China Xinhua Education Group Limited
中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of China Xinhua Education Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018.

In this announcement, "**we**", "**us**", "**our**" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Percentage**
	2019	2018	**Change**
	RMB'000	*RMB'000*	
Total income[(1)]	**553,168**	477,885	15.8%
Revenue	**437,732**	386,127	13.4%
Gross profit	**261,221**	230,402	13.4%
Profit for the year	**270,673**	256,010	5.7%
Adjusted net profit[(2)]	**296,002**	258,737	14.4%

	As of 31 December 2019	As of 31 December 2018	**Percentage change**
Student enrollment	**45,244**	34,756	30.2%

As at 31 December 2019, the Group recorded cash and cash equivalents of approximately RMB1.4 billion.

Notes:

(1) Total income of the Group consists of revenue and other income.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*3*	**437,732**	386,127
Cost of sales		**(176,511)**	(155,725)
Gross profit		**261,221**	230,402
Other income	*4*	**115,436**	91,758
Selling and distribution costs		**(7,843)**	(6,196)
Administrative expenses		**(94,212)**	(57,887)
Profit from operations		**274,602**	258,077
Finance costs	*5(a)*	**(845)**	(85)
Profit before taxation	*5*	**273,757**	257,992
Income tax	*6*	**(3,084)**	(1,982)
Profit for the year		**270,673**	256,010
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		**25,504**	90,626
Other comprehensive income for the year		**25,504**	90,626
Total comprehensive income for the year		**296,177**	346,636
Earnings per share	*7*		
Basic and diluted (RMB cents)		**16.83**	16.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	**2019** *RMB'000*	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**467,747**	475,994
Lease prepayments		**–**	87,880
Right-of-use assets	*8*	**85,323**	–
Intangible assets	*9*	**206,658**	204,211
Other non-current assets	*10*	**660,000**	–
		1,419,728	768,085
Current assets			
Trade receivables	*11*	**2,768**	261
Prepayments, deposits and other receivables	*12*	**488,198**	13,042
Financial assets measured at fair value through profit or loss		**–**	60,242
Cash and cash equivalents		**1,382,996**	1,861,671
		1,873,962	1,935,216
Current liabilities			
Loans and borrowings	*13*	**330,000**	–
Contract liabilities	*14*	**239,480**	212,810
Other payables	*15*	**102,058**	101,018
Deferred income		**–**	1,510
Current taxation		**3,872**	3,429
		675,410	318,767
Net current assets		**1,198,552**	1,616,449
Total assets less current liabilities		**2,618,280**	2,384,534
Net assets		**2,618,280**	2,384,534
Capital and reserves			
Share capital		**12,952**	12,952
Reserves		**2,605,328**	2,371,582
Total equity		**2,618,280**	2,384,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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 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**").

Pursuant to a group reorganisation completed on 31 October 2017 (the "**Reorganisation**") to rationalise the Group's structure in preparation for the public offering (the "**Offering**") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 26 March 2018 (the "**Listing Date**").

Prior to 31 October 2017, the Group's higher and secondary vocational education business was conducted through Anhui Xinhua University ("**Xinhua University**"), Anhui Xinhua School ("**Xinhua School**") and Anhui Xinhua Group Investment Co., Ltd ("**Xinhua Group**") (collectively, the "**PRC Operating Entities**"), which were ultimately owned and controlled by the same equity holder (hereinafter referred to as the "**Controlling Shareholder**") through direct or indirect equity holdings in the PRC Operating Entities. As part of the Reorganisation, the Group obtained control of the PRC Operating Entities and continued to obtain the economic benefits from the education business by executing certain structured contracts. On 31 October 2017, Anhui Ronghua Education Technology Co., Ltd ("**Xinhua Anhui**"), an indirect wholly-owned subsidiary of the Company, entered into certain contracts (the "**Structured Contracts I**") with the PRC Operating Entities and their respective equity holders. On 6 February 2018, Xinjiang Ronghua Education Technology Co., Ltd. ("**Xinhua Xinjiang**"), an indirect wholly-owned subsidiary of the Company, entered into another series of certain contracts (the "**Structured Contracts II**") with the PRC Operating Entities and their respective equity holders. The terms and conditions of Structured Contracts II 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 Operating Entities are transferred to Xinhua Xinjiang. The structured contracts, taken as a whole, enable Xinhua Anhui and Xinhua Xinjiang to have effective control over the operating and financial policies of the PRC Operating Entities. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the structured contracts effectively provide Xinhua Anhui and Xinhua Xinjiang the power to govern and control the PRC Operating Entities so as to obtain benefits from their business activities. Accordingly, the PRC Operating Entities are included in the Group's consolidated financial statements as controlled subsidiaries.

All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder both before and after the Reorganisation. Since there was a continuation of the risks and benefits of the Controlling Shareholder, the Reorganisation is considered to be a combination of entities under common control. These financial statements have been prepared using the merger basis of accounting as if the current group structure had always been in existence at the beginning of the earliest year presented.

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.

The IASB has issued certain new and revised 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 2019 comprise the Company and its subsidiaries.

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

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

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

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the 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.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and recognised the cumulative effect of initial application if any as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

The Group has performed an assessment on the impact of the adoption of IFRS 16 and concluded that no adjustment to the opening balance of equity at 1 January 2019 was recognised. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position. To reflect the changes in presentation, the Group had made the following adjustment at 1 January 2019, as a result of the adoption of IFRS 16:

– Lease prepayments amounting to RMB87,880,000 as at 1 January 2019, which represents land use rights in respect of land located in the PRC with lease term of 50 years is now measured under right-of-use assets.

c. *Lessor accounting*

The Group leases out premises to the independent third parties in connection with the operation of canteens and stores on the Group's campuses. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**391,917**	341,535
Boarding fees	**45,815**	44,592
Total	**437,732**	386,127

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

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

(b) Segment Reporting

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

4 OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Rental and property management income	**31,553**	25,436
Service income	**25,590**	25,957
Government grants (i)	**15,427**	7,262
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**385**	16,470
Interest income on financial assets measured at amortised cost	**30,238**	17,300
Gain/(loss) on operation of the School of Clinical Medicine and Hongshan College (ii)	**9,780**	(2,695)
Others	**2,463**	2,028
	115,436	91,758

(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 & 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 agreement, 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.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019 *RMB'000*	2018 *RMB'000*
(a) Finance costs		
Interest expense on bank loans	**845**	85
(b) Staff costs		
Salaries, wages and other benefits	**128,803**	102,061
Contributions to defined contribution retirement plan (i)	**8,273**	8,622
Share-based payment expenses	**16,680**	–
	153,756	110,683

(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.

	2019 *RMB'000*	2018 *RMB'000*
(c) Other items		
Depreciation of property, plant and equipment	**54,579**	51,386
Amortisation of intangible assets	**2,894**	1,760
Depreciation of right-of-use assets	**2,557**	–
Amortisation of lease prepayments	**–**	2,557
Auditors' remuneration	**1,800**	2,505
	61,830	58,208

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

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**3,084**	1,982

(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, whether requiring reasonable returns or not, 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 announcement, 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 and had enjoyed the preferential corporate income tax exemption treatment since their establishment. 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 2019.

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**273,757**	257,992
Tax at the statutory rate	**68,439**	64,498
Tax effect of non-taxable income	**(66,612)**	(61,016)
Utilization of temporary difference and tax losses not recognized	**–**	(1,524)
Tax effect of temporary difference and tax losses not recognized	**1,150**	–
Tax effect of non-deductible expenses	**107**	24
Actual income tax expense	**3,084**	1,982

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2019 of RMB270,673,000 (2018: RMB256,010,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue during the year (2018: 1,512,893,000 shares after taking into account the capitalization issue), calculated as follows:

	2019	2018
	(thousand)	*(thousand)*
Issued ordinary shares at 1 January	**1,608,583**	5
Effect of capitalization issue	**–**	1,199,995
Effect of issues of ordinary shares by initial public offering	**–**	312,893
Weighted average number of ordinary shares at 31 December	**1,608,583**	1,512,893

The share options granted on 30 April 2019 and 15 July 2019 do not give rise to any dilution effect on the Company's earnings per share and there were no dilutive potential ordinary shares throughout the year ended 31 December 2019, and therefore, the basic and diluted earnings per share are the same.

There were no dilutive potential ordinary shares for the year ended 31 December 2018 and, therefore, diluted earnings per share are equivalent to basic earnings per share.

8 RIGHT-OF-USE ASSETS

	2019
	RMB'000
Cost:	
At 1 January	**127,872**
Additions	**–**
At 31 December	**127,872**
Accumulated depreciation:	
At 1 January	**(39,992)**
Charge for the year	**(2,557)**
At 31 December	**(42,549)**
Net book value:	
At 31 December	**85,323**

Lease prepayments amounting to RMB87,880,000 as at 1 January 2019 is now measured under right-of-use assets (see Note 2(c)), and they represent the land use rights in respect of land located in the PRC with lease term of 50 years.

9 INTANGIBLE ASSETS

	Computer software *RMB'000*	School operation right *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2018	11,587	–	11,587
Additions	4,709	195,961	200,670
At 31 December 2018	16,296	195,961	212,257
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**
Accumulated amortisation:			
At 1 January 2018	(6,286)	–	(6,286)
Charge for the year	(1,760)	–	(1,760)
At 31 December 2018	(8,046)	–	(8,046)
At 1 January 2019	**(8,046)**	**–**	**(8,046)**
Charge for the year	**(2,894)**	**–**	**(2,894)**
At 31 December 2019	**(10,940)**	**–**	**(10,940)**
Net book value:			
At 31 December 2019	**10,697**	**195,961**	**206,658**
At 31 December 2018	8,250	195,961	204,211

As at 31 December 2019, 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 lives 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% (2018: 3%) which is based on the relevant industry growth forecasts. The discount rates applied to the cash flow projections is 17% (2018: 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.

10 OTHER NON-CURRENT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Prepayment for investments	**660,000**	–

As at 31 December 2019, the prepayment for investments represent the advance payment for acquisition of Hongshan College.

11 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**2,768**	261

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's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester, which normally commences in September or February. 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. No allowance for doubtful debts was made as at the end of the year.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Prepayments and deposits	**207,723**	5,289
Other receivables	**280,475**	7,753
	488,198	13,042

As at 31 December 2019, prepayment and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivable mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB222,374,000.

13 LOANS AND BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Unsecured bank loan	**330,000**	–

As at 31 December 2019, the unsecured bank loans carried interest at annual rates of 4.35% and 4.90%.

14 CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Tuition fees	**211,289**	183,839
Boarding fees	**28,191**	28,971
	239,480	212,810

Movements in contract liabilities

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**212,810**	191,773
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	**(212,810)**	(191,773)
Increase in contract liabilities as a result of receipts in advance of performance	**239,480**	212,810
Balance at 31 December	**239,480**	212,810

15 OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Miscellaneous expenses received from students (i)	**27,318**	27,467
Accrued expenses	**8,279**	7,203
Payables to suppliers	**19,716**	28,599
Accrued staff costs	**21,949**	16,542
Interest payable	**196**	–
Others	**24,600**	21,207
	102,058	101,018

(i) the amount represent 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.

16 DIVIDENDS

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

	2019	2018
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HKD5.53 cents per ordinary share (2018: HKD5.59 cents)	**81,073**	76,729

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:

	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD5.59 cents per share (2018: nil)	**79,111**	–

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 of 31 December 2019, the student enrollment of the Group was 45,244, representing an increase of 30.2% as compared with 31 December 2018.

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 actively adjust our major offerings, continuously optimize our teaching conditions by improving our tangible and intangible infrastructure, optimize the educational environment, and strengthen strategic cooperation with various private enterprises and public institutions, in order to help our students acquire useful skills and seek good employment opportunities. As a whole, our graduate employment rate is higher than the average graduate employment rate in the regions where we operate. The high employment quality will further consolidate our reputation, improve our image in the industry, and enable our schools to attract more talented students. With professional and high-quality education, the Group has continuously made outstanding contributions for students and their families, employers and economic and social development.

BUSINESS REVIEW

Our Schools

As of 31 December 2019, the Group invested and operated four education institutions, namely (i) Anhui Xinhua University* (安徽新華學院) ("**Xinhua University**"), a private university for formal education; (ii) Anhui Xinhua School* (安徽新華學校) ("**Xinhua School**"), a private secondary vocational school; (iii) School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院) ("**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 of Nanjing University of Finance and Economics* (南京財經大學紅山學院) ("**Hongshan College**"), a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學) ("**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. As of 31 December 2019, 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 its students. As at 31 December 2019, approximately 28,856 students enrolled in Xinhua University. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta, as measured by the student enrollment.

Xinhua School

As a secondary vocational school, Xinhua School provides general secondary vocational program, 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 of 31 December 2019, Xinhua School offered 16 majors, with 5,583 full-time students. During the 2019/2020 school year, 2,244 new students were enrolled, representing a year-on-year increase of 9.6%. The number of newly enrolled students reached a new high, and the CAGR of which was 25.7% over the last two years. The enrollment for the five-year program, the top-up degree program and the key programs for which cooperation with well-known enterprises was carried out accounted for over 82% of total enrollment.

School of Clinical Medicine

Pursuant to the agreement with Anhui Medical University, we are entitled to the tuition fees relating to those students admitted in School of Clinical Medicine in the 2018-2019 school year and thereafter and are responsible for the operations of the new campus. Since students have had a strong will to apply for admission to the school over two years of running, its lowest admission mark for science was the highest among schools of the same type in Anhui Province, and its yield hit a new high for two consecutive years and was the highest among schools of the same type in Anhui Province. In order to meet the demand of medical students at junior colleges for a top-up degree program, with the approval of the Anhui Education Department, the School of Clinical Medicine newly acquired the qualification to enroll students for top-up degree programs, with its application rate, enrollment rate and yield being the highest among schools of the same type. Its conversion has been included in the "13th Five-Year" plan of the Anhui Education Department and reported to the Ministry of Education.

In order to meet the increasing demand of students and speed up the conversion, the School of Clinical Medicine has entered into an agreement with Hefei Natural Resources and Planning Bureau*（合肥市自然資源和規劃局）to purchase 227.29 mu of land for the new campus, which is located in the core area of Hefei Binhu Science City, with obvious regional advantages. This allows the effective utilization of rich and excellent scientific, educational and medical resources in Hefei, and creates an outstanding synergy with Hefei and colleges and universities of the Group in Hefei. Construction of the new campus has begun, and phase I project for the new campus is expected to be put into operation before 1 September 2021.

Acquisitions during the Reporting Period

Hongshan College

On 29 April 2019, Anhui Xinhua Group Investment Co., Ltd* (安徽新華集團投資有限公司) ("**Xinhua Group**") entered into an agreement with Nanjing University of Finance and Economics and the Nanjing University of Finance and Economics Education Development Foundation* (南京財經大學教育發展基金會), pursuant to which Xinhua Group has officially become the new school sponsor of Hongshan College and cooperates with Nanjing University of Finance and Economics to jointly operate 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. On 6 July 2019, Hongshan College entered into an agreement with the People's Government of Gaochun District, Nanjing City to acquire approximately 950 mu of land for the construction of the new campus, so as to support Hongshan College in completing the conversion as soon as possible in the future. As of 31 December 2019, the overall design plan of the new campus of Hongshan College and the survey and other work related to the construction project were completed and the construction work is expected to begin no later than 30 June 2020.

Kunming Medical University Haiyuan College and Kunming Health School

On 12 July 2019 and 22 November 2019, Xinhua Group entered into agreements to acquire 60% of school sponsor's interest in Kunming Medical University Haiyuan College and Kunming Health School at a total consideration of RMB918 million, details of the progress have been set out in the Company's announcements dated 15 July 2019 and 22 November 2019.

Student Enrollment

	As at 31 December 2019	As at 31 December 2018
Xinhua University		
Full-time student enrollment	**23,442**	22,881
Continuing education	**5,414**	6,030
Subtotal	**28,856**	28,911
Xinhua School		
Full-time student enrollment	**5,583**	5,270
School of Clinical Medicine		
Full-time student enrollment	**1,751**	575
Hongshan College[1]		
Full-time student enrollment	**9,054**	–
Total	**45,244**	34,756

(1) Hongshan College is a newly acquired school in 2019

Tuition and boarding fees

	Tuition fees *(RMB)*		Boarding fees *(RMB)*	
	2019/2020 school year	2018/2019 school year	**2019/2020 school year**	2018/2019 school year
Xinhua University				
Four-year undergraduate program	**19,800-23,800**	16,500-25,000	**1,500-2,000**	1,500-2,000
Three-year junior college program	**10,700-12,000**	10,700-21,000	**1,500-2,000**	1,500-2,000
Continuing education program	**2,400-11,900**	2,400-9,900	**1,500-2,000**	1,500-2,000
Xinhua School				
General secondary vocational program	**9,000-11,400**	5,200-10,400	**1,500**	1,500
Undergraduate-oriented secondary vocational program	**11,400**	10,400	**1,500**	1,500
Five-year secondary vocational program	**11,400**	10,400	**1,500**	1,500
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[(1)]				
Four-year undergraduate program	**14,000**	N/A	**800-1,500**	N/A

(1) Hongshan College is a newly acquired school in 2019

HONORS

The Group is committed to improving the quality of running schools and encourages students to take part in various kinds of competitions. It has obtained many outstanding achievements, with a total of more than 1,000 provincial and national awards and honors.

Some honors include: Xinhua University won the title of 2019 Private Colleges and Universities with Comprehensive Strength; the ice hockey team of Xinhua University won the Professional Team Championship of Chinese University Hockey League; Xinhua School was recognized as one of the first model schools for school-enterprise cooperation in Hefei; and won the title of Hefei Safe Campus, etc.

BUSINESS AND OPERATION UPDATES

1. **Breakthrough in outward mergers and acquisitions.** The Group adheres to the merger and acquisition strategy of sustainable development, and has completed mergers and acquisitions, in a high-quality manner and at a high standard. During the Reporting Period, the Group acquired Hongshan College, formally becoming the new school sponsor of Hongshan College. The Group and Nanjing University of Finance and Economics jointly operated Hongshan College.

2. **Continuous increase in the number of new enrollment and enrolled students.** The number of full-time students enrolled of the Group during the 2019/2020 school year was 12,493, representing an increase of 41.1% as compared with 2018. Without considering the effect of new acquisition of Hongshan College in 2019, the number of full-time students newly enrolled by the original schools of the Group was 10,202, representing an increase of 15.3% as compared with 2018. As of 31 December 2019, the total student enrollment of the Group reached 45,244, representing an increase of 30.2% as compared with 2018.

3. **Continuous enrichment and refinement of major construction.** In consideration of market demands and enterprise needs, the Group actively develops majors which are urgently needed in industrial development, and continuously optimizes the major structure and subject setting. As of 31 December 2019, the Group offered a total of 14 additional undergraduate and junior college majors. Xinhua University was approved to offer three undergraduate majors, namely pre-school education, big data management and application, and robot engineering; and six junior college majors, including electronic competitive sports and management, and flight attendant. Xinhua School was approved to offer major in unmanned aerial vehicle application, and offered Sino-ROK e-commerce course and the international class on computer application for the first time. The School of Clinical Medicine offered two additional undergraduate majors, namely medical imaging technology and rehabilitation.

4. **Outstanding achievements in connotation construction and continuous improvement in school-running quality.** In November 2019, Xinhua University was approved to become an "Organization with the Master's Degree Conferring Qualification Pending Approval". During the three-year construction period, Xinhua University can jointly train postgraduates with relevant universities. Xinhua University can independently recruit graduate students if it passes the acceptance when the construction period expires. Xinhua University is upgrading from the undergraduate level to the postgraduate level, and gradually offer relevant courses and commence enrollment. The upgrade will help further increase its social influence, and develop more education service types. The Group actively promotes school-local government cooperation and school-enterprise cooperation projects and actively develops a long-term government-school-enterprise cooperation mechanism. Xinhua University signed a strategic school-local-government cooperation agreement with the Management Committee of Hefei National High-tech Industrial Development Zone* (合肥市國家級高新區管委會), and cooperated with YONYOU SEENTAO* (用友新道科技公司) in establishing the "YONYOU SEENTAO Cloud Finance Industry College* (用友新道雲財務產業學院)", which offered "Financial Management (YONYOU SEENTAO Excellence Curriculum)* (財務管理(用友新道卓越班))", a major under school-enterprise cooperation, for the first time. The School of Clinical Medicine successfully signed contracts with two affiliated hospitals.

5. **Excellent results in subject competitions.** Promoting the teaching reform through competition is an effective measure to improve the comprehensive competitiveness of students. As of 31 December 2019, teachers and students of the Group won a total of over 1,000 awards in various competitions, thus continuously improving the brand influence of the Group.

6. **The Company has been included in the MSCI Index.** The Company has been included in the MSCI China All Shares Small Cap Index, one of the benchmark indexes commonly used as stock selection criteria for investment among global investors, since the close of market on 26 November 2019.

7. **Entering into strategic cooperation agreement with the Industrial and Commercial Bank of China Hefei Branch ("ICBC").** ICBC agreed to provide intentional credit support of not less than RMB 5 billion cumulatively in the next five years under the premise of in compliance with relevant regulations and the internal credit approval system.

FUTURE PROSPECTS

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 noted that there have been positive changes in the management philosophy of the competent education authorities at all levels in respect of private colleges and universities since the implementation of the revised Law for Promoting Private Education published in 2018, such as the implementation of a filing system for tuition fee adjustment and the encouragement for the conversion of independent colleges. 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 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 1 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. Recently, 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.

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.

1 Seizing opportunities arising from policies to comprehensively expand the school network and the size of schools of the Group

The data in the Statistical Bulletin on National Education Development 2018 show that, at present, there are 750 private higher colleges and universities across China, including 265 independent colleges, and thus there is huge room for integration. The state has promoted the conversion of independent colleges. Based on the principle of "conversion 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 its rich experience in running schools, abundant capital reserves and excellent brand reputation, Xinhua Group 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.

2 Strengthening the connotation construction, and striving to enhance the brand effect and profitability of the Group

The Group will continue to make efforts to build a leading applied and highly educated personnel training system and major offerings in China, and continuously optimize the major structure and subject setting to encourage students to actively participate in various professional training and practical activities during their study. Under national policies advocating the integration of production and education, promoting the enrollment expansion for higher education and the construction of application-oriented undergraduate colleges and otherwise, we will continuously strengthen major setting, campus construction and school-enterprise cooperation, so as to provide students with the best learning environment and high-quality professional courses, thus enabling students to obtain better job opportunities after graduation. Meanwhile, the improvement in the teaching and employment quality will help our colleges and universities attract more excellent candidates, and continuously improve the enrollment number and the average tuition fee level of our colleges and universities.

3 Extending medical majors and comprehensively integrating resources of high-quality colleges and universities

Data of the National Bureau of Statistics show that in 2018, the number of registered physicians per one thousand population in China was only 2.59 persons, which was much less than that in developed countries in Europe and America. With the changes in China's population structure and the trend of population aging and people's increasing attention to health and quality of life, we believe that the social demand for medical treatment and health services will continuously increase in the future. We have also noticed that with the outbreak of "novel coronavirus pneumonia" in the world, countries are bound to increase their investment in public facilities including education, health and culture. China is continuously strengthening the talent training in public health and medical treatment as well as basic scientific research. The remuneration for medical talents will also be greatly improved in the future. There will be unprecedented opportunities for the coordinated development of medical talent training and medical education. Our investment in the School of Clinical Medicine and the selection of medical education strategies highly conform to this trend and demand.

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by 13.4% from RMB386.1 million for the year ended 31 December 2018 to RMB437.7 million for the year ended 31 December 2019. This increase was primarily due to the increase in tuition fees from RMB341.5 million for the year ended 31 December 2018 to RMB391.9 million for the year ended 31 December 2019, representing a year-on-year increase of 14.8%. This is primarily attributed to the increase in the Group's student enrollment and average tuition fees.

Other Income

Other income primarily consists of rental and property management income, service income and interest income.

Other income increased by 25.7% from RMB91.8 million for the year ended 31 December 2018 to RMB115.4 million for the year ended 31 December 2019, primarily due to (1) an increase in rental and property management income provided to other independent third parties as a result of the continuous increase in the utilization of our campus, and (2) an increase in the income from operation of Hongshan College.

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 increased by 13.4% from RMB155.7 million for the year ended 31 December 2018 to RMB176.5 million for the year ended 31 December 2019, mainly due to the increase in salaries and benefits paid to our staff as a result of the introduction of high-level talents by the Group to improve the quality of school running.

Gross Profit

Our gross profit increased by 13.4% from RMB230.4 million for the year ended 31 December 2018 to RMB261.2 million for the year ended 31 December 2019, which was in line with the growth of our revenue.

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 25.8% from RMB6.2 million for the year ended 31 December 2018 to RMB7.8 million for the year ended 31 December 2019, primarily due to an increase in necessary promotion expenses.

Administrative Expenses

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

Administrative expenses increased by 62.7% from RMB57.9 million for the year ended 31 December 2018 to RMB94.2 million for the year ended 31 December 2019, mainly due to (1) an increase in salaries as a result of the employment of high-level talents and (2) an increase in relevant expenses as a result of acquisition activities of the Group.

Finance Costs

Finance costs primarily consist of interest expenses on bank loans.

The finance costs incurred for the year ended 31 December 2019 amounted to approximately RMB0.8 million (31 December 2018: RMB0.1 million), mainly due to the increase in the interest expenses on bank loans.

Profit before Taxation

The Group's profit before income tax recognized for the year ended 31 December 2019 was RMB273.8 million, as compared with RMB258.0 million for the year ended 31 December 2018, representing a year-on-year increase of 6.1% which is a combined result of increase in revenue and other income and increase in administrative expenses.

Income Tax

The Group's income tax increased by 55.0% from RMB2.0 million for the year ended 31 December 2018 to RMB3.1 million for the year ended 31 December 2019, which is in line with the growth 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 RMB270.7 million for the year ended 31 December 2019, representing an increase of 5.7% as compared with RMB256.0 million for the year ended 31 December 2018.

Adjusted Net Profit

Adjusted net profit was derived from the profit for the year after adjusting the foreign exchange gain or loss and the share-based payment expenses, which are not indicative of the Group's operating performances (as presented in the table below). This is not an IFRSs measure. The Group has presented this item because the Group considers it is an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the years presented below:

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**270,673**	256,010
Add:		
Foreign exchange loss	**8,649**	2,727
Share-based payment expenses	**16,680**	–
	296,002	258,737

Working Capital and Source of Capital

During the year ended 31 December 2019, the Group had cash and cash equivalents of RMB1,383.0 million (31 December 2018: RMB1,861.7 million), the fund of the Group was mainly arising from net cash inflow generated from operating activities and bank loans.

Net Current Assets

As at 31 December 2019, the Group recorded net current assets of RMB1,198.6 million (31 December 2018: RMB1,616.4 million), which was primarily attributable to capital investment by the Group in the newly acquired schools.

Capital Expenditures

The Group's capital expenditures were primarily related to the maintenance, renovation and construction of the existing school premises and the new campus of the School of Clinical Medicine and Hongshan College. During the year ended 31 December 2019, the Group's capital expenditures were RMB309.1 million (for the year ended 31 December 2018: RMB44.5 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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Authorized but not contracted for	**966,090**	615,212

Bank Loans and Other Borrowings

Bank loans and other borrowings of the Group were mainly short-term working capital loans. The bank loans of the Group amounted to RMB330 million as at 31 December 2019.

Contingent Liabilities and Guarantees

As at 31 December 2019, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

Gearing Ratio

Our gearing ratio increased from 12% as at 31 December 2018 to 21% as at 31 December 2019, primarily because of the increase of liabilities due to new bank loans of the Group.

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.

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 2019.

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 2019.

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 31 December 2019, 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 2019, no assets of the Group were pledged.

Human Resources

As at 31 December 2019, the Group has approximately 1,621 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.

Off-Balance Sheet Commitments and Arrangements

As at 31 December 2019, the Group has not entered into any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

At the beginning of 2020, since the outbreak of the novel coronavirus (COVID-19) epidemic in China, the Chinese government has taken various emergency measures to prevent the spread of the epidemic, including delaying the starting dates of various types of schools. Based on the requirements of relevant competent authorities, the Group has formulated a response work plan scientifically, launched online education platforms, and actively taken various infection control actions. The Group will closely monitor the development of COVID-19, assess its impact on the Group's financial position and operating performance, and closely monitor the Group's exposure to relevant risks and uncertainties.

Save as disclosed above the Board is not aware of any significant event requiring disclosure subsequent to 31 December 2019 and up to the date of this announcement.

REGULATORY UPDATE

On 10 August 2018, the Ministry of Justice of the PRC announced the Implementation Rules for the Law for Promoting Private Education (Draft Amendment for Review)* (中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)) (the "**Draft Amendments**") for comment. As advised by our PRC legal advisers, the Draft Amendments have not been published or implemented in China. As at the date of this announcement, the Draft Amendments do not have any impact on the operation of the Group. The Company will continue to pay attention to the update on the Draft Amendments and relevant laws and regulations.

In addition, on 15 March 2019, the National People's Congress of the PRC has passed and promulgated the Law of the People's Republic of China on Foreign Investment* (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which has been effective and implemented on 1 January 2020. The Foreign Investment Law defines foreign investment as investment activities directly or indirectly carried out by foreign investors in the PRC, and has listed the examples of such foreign investments. Meanwhile, the Foreign Investment Law stipulates that the state implements the management scheme of pre-establishment national treatment along with a negative list (the "**Negative List**") with respect to foreign investment. For any field with investment restricted by the Negative List for foreign investment, foreign investors shall meet the investment conditions stipulated under the Negative List; any field that does not fall within the Negative List shall be administered under the principle of consistency between domestic and foreign investment. The Foreign Investment Law did not explicitly mention "actual control" and "contractual arrangement". Nevertheless, further laws and regulations may have provisions in this regard. Therefore, there are still uncertainties about whether the structure under the contractual arrangement will be subject to foreign investment supervision in the future, and if so, the supervision methods. As at the date of this announcement, the operation of the Company is not affected by the Foreign Investment Law. The Company will pay close attention to the update on the Foreign Investment Law and relevant laws and regulations.

The Company will continue to pay attention to the update on the Draft Amendments, 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 22 June 2020 and a notice convening the AGM will be published and despatched to the shareholders of the Company (the "**Shareholders**") in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$5.53 cents per share (equivalent to approximately RMB5.04 cents per share) for the year ended 31 December 2019 (2018: HK$5.59 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, 17 July 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 3 July 2020.

CLOSURE OF THE REGISTER OF MEMBERS

For Determining the Entitlement to Attend and Vote at the AGM

The register of members of the Company will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM to be held on Monday, 22 June 2020, during which period no share transfers will be registered. To be eligible to attend 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 Tuesday, 16 June 2020.

For Determining the Entitlement to the Proposed Final Dividend

The register of members of the Company will also be closed from Tuesday, 30 June 2020 to Friday, 3 July 2020, both days inclusive, in order to determine the entitlement 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, 29 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2019.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company (the "**Audit Committee**") and discussed with the management of the Company. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2019. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaxhedu.com). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the Shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 25 March 2020

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

* *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.*