RMB'000**	**Statutory reserves RMB'000**	**Exchange reserves RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2019		12,952	1,025,021	110,900	284,192	90,626	860,843	2,384,534
Changes in equity for 2019:								
Profit for the period		–	–	–	–	–	270,673	270,673
Other comprehensive income		–	–	–	–	25,504	–	25,504
Total comprehensive income		–	–	–	–	25,504	270,673	296,177
Dividends approved in respect of the previous year	23	–	(79,111)	–	–	–	–	(79,111)
Equity settled share-based transactions	23	–	–	16,680	–	–	–	16,680
Appropriation to reserves		–	–	–	63,410	–	(63,410)	–
Balance at 31 December 2019 and 1 January 2020		**12,952**	**945,910**	**127,580**	**347,602**	**116,130**	**1,068,106**	**2,618,280**
Changes in equity for 2020:								
Profit for the period		**–**	**–**	**–**	**–**	**–**	**325,293**	**325,293**
Other comprehensive income		**–**	**–**	**–**	**–**	**(66,215)**	**–**	**(66,215)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(66,215)**	**325,293**	**259,078**
Dividends approved in respect of the previous year	23	**–**	**(81,335)**	**–**	**–**	**–**	**–**	**(81,335)**
Equity settled share-based transactions	23	**–**	**–**	**24,746**	**–**	**–**	**–**	**24,746**
Appropriation to reserves		**–**	**–**	**–**	**75,797**	**–**	**(75,797)**	**–**
Balance at 31 December 2020		**12,952**	**864,575**	**152,326**	**423,399**	**49,915**	**1,317,602**	**2,820,769**

The notes on pages 114 to 160 part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Note	2020		2019	
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Cash generated from operations	19(b)	**405,422**		155,404	
Income tax paid		**(2,053)**		(2,641)	
Net cash generated from operating activities			**403,369**		152,763
Investing activities					
Payment for the purchase of property, plant and equipment		**(96,548)**		(56,468)	
Proceeds from sale of property, plant and equipment		**–**		1,286	
Payment for purchase of intangible assets		**(3,155)**		(5,341)	
Payment for school investments		**(382,930)**		(1,223,286)	
Repayment from investments		**–**		316,000	
Payment for purchase of financial assets measured at fair value through profit or loss		**(154,286)**		–	
Payment for purchase of bank time deposits		**(278,000)**		–	
Proceeds from sale of financial assets measured at fair value through profit or loss		**–**		60,627	
Net cash used in investing activities			**(914,919)**		(907,182)
Financing activities					
Proceeds from bank loans		**336,000**		435,000	
Repayment of bank loans		**(350,020)**		(105,000)	
Borrowing costs paid		**(12,819)**		(649)	
Dividends paid to equity shareholders of the Company		**(80,362)**		(79,099)	
Net cash (used in)/generated from financing activities			**(107,201)**		250,252
Net decrease in cash and cash equivalents			**(618,751)**		(504,167)
Cash and cash equivalents at 1 January			**1,382,996**		1,861,671
Effect of foreign exchange rate changes			**(37,967)**		25,492
Cash and cash equivalents at 31 December	19(a)		**726,278**		1,382,996

The notes on pages 114 to 160 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets measured at fair value through profit or loss (see Note 2(e)) are stated at their fair value.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *Covid 19- Related Rent Concessions*

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

(d) Subsidiaries

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 24(c). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(r)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

(g) Intangible assets (other than goodwill)

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

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

– Computer software	5 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(h) Leased assets

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

(i) As a lessee

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(ii) As a lessor

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

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

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

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

Significant increases in credit risk

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

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

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

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

(j) Contract liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Employee benefits

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

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

(ii) Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities

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

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

(r) Revenue and other income

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

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

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

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

(i) Tuition and boarding fee

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

(ii) Service income

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

(iii) Rental income from operating leases

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

(iv) Interest income

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

(v) Government grants

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

(s) Translation of foreign currencies

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

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

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

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

Structured contracts

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

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

Recognition of income taxes and deferred tax assets

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 13, 23(e) and 24(d) contain information about the assumptions and their risk factors relating to intangible asset impairment, fair value of share options granted and fair value of financial assets. Other significant sources of estimation uncertainty are as follows:

(i) Depreciation

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

(ii) Impairment of non-current assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS15		
Tuition fees	**448,299**	391,917
Boarding fees	**30,548**	45,815
Total	**478,847**	437,732

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

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

(b) Segment Reporting

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

5 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Rental and property management income	**17,903**	31,553
Service income	**25,618**	25,590
Government grants (i)	**8,041**	15,427
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**271**	385
Interest income on financial assets measured at amortised cost	**28,034**	30,238
Gain on operation of the School of Clinical Medicine and Hongshan College (ii)	**25,305**	9,780
Others	**1,874**	2,463
	107,046	115,436

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

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

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

The amount represents the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the year. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 RMB'000	2019 RMB'000
(a) Finance costs		
Interest expense on bank loans	**13,081**	845
(b) Staff costs		
Salaries, wages and other benefits	**128,100**	128,803
Contributions to defined contribution retirement plan (i)	**5,967**	8,273
Share-based payment expenses	**24,746**	16,680
	158,813	153,756

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

	2020 RMB'000	2019 RMB'000
(c) Other items		
Depreciation of property, plant and equipment	**54,515**	54,579
Amortisation of intangible assets	**4,098**	2,894
Depreciation of right-of-use assets	**2,559**	2,557
Auditors' remuneration	**2,150**	1,800
	63,322	61,830

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

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for PRC income tax for the year	**2,153**	3,084

(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 Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, when not requiring reasonable returns, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of this report, no separate policies, regulations or rules have been introduced by the tax authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the year ended 31 December 2020.

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**327,446**	273,757
Tax at the statutory rate	**81,861**	68,439
Tax effect of non-taxable income	**(91,291)**	(66,612)
Tax effect of temporary difference and tax losses not recognized	**11,346**	1,150
Tax effect of non-deductible expenses	**237**	107
Actual income tax expense	**2,153**	3,084

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

(c) Deferred tax assets not recognized

As at 31 December 2020, the Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses with total amount of RMB65,094,000 (2019: RMB19,710,000), as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognized

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

As at 31 December 2020, the Group has not recognized deferred tax liabilities in respect of undistributed earnings generated by its PRC entities, with approximate total amount of RMB1,202,059,000 (2019: RMB989,360,000). In the opinion of the directors, the Group's undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

8 DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments *(Note)* RMB'000	2020 Total RMB'000
Chairman and non-executive Director							
Mr. Wu Junbao	–	–	–	–	–	–	–
Executive directors							
Mr. Zhang Ming	–	483	420	–	903	4,530	5,433
Mr. Lu Zhen	–	369	300	7	676	2,214	2,890
Mr. Wang Yongkai	–	363	144	–	507	2,214	2,721
Independent non-executive directors							
Mr. Jiang Min	150	–	–	–	150	–	150
Mr. Yang Zhanjun	150	–	–	–	150	–	150
Mr. Chau Kwok Keung	150	–	–	–	150	–	150
	450	1,215	864	7	2,536	8,958	11,494

8 DIRECTORS' EMOLUMENTS (continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments *(Note)* RMB'000	2019 Total RMB'000
Chairman and non-executive Director							
Mr. Wu Junbao	–	–	–	–	–	–	–
Executive directors							
Mr. Zhang Ming	–	401	420	–	821	4,141	4,962
Mr. Lu Zhen	–	324	300	9	633	1,153	1,786
Mr. Wang Yongkai	–	320	144	–	464	1,153	1,617
Independent non-executive directors							
Mr. Jiang Min	38	–	–	–	38	–	38
Mr. Yang Zhanjun	150	–	–	–	150	–	150
Mr. Chau Kwok Keung	150	–	–	–	150	–	150
Ms. Zhang Kejun	100	–	–	–	100	–	100
	438	1,045	864	9	2,356	6,447	8,803

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and Note 23(e).

Ms. Zhang Kejun resigned as independent non-executive director of the Company on 30 September 2019.

Mr. Jiang Min was appointed as independent non-executive director of the Company on 30 September 2019.

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group, three of them are directors of the Company (2019: three). The aggregate of the emoluments in respect of the remaining two individuals (2019: two) are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**738**	648
Discretionary bonuses	**600**	600
Share-based payments	**4,428**	2,306
Contributions to retirement benefit schemes	**14**	18
	5,780	3,572

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

	2020	2019
	Number of individuals	Number of individuals
Nil – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	2
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**2**	–

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2020 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2020 of RMB325,293,000 (2019: RMB270,673,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2019: 1,608,583,000 shares).

There were no dilutive potential ordinary shares for the year ended 31 December 2020 and 2019, therefore, diluted earnings per share are equivalent to basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic devices RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2019	608,872	12,045	139,884	71,515	21,207	853,523
Additions	3,161	1,581	8,675	9,363	24,838	47,618
Disposals	–	(35)	(73)	–	(1,262)	(1,370)
Transfers	27,010	–	301	3,934	(31,245)	–
At 31 December 2019	639,043	13,591	148,787	84,812	13,538	899,771
At 1 January 2020	**639,043**	**13,591**	**148,787**	**84,812**	**13,538**	**899,771**
Additions	**3,703**	**261**	**15,182**	**9,060**	**92,153**	**120,359**
Disposals	**–**	**(16)**	**–**	**–**	**–**	**(16)**
Transfers	**22,603**	**–**	**–**	**–**	**(22,603)**	**–**
At 31 December 2020	**665,349**	**13,836**	**163,969**	**93,872**	**83,088**	**1,020,114**
Accumulated depreciation:						
At 1 January 2019	(211,933)	(6,676)	(107,715)	(51,205)	–	(377,529)
Charge for the year	(30,938)	(1,074)	(13,389)	(9,178)	–	(54,579)
Disposal	–	11	73	–	–	84
At 31 December 2019	(242,871)	(7,739)	(121,031)	(60,383)	–	(432,024)
At 1 January 2020	(242,871)	(7,739)	(121,031)	(60,383)	–	(432,024)
Charge for the year	(32,341)	(1,215)	(10,508)	(10,451)	–	(54,515)
Disposal	–	16	–	–	–	16
At 31 December 2020	**(275,212)**	**(8,938)**	**(131,539)**	**(70,834)**	**–**	**(486,523)**
Net book value:						
At 31 December 2019	396,172	5,853	27,756	24,429	13,538	467,747
At 31 December 2020	**390,137**	**4,898**	**32,430**	**23,038**	**83,088**	**533,591**

The Group's buildings are situated in Anhui province, the PRC. Certificates of ownership in respect of certain buildings of the Group with total net carrying amounts of RMB95,019,000 as at 31 December 2020 (2019: RMB101,616,000) have not yet been issued by the relevant PRC authorities. As at the end of the year, the directors were in the process of obtaining these certificates.

12 RIGHT-OF-USE ASSETS

	RMB'000
Cost:	
At 1 January 2019, 31 December 2019 and 2020	127,872
Accumulated depreciation:	
At 1 January 2019	(39,992)
Charge for the year	(2,557)
At 31 December 2019	(42,549)
At 1 January 2020	**(42,549)**
Charge for the year	**(2,559)**
At 31 December 2020	**(45,108)**
Net book value:	
At 31 December 2019	85,323
At 31 December 2020	**82,764**

As at 31 December 2020, the right-of-use assets represent the land use rights in respect of land located in the PRC with lease term of 50 years.

13 INTANGIBLE ASSETS

	Computer software RMB'000	School operation right RMB'000	Total RMB'000
Cost:			
At 1 January 2019	16,296	195,961	212,257
Additions	5,341	–	5,341
At 31 December 2019	21,637	195,961	217,598
At 1 January 2020	**21,637**	**195,961**	**217,598**
Additions	**3,155**	**–**	**3,155**
At 31 December 2020	**24,792**	**195,961**	**220,753**
Accumulated amortisation:			
At 1 January 2019	(8,046)	–	(8,046)
Charge for the year	(2,894)	–	(2,894)
At 31 December 2019	(10,940)	–	(10,940)
At 1 January 2020	**(10,940)**	**–**	**(10,940)**
Charge for the year	**(4,098)**	**–**	**(4,098)**
At 31 December 2020	**(15,038)**	**–**	**(15,038)**
Net book value:			
At 31 December 2020	**9,754**	**195,961**	**205,715**
At 31 December 2019	10,697	195,961	206,658

As at 31 December 2020, intangible assets mainly represent a school operation right for the School of Clinical Medicine acquired from Anhui Medical University in the amount of RMB195,961,300.

The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite, and the Group performs impairment assessment annually or when indicators of potential impairment are identified. The school operation right is allocated to the cash-generating unit ("CGU") of the School of Clinical Medicine, and the recoverable amount of this CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-year period are extrapolated by using an estimated growth rate of 3% (2019: 3%) which is based on the relevant industry growth forecasts. The discount rates applied to the cash flow projections is 17% (2019: 17%). Key assumptions used for value in use calculations are the growth rates for sales, corresponding gross margin rates and working capital changes, based on management's projection and expected market development.

14 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place and date of incorporation/ business	Registered capital/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinhua Education International Limited	British Virgin Islands 31 August 2017	USD500/ USD0.01	100%	–	Investment holding
Hong Kong Xinhua Education Limited	Hong Kong 8 September 2017	HKD1/ HKD1	–	100%	Investment holding
Xinhua Education, Inc.	The United States 22 August 2017	USD0.1/ USD0.01	–	100%	Investment holding
Anhui Ronghua Education Technology Co., Ltd* 安徽融華教育科技有限公司*(Note (a)(c))*	The PRC 30 September 2017	RMB10,000,000/ –	–	100%	Provision of technical and management consultancy services
Xinjiang Ronghua Education Technology Co., Ltd* 新疆融華教育科技有限公司*(Note (a)(c))*	The PRC 17 January 2018	RMB50,000,000/ –	–	100%	Provision of technical and management consultancy services
Anhui Xinhua Group Investment Co., Ltd* 安徽新華集團投資有限公司*(Note (b)(c))*	The PRC 1 September 1999	RMB100,000,000/ RMB100,000,000	–	100%	Investment holding
Anhui Xinhua University* 安徽新華學院*(Note (b))*	The PRC 18 June 2000	RMB60,480,000/ RMB60,480,000	–	100%	Provision of formal undergraduate and junior college education services
Anhui Xinhua School* 安徽新華學校*(Note (b))*	The PRC 11 April 2002	RMB4,950,000/ RMB4,950,000	–	100%	Provision of formal vocational secondary school education services
Anhui Huayuan Education Technology Co., Ltd.* 安徽華園教育科技有限公司*(Note (c))*	The PRC 7 April 2020	RMB10,000,000/ RMB10,000,000	–	100%	Provision of education services and consultancy services

Notes:

(a) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Hong Kong Xinhua Education Limited.

(b) These are PRC operating entities ultimately controlled by the Controlling Shareholder through the Structured Contracts.

(c) These entities are limited liability companies established in the PRC.

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

15 OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for investments	**660,000**	660,000

As at 31 December 2020 and 2019, the prepayment for investments represent the down-payment for acquisition of Hongshan College of RMB660 million.

16 TRADE RECEIVABLES

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

	2020 RMB'000	2019 RMB'000
Within 1 year	**2,752**	2,768

Details on the Group's credit policy are set out in Note 24(a). No allowance for doubtful debts was made as at the end of the year.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments and deposits	**205,638**	207,723
Other receivables	**701,354**	280,475
	906,992	488,198

As at 31 December 2020, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivables mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB326,256,000 and the balance due from Hongshan College with the amount of RMB364,423,000.

18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Unlisted equity investment	**154,557**	–

On 12 March 2020, the Group entered into an investment agreement with an unlisted education group, pursuant to which the Group agreed to make an investment of RMB154 million as consideration to subscribe 5.714% equity interest in the unlisted education group.

As at 31 December 2020, the unlisted equity investment represents the fair value of the Group's investment in the unlisted education group.

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

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

	2020 RMB'000	2019 RMB'000
Long-term bank time deposits	**268,000**	–
Cash and bank balances		
– Bank time deposits	**10,000**	–
– Cash and cash equivalents	**726,278**	1,382,996
	736,278	1,382,996

The interest rate on bank time deposits as at 31 December 2020 was 3.50% to 4.18% per annum.

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

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

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**327,446**	273,757
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**54,515**	54,579
Amortisation of intangible assets	6(c)	**4,098**	2,894
Depreciation of right-of-use assets	6(c)	**2,559**	2,557
Finance costs	6(a)	**13,081**	845
Share-based payment expenses	6(b)	**24,746**	16,680
Net realised and unrealised gain of financial assets measured at fair value through profit or loss	5	**(271)**	(385)
Foreign exchange gain		**(29,223)**	–
Operating profit before changes in working capital		**396,951**	350,927
Increase in trade and other receivables		**(35,849)**	(230,377)
Increase in contract liability		**28,507**	26,670
Increase in other payables		**15,813**	9,694
Decrease in deferred income		**–**	(1,510)
Cash generated from operations		**405,422**	155,404

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

(c) Reconciliation of liabilities arising from financing activities

	Bank loans RMB'000 *(Note 20)*	Interest payable RMB'000 *(Note 22)*	Total RMB'000
Balance at 1 January 2019	–	–	–
Non-cash changes			
– Interest expense on bank loan *(Note 6(a))*	–	845	845
Cash flows			
– Inflow from financing activities	435,000	–	435,000
– Outflow from financing activities	(105,000)	(649)	(105,649)
Balance at 31 December 2019 and 1 January 2020	**330,000**	**196**	**330,196**
Non-cash changes			
– Interest expense on bank loan *(Note 6(a))*	**–**	**13,081**	**13,081**
Cash flows			
– Inflow from financing activities	**336,000**	**–**	**336,000**
– Outflow from financing activities	**(350,020)**	**(12,819)**	**(362,839)**
Balance at 31 December 2020	**315,980**	**458**	**316,438**

20 LOANS AND BORROWINGS

	2020 RMB'000	2019 RMB'000
Unsecured bank loan:		
Within 1 year or on demand	**50,020**	330,000
After 1 year but within 2 years	**50,020**	–
After 2 years but within 5 years	**150,060**	–
After 5 years	**65,880**	–
	265,960	–
	315,980	330,000

As at 31 December 2020, the unsecured bank loans carried interest at annual rates of 4.55% and 4.70% (2019: 4.35% and 4.90%).

21 CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Tuition fees	**240,306**	211,289
Boarding fees	**27,681**	28,191
	267,987	239,480

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**239,480**	212,810
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	**(224,735)**	(212,810)
Decrease in contract liabilities as a result of the boarding fee refund during the year	**(14,745)**	–
Increase in contract liabilities as a result of receipts in advance of performance	**267,987**	239,480
Balance at 31 December	**267,987**	239,480

22 OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Miscellaneous expenses received from students (i)	**27,638**	27,318
Accrued expenses	**6,656**	8,279
Payables to suppliers	**53,936**	19,716
Accrued staff costs	**23,057**	21,949
Interest payable	**458**	196
Others	**30,196**	24,600
	141,941	102,058

(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.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

Company

		Attributable to equity shareholders of the Company				
	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019		12,952	1,025,021	90,626	8,880	1,137,479
Changes in equity for 2019:						
Profit for the year		–	–	–	10,577	10,577
Other comprehensive income		–	–	25,504	–	25,504
Total comprehensive income		–	–	25,504	10,577	36,081
Dividends approved in respect of the previous year	23(b)	–	(79,111)	–	–	(79,111)
Balance at 31 December 2019 and 1 January 2020		**12,952**	**945,910**	**116,130**	**19,457**	**1,094,449**
Changes in equity for 2020:						
Profit for the year		**–**	**–**	**–**	**38,927**	**38,927**
Other comprehensive income		**–**	**–**	**(66,216)**	**–**	**(66,216)**
Total comprehensive income		**–**	**–**	**(66,216)**	**38,927**	**(27,289)**
Dividends approved in respect of the previous year	23(b)	**–**	**(81,335)**	**–**	**–**	**(81,335)**
Balance at 31 December 2020		**12,952**	**864,575**	**49,914**	**58,384**	**985,825**

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2020 RMB'000	2019 RMB'000
Final dividend proposed after the end of the reporting period of HK$7.23 cents per ordinary share (2019: HK$5.53 cents)	**97,587**	81,073

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:

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$5.53 cents per share (2019: HK$5.59 cents)	**81,335**	79,111

(c) Share capital

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

Movements in the authorised share capital of the Company during the period are as follows:

	2020		2019	
	Number of shares (thousand)	Amount HK$'000	Number of shares (thousand)	Amount HK$'000
Ordinary shares, authorised (i):				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid (ii):				
At 1 January and 31 December	**1,608,583**	**16,086**	1,608,583	16,086
RMB equivalent ('000)		**12,952**		12,952

* The balance represents an amount less than 1,000.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) Authorised share capital

The Company was incorporated in the Cayman Islands on 30 August 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each.

Pursuant to the written resolutions of the shareholders passed on 8 March 2018, the authorised number of ordinary shares was increased from 38,000,000 to 2,000,000,000 of par value of HK$0.01 each.

(ii) Issued share capital

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

- The Company was incorporated on 30 August 2017 with issued capital of 5,172 ordinary shares at HK$0.01 each. The issued capital was subsequently credited as fully paid.

- Pursuant to the written resolutions of the shareholders passed on 8 March 2018, the Company capitalized, out of the share premium as at 26 March 2018, HK$11,999,948.28 (equivalent to RMB9,662,000) in paying up in full at par 1,199,994,828 shares for allotment and issue to the shareholders whose names appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis (the "Capitalisation Issue").

- On 26 March 2018, the Company issued 400,000,000 new ordinary shares of HK$0.01 each by way of the offering to Hong Kong and overseas investors (the "Offering"). Consequently, HK$4,000,000 (equivalent to RMB3,221,000) was recorded in share capital. On 18 April 2018, the Company issued 8,583,000 new ordinary shares to cover over-allocations in the Offering. Consequently, HK$85,830 (equivalent to RMB69,000) was recorded in share capital.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

On 26 March 2018 and 18 April 2018, the Company issued 408,583,000 new ordinary shares of HK$0.01 each at a price of HK$3.26 per share by way of the Offering. Net proceeds from the Offering amounted to RMB1,037,973,000 (after offsetting issuance costs of RMB34,399,000), out of which RMB3,290,000 and RMB1,034,683,000 were recorded in share capital and share premium respectively.

(ii) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

- In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

- According to the relevant PRC laws and regulations, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Equity settled share-based transactions

On 30 April 2019, 15,000,000 share options were granted to Mr. Zhang Ming, an executive Director, under the Company's employee share option scheme, with an exercise price of HK$2.69 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On 15 July 2019, 52,900,000 share options to subscribe for the ordinary shares of HK$0.01 each in the share capital of the Company were granted to certain employees, including two executive directors Lu Zhen and Wang Yongkai, with an exercise price of HK$2.82 per share.

(i) The terms and conditions of the grants are as follows:

Options granted to employees on	Number of instruments	Vesting conditions	Contractual life of options
– on 30 April 2019	15,000,000	20% on 30 April 2020 20% on 30 April 2021 20% on 30 April 2022 20% on 30 April 2023 20% on 30 April 2024	5 years after the vesting date
– on 15 July 2019 including:			
Group A	33,000,000	25% on 15 July 2020 25% on 15 July 2021 25% on 15 July 2022 25% on 15 July 2023	5 years after the vesting date
Group B	1,500,000	30% on 15 July 2020 30% on 15 July 2021 40% on 15 July 2022	5 years after the vesting date
Group C	15,200,000	50% on 15 July 2020 50% on 15 July 2021	5 years after the vesting date
Group D	1,200,000	100% on 15 July 2020	5 years after the vesting date
Group E	2,000,000	100% on 15 July 2019	5 years after the vesting date
Total share options granted	67,900,000		

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Equity settled share-based transactions (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2020 Weighted average exercise price HK$	2020 Number of options '000	2019 Weighted average exercise price HK$	2019 Number of options '000
Outstanding at the beginning of the year	**2.79**	**67,900**	–	–
Granted during the year	**–**	**–**	2.79	67,900
Outstanding at the end of the year	**2.79**	**67,900**	2.79	67,900
Exercisable at the end of the year	**2.80**	**22,500**	2.82	2,000

The options outstanding at 31 December 2020 had an exercise price of HK$2.69 or HK$2.82 (2019: HK$2.69 or HK$2.82) and a weighted average remaining contractual life of 5.8 years (2019: 6.8 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

	30 April 2019	15 July 2019
Fair value of share options and assumptions		
Fair value at measurement date (HK$'000)	16,434	53,520
Share price (HK$)	2.66	2.82
Exercise price (HK$)	2.69	2.82
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	47.04%	41.99%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	8.0 years	7.2 years
Expected dividends	2.10%	1.98%
Risk-free interest rate	1.672% – 1.697%	1.418% – 1.566%

The expected volatility is based on the average volatilities in the similar industry. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratio at 31 December 2020 and 2019 was as follows:

	2020	2019
	RMB'000	RMB'000
Total liabilities	**729,880**	675,410
Total assets	**3,550,649**	3,293,690
Debt-to-asset ratios	**21%**	21%

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and financial assets which comprise bank balances and time deposits.

In respect of trade receivables, the balances represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

In respect of bank balances and time deposits, the Group transacts mainly with recognized and creditworthy banks, and the maximum exposure equal to the carrying amount of these financial assets.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Other payables	**141,941**	**–**	**141,941**	**141,941**
Loans and borrowings	**52,371**	**301,936**	**354,307**	**315,980**
	196,082	**301,936**	**498,018**	**459,691**

	At 31 December 2019			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Other payables	102,058	–	102,058	102,058
Loans and borrowings	332,543	–	332,543	330,000
	434,601	–	434,601	432,058

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and bank balance, time deposits, and loans and borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	2020		2019	
	Effective Interest rate %	**Amount RMB'000**	Effective Interest rate %	Amount RMB'000
Fixed rate borrowings	**4.55% and 4.70%**	**315,980**	4.35% and 4.90%	330,000
Fixed rate time deposits	**3.50% to 4.18%**	**278,000**		–

(ii) Sensitivity analysis

The Group's interest-bearing financial instruments at variable rates as at 31 December 2020 are mainly cash and cash equivalent balances, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at 31 December 2020 are bank time deposits and loans and borrowings that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 input i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. For the unlisted equity investment which are categorized into Level 3 of the fair value hierarchy, the team assessed the valuation primarily based on independent valuation reports prepared by qualified external valuers. The team reports directly to the head of finance department. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the head of finance department.

	2020	2019
	RMB'000	RMB'000
Level 3 – unlisted equity investment	**154,557**	–

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

During the year ended 31 December 2020 and 2019, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The movements during the period in the balance of these Level 3 fair value measurements was as follows:

	2020 RMB'000	2019 RMB'000
Bank's wealth management products:		
At beginning of the year	–	60,242
Changes in fair value recognised in profit or loss during the year	–	385
Redemption of investment	–	(60,627)
At ending of the year	–	–
Unlisted equity investment:		
At beginning of the year	–	–
Payment for purchases	**154,286**	–
Changes in fair value recognised in profit or loss during the year	**271**	–
At ending of the year	**154,557**	–

The fair values of bank's wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting period.

The fair value of unlisted equity investment is determined using the price/sales ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2020 and 2019.

25 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 31 December 2020 and 2019 not provided for in the consolidated financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Authorised but not contracted for	**1,036,352**	966,090

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Wu Junbao	Controlling Shareholder
Anhui New East Cuisine Education Institute ("New East Cuisine") 安徽新東方烹飪專修學院	Fellow subsidiary
Xinhua Computer College ("Xinhua Computer") 新華電腦專修學院	Fellow subsidiary
Anhui Wontone Automobile Maintenance Institute ("Anhui Wontone") 安徽萬通汽車專修學院	Fellow subsidiary

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

(a) Significant related party transactions

	2020 RMB'000	2019 RMB'000
Service fee charged by related parties	**1,801**	1,376
Rental fee charged by related parties	**7,360**	7,200

As at 31 December 2020, the Group's interest-bearing bank loan with the amount of RMB315,980,000 (2019: RMB30,000,000) was guaranteed by the controlling shareholder Mr. Wu Junbao.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in Notes 8 and 9.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in terms of service fee and rental fee above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Non-exempt Continuing Connected Transactions of the Report of the Directors.

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investments in subsidiaries		–*	–*
		–*	–*
Current assets			
Amounts due from a subsidiary		508,195	346,579
Prepayments		–	25
Cash and cash equivalents		483,082	748,158
		991,277	1,094,762
Current liabilities			
Other payables		5,452	313
		5,452	313
Net current assets		985,825	1,094,449
Total assets less current liabilities		985,825	1,094,449
NET ASSETS		985,825	1,094,449
CAPITAL AND RESERVES	23(a)		
Share capital		12,952	12,952
Reserves		972,873	1,081,497
TOTAL EQUITY		985,825	1,094,449

* The balance represents an amount less than RMB1,000.

Approved and authorised for issue by the board of directors on 26 March 2021.

Zhen Lu — *Director*

Yongkai Wang — *Director*

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 23(b).

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the immediate parent and ultimate controlling party of the Group to be Wu Junbao Company Limited, which was incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Annual Improvements to IFRS 2018-2020 Cycle	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts and related Amendments*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

Results of operation

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**478,847**	437,732	386,127	337,958	303,262
Gross profit	**311,058**	261,221	230,402	192,477	179,230
Profit before taxation	**327,446**	273,757	257,992	174,041	174,982
Profit for the year	**325,293**	270,673	256,010	171,958	172,548

Assets and liabilities

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,800,579**	1,873,962	1,935,216	541,038	468,150
Current liabilities	**463,920**	675,410	318,767	326,170	268,628
Net current assets	**1,336,659**	1,198,552	1,616,449	214,868	199,522
Total non-current assets	**1,750,070**	1,419,728	768,085	785,560	567,470
Total equity	**2,820,769**	2,618,280	2,384,534	999,925	766,614

Financial ratio

	As at/for the year ended 31 December				
	2020	2019	2018	2017	2016
Net profit margin (%)	**67.9%**	61.8%	66.3%	50.9%	56.9%
Current ratio	**3.9**	2.8	6.1	1.7	1.7
Return on equity	**12.0%**	10.8%	15.1%	19.5%	25.4%
Return on assets	**10.5%**	9.0%	12.7%	14.6%	17.4%

DEFINITION

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company
"American College"	Xinhua American College, a private higher education institution established by our Group in the State of Florida, US and obtained the provisional license dated 27 December 2017 to offer post secondary programs
"Anhui Education Department"	Department of Education of Anhui Province* (安徽省教育廳)
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 8 March 2018 and effective upon the Listing Date, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Xinhua Anhui, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 31 October 2017
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China excluding for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan
"CIE"	Commission for Independent Education, which is established in the Florida Department of Education
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company"	China Xinhua Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 30 August 2017, whose shares are listed on the main board of the Stock Exchange (Stock Code: 2779)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely WJB Company and Mr. Wu Junbao
"Deed of Non-competition"	a deed of non-competition dated 8 March 2018 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
"Director(s)"	the director(s) of the Company
"Directors' Powers of Attorney"	the school sponsor appointed director's power of attorney executed by each of the directors appointed by the School Sponsor of each PRC Operating School dated 31 October 2017
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Anhui dated 31 October 2017
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Xinhua Anhui, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated 31 October 2017
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Xinhua Anhui and our PRC Consolidated Affiliated Entities dated 31 October 2017
"Foreign Investment Catalog"	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會*) on 28 July 2017 and became effective from 28 July 2017, which is amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", "our" or "us"	the Company, its subsidiaries and consolidated affiliated entities
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hongshan College"	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics

"Huayuan Partnership"	Hefei Huayuan Equity Investment Limited Partnership* (合肥華園股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 11 August 2017 with Mr. Wu Junbao acting as its general partner and 31 individuals acting as its limited partners, including Mr. Wu Junbao, Ms. Zhou Jiaju (spouse of Mr. Wu Junbao), Mr. Wu Shan (son of Mr. Wu Junbao), our two executive Directors (namely, Mr. Lu Zhen and Mr. Wang Yongkai), Ms. Wang Li (who resigned as our executive Director on 31 October 2018) and 26 other employees of our Group. Huayuan Partnership is one of the Registered Shareholders and holds 3.33% equity interest of Xinhua Group
"IFRSs"	the International Financial Reporting Standard(s)
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Listing"	the listing of the shares on the Main Board of the Stock Exchange on 26 March 2018
"Listing Date"	26 March 2018, the date on which the Company's Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loan Agreement"	a loan agreement entered into by and among Xinhua Anhui, the PRC Operating Schools, and Xinhua Group dated 31 October 2017
"Main Board"	the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanjing University of Finance & Economics"	Nanjing University of Finance and Economics* (南京財經大學)

"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, as amended, supplemented or otherwise modified from time to time
"PRC Consolidated Affiliated Entities"	namely, our School Sponsor and our PRC Operating Schools, each a consolidated affiliated entity of our Company
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors" or "PRC Legal Advisers"	Jingtian & Gongcheng, our legal advisors as to PRC Laws
"PRC Operating Schools"	our consolidated affiliated entities, namely, Xinhua University, School of Clinical Medicine, Hongshan College and Xinhua School
"private schools"	schools which are not administered by local, provincial or national governments
"Prospectus"	the prospectus of the Company dated 14 March 2018
"Registered Shareholders"	the shareholders of Xinhua Group, namely Mr. Wu Junbao, Mr. Wu Di and Huayuan Partnership
"Reporting Period"	the year ended 31 December 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"School of Clinical Medicine"	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 as further described in "Business – Planned Additional Schools – School of Clinical Medicine" in the Prospectus
"School Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Xinhua Group, the PRC Operating Schools, the directors of each PRC Operating School and Xinhua Anhui dated 31 October 2017
"School Sponsor's Power of Attorney"	the school sponsor's power of attorney executed by the School Sponsor in favor of Xinhua Anhui dated 31 October 2017
"school year"	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 8 March 2018
"Shareholders"	holder(s) of the Share(s)
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsor and Xinhua Anhui dated 31 October 2017
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013
"Spouse Undertakings"	collectively, the spouse undertakings dated 31 October 2017 executed by Ms. Zhou Jiaju, the spouse of Mr. Wu Junbao, and by Ms. Wu Songping, the spouse of Mr. Wu Di, respectively
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, Structured Contracts I and Structured Contracts II
"Structured Contracts I"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in the section headed "Structured Contracts" in the Prospectus
"Structured Contracts II"	collectively, the structured contracts dated 6 February 2018 entered into by Xinhua Xinjiang with, among others, our PRC Consolidated Affiliated Entities, the terms and conditions of which are the same as the Structured Contracts I in all material aspects
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include the PRC Operating Schools and the School Sponsor in the Prospectus
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Xinhua Anhui"	Anhui Ronghua Education Technology Co., Ltd.* (安徽融華教育科技有限公司), a limited liability company established under the laws of the PRC on 30 September 2017, which is wholly owned by Xinhua HK
"Xinhua BVI"	Xinhua Education International Limited (新華教育國際有限公司), a limited liability company incorporated under the laws of the BVI on 31 August 2017 and a wholly-owned subsidiary of our Company
"Xinhua Education Group"	Anhui Xinhua Education Group Co., Ltd.* (安徽新華教育集團有限公司, formerly known as Anhui Xinhua Education Development Co., Ltd.* (安徽新華教育發展有限公司)), a limited liability company established under the laws of the PRC on 30 March 2004, which is owned as to 38.4% by Mr. Wu Junbao, 51.6% by relatives of Mr. Wu Junbao and 10% by two companies held by Mr. Wu Junbao and his relatives
"Xinhua Group" or "School Sponsor"	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司) (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of our Company
"Xinhua HK"	Hong Kong Xinhua Education Limited (香港新華教育有限公司), a limited liability company incorporated in Hong Kong on 8 September 2017 and a wholly owned subsidiary of our Company
"Xinhua School"	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on 11 April 2002, of which the school sponsor's interest is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
"Xinhua University"	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College* (安徽新華職業學院) which obtained approval from The People's Government of Anhui Province (安徽省人民政府) for its establishment on 18 June 2000. The school sponsor's interest of Xinhua University is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
"Xinhua US"	Xinhua Education, Inc., a company incorporated in the State of Florida of the United States, with limited liability on 22 August 2017 and a wholly-owned subsidiary of our Company

"Xinhua WFOE"	Xinhua Anhui or Xinhua Xinjiang (as the case maybe), and collectively, "Xinhua WFOEs"
"Xinhua Xinjiang"	Xinjiang Ronghua Education Technology Co., Ltd.* (新疆融華教育科技有限公司), a limited liability company established under the laws of the PRC on 17 January 2018, which is wholly owned by Xinhua HK
"Xinjiang"	Xinjiang Uygur Autonomous Region, a provincial-level autonomous region of the PRC
"Yangtze River Delta"	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
"%"	percent
"2016 Decision"	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) approved by the Standing Committee of the National People's Congress in November 2016, which took effect on 1 September 2017

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

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