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CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 667)

ANNOUNCEMENT OF 2020 ANNUAL RESULTS

| HIGHLIGHTS | Year ended 31 December | | Change Increase/ (Decrease) |
|--------------------------------------------------------------------|-------------------------|------------------|-----------------------------------|
| | 2020 | 2019 | |
| Number of new students enrollments and new customers registered | 145,472 | 152,611 | (4.7%) |
| Average number of students enrolled and customers registered | 133,310 | 135,571 | (1.7%) |
| Revenue (<i>RMB million</i>) | 3,649 | 3,905 | (6.6%) |
| Gross profit (<i>RMB million</i>) | 1,969 | 2,280 | (13.6%) |
| Net profit (<i>RMB million</i>) | 258 | 848 | (69.6%) |
| Adjusted net profit (<i>RMB million</i>) ⁽¹⁾ | 500 | 900 | (44.4%) |
| Adjusted EBITDA (<i>RMB million</i>) ⁽²⁾ | 1,436 | 1,797 | (20.1%) |
| | As at | As at | Change |
| | 31 December 2020 | 31 December 2019 | Increase/ (Decrease) |
| Number of schools and centers | 206 | 177 | 29 |
| Net assets (<i>RMB million</i>) | 6,040 | 6,120 | (1.3%) |
| Total assets (<i>RMB million</i>) | 9,821 | 9,678 | 1.5% |

(1) Adjusted net profit was derived from the net profit for the year excluding the effect of (i) non-cash share-based payment expenses; (ii) the net foreign exchange losses/gains; and (iii) the non-recurring listing expenses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

(2) Adjusted EBITDA was derived from the adjusted net profit for the year excluding finance costs, income tax expenses and depreciation expenses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

The board (the “**Board**”) of directors (the “**Director(s)**”) of China East Education Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Notes | Year ended 31 December | |
|----------------------------------------------------|-------|------------------------|-------------|
| | | 2020 | 2019 |
| | | RMB'000 | RMB'000 |
| Revenue | 4 | 3,648,892 | 3,905,306 |
| Cost of revenue | | (1,680,059) | (1,625,307) |
| Gross profit | | 1,968,833 | 2,279,999 |
| Other income and expenses | 5 | 190,802 | 116,774 |
| Other gains and losses | 6 | (127,266) | 130,807 |
| Selling expenses | | (829,039) | (698,002) |
| Administrative expenses | | (569,750) | (576,306) |
| Listing expenses | | – | (21,578) |
| Research and development expenses | | (43,779) | (30,652) |
| Finance costs | 7 | (146,053) | (131,521) |
| Profit before taxation | | 443,748 | 1,069,521 |
| Income tax expense | 8 | (186,134) | (221,703) |
| Profit and total comprehensive income for the year | 9 | 257,614 | 847,818 |
| Earnings per share | 11 | | |
| – Basic (RMB cents) | | 11.75 | 42.60 |
| – Diluted (RMB cents) | | 11.28 | 40.84 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | | As at 31 December 2020 | As at 31 December 2019 |
|-----------------------------------------------------------|--------------|------------------------------|------------------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 1,415,733 | 1,405,915 |
| Right-of-use assets | | 1,926,746 | 1,712,262 |
| Deferred tax assets | | 5,360 | 3,642 |
| Deposit paid for acquisition of leasehold lands | | 133,186 | 21,708 |
| Deposits for rental | | 25,332 | 24,022 |
| Deposits for utilities and others | | 7,991 | 12,230 |
| | | <u>3,514,348</u> | <u>3,179,779</u> |
| CURRENT ASSETS | | | |
| Inventories | | 56,250 | 51,713 |
| Trade and other receivables | 12 | 180,103 | 203,236 |
| Other financial assets | 13 | | |
| – measured at fair value through profit or loss (“FVTPL”) | | 509,173 | 418,013 |
| – measured at amortised cost | | 390,000 | 49,500 |
| Tax recoverable | | 1,079 | 1,068 |
| Time deposits | | 2,198,016 | 1,891,600 |
| Bank balances and cash | | 2,972,325 | 3,882,953 |
| | | <u>6,306,946</u> | <u>6,498,083</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 577,561 | 443,134 |
| Tax liabilities | | 126,107 | 138,142 |
| Lease liabilities | | 338,510 | 307,391 |
| Contract liabilities | | 1,384,697 | 1,383,298 |
| | | <u>2,426,875</u> | <u>2,271,965</u> |
| NET CURRENT ASSETS | | <u>3,880,071</u> | <u>4,226,118</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,394,419</u> | <u>7,405,897</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | As at 31 December 2020 | As at 31 December 2019 |
|--------------------------------|--------------|--------------------------------------|------------------------------|
| | <i>Notes</i> | RMB'000 | RMB'000 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 1,279,378 | 1,206,840 |
| Contract liabilities | | 65,136 | 72,316 |
| Government grants | | 9,867 | 6,339 |
| | | <u>1,354,381</u> | <u>1,285,495</u> |
| NET ASSETS | | <u>6,040,038</u> | <u>6,120,402</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>15</i> | 193 | 193 |
| Reserves | | <u>6,039,845</u> | <u>6,120,209</u> |
| TOTAL EQUITY | | <u>6,040,038</u> | <u>6,120,402</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law (Chapter 22) of the Cayman Islands on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 12 June 2019 (the “**Listing**”). Its ultimate controlling parties are Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, collectively referred as the “**Controlling Equity Holders**”. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in the People’s Republic of China (the “**PRC**”) is No. 1009 Xuelin Road, Vocational Education Town, Yaohai District, Hefei City, Anhui Province, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions. The Company and its subsidiaries are collectively referred as the “**Group**”.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company and its subsidiaries. These consolidated financial statements have been approved for issue by the Board on 25 March 2021.

2. BASIS OF PREPARATION AND REORGANISATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Pursuant to the group reorganisation (the “**Reorganisation**”) as more fully explained in the paragraph under the sections headed “History and Corporate Structure” and “Structured Contracts” in the prospectus of the Company dated 30 May 2019, the Company became the holding company of the companies now comprising the Group on 30 November 2018. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity.

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRSs* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

| | |
|-------------------------------------------------------------------|--------------------------------|
| Amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRSs* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has derecognised the part of lease liabilities that have been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB22,622,000, which has been recognised as variable lease payments in profit or loss for the current year.

3. APPLICATION OF AMENDMENTS TO HKFRSs (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 17 | Insurance Contracts and the Related Amendments ¹ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ² |

Notes:

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of vocational education services in the PRC.

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

Transaction price allocated to the remaining performance obligation for contracts with customers

The majority of the contracts for provision of vocational education services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers, the Board, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments:

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, desserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

The management of the Group assesses the performance of the operating and reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses, listing expenses and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years ended 31 December 2020 and 2019:

Year ended 31 December 2020

| | New East Culinary Education RMB'000 | Xinhua Internet Technology Education RMB'000 | Wontone Automotive Education RMB'000 | Omick Education of Western Cuisine and Pastry RMB'000 | Wisezone Data Technology Education RMB'000 | Cuisine Academy RMB'000 | Other miscellaneous businesses RMB'000 | Elimination RMB'000 | Total RMB'000 |
|----------------------------------------|----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------|-------------------------------|-------------------------------------------------|------------------------|------------------|
| Revenue | | | | | | | | | |
| External sales | 1,954,301 | 747,583 | 483,203 | 325,295 | 45,819 | 55,805 | 36,886 | - | 3,648,892 |
| Inter-segment sales | - | - | - | - | 3,000 | - | 89,032 | (92,032) | - |
| Segment revenue | <u>1,954,301</u> | <u>747,583</u> | <u>483,203</u> | <u>325,295</u> | <u>48,819</u> | <u>55,805</u> | <u>125,918</u> | <u>(92,032)</u> | <u>3,648,892</u> |
| Results | | | | | | | | | |
| Segment results | <u>565,219</u> | <u>225,685</u> | <u>(54,052)</u> | <u>(65,049)</u> | <u>(9,456)</u> | <u>(17,237)</u> | <u>(13,797)</u> | - | 631,313 |
| Unallocated | | | | | | | | | |
| Other income and expenses | | | | | | | | | 115,600 |
| Other gains and losses | | | | | | | | | (126,282) |
| Corporate administrative expenses | | | | | | | | | <u>(176,883)</u> |
| Profit before taxation | | | | | | | | | 443,748 |
| Income tax expense | | | | | | | | | <u>(186,134)</u> |
| Profit for the year | | | | | | | | | <u>257,614</u> |
| Other segment information | | | | | | | | | |
| Depreciation of property and equipment | 127,922 | 64,056 | 76,008 | 38,304 | 4,246 | 6,648 | 6,678 | - | 323,862 |
| Depreciation of right-of-use assets | 111,566 | 58,952 | 58,603 | 30,480 | 7,424 | 9,669 | 2,653 | - | 279,347 |
| Purchase of property and equipment | 158,240 | 79,896 | 67,578 | 21,445 | 118 | 1,750 | 9,231 | - | 338,258 |
| Addition of right-of-use assets | <u>163,076</u> | <u>120,708</u> | <u>145,875</u> | <u>15,883</u> | <u>911</u> | <u>2,755</u> | <u>82,487</u> | - | <u>531,695</u> |

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

| | New East Culinary Education RMB'000 | Xinhua Internet Technology Education RMB'000 | Wontone Automotive Education RMB'000 | Omick Education of Western Cuisine and Pastry RMB'000 | Wisezone Data Technology Education RMB'000 | Cuisine Academy RMB'000 | Other miscellaneous businesses RMB'000 | Elimination RMB'000 | Total RMB'000 |
|----------------------------------------|----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------|-------------------------------|-------------------------------------------------|------------------------|------------------|
| Revenue | | | | | | | | | |
| External sales | 2,138,046 | 774,465 | 531,264 | 338,082 | 58,860 | 48,256 | 16,333 | – | 3,905,306 |
| Inter-segment sales | – | – | – | – | 9,434 | – | 52,736 | (62,170) | – |
| Segment revenue | <u>2,138,046</u> | <u>774,465</u> | <u>531,264</u> | <u>338,082</u> | <u>68,294</u> | <u>48,256</u> | <u>69,069</u> | <u>(62,170)</u> | <u>3,905,306</u> |
| Results | | | | | | | | | |
| Segment results | <u>795,398</u> | <u>294,983</u> | <u>35,935</u> | <u>3,797</u> | <u>(43,237)</u> | <u>(23,901)</u> | <u>(14,878)</u> | – | 1,048,097 |
| Unallocated | | | | | | | | | |
| Other income and expenses | | | | | | | | | 75,984 |
| Other gains and losses | | | | | | | | | 130,807 |
| Corporate administrative expenses | | | | | | | | | (163,789) |
| Listing expenses | | | | | | | | | (21,578) |
| Profit before taxation | | | | | | | | | 1,069,521 |
| Income tax expense | | | | | | | | | (221,703) |
| Profit for the year | | | | | | | | | <u>847,818</u> |
| Other segment information | | | | | | | | | |
| Depreciation of property and equipment | 118,609 | 50,716 | 65,261 | 39,791 | 8,082 | 7,167 | 4,639 | – | 294,265 |
| Depreciation of right-of-use assets | 101,203 | 44,475 | 51,246 | 29,115 | 11,893 | 10,008 | 1,118 | – | 249,058 |
| Purchase of property and equipment | 168,782 | 57,195 | 70,659 | 40,277 | 4,886 | 4,236 | 4,179 | – | 350,214 |
| Addition of right-of-use assets | <u>76,225</u> | <u>93,096</u> | <u>90,717</u> | <u>12,546</u> | <u>1,985</u> | <u>–</u> | <u>11,647</u> | <u>–</u> | <u>286,216</u> |

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 December 2020 and 2019.

5. OTHER INCOME AND EXPENSES

| | Year ended 31 December | |
|-----------------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Asset-related government grants | 2,749 | 1,692 |
| Unconditional government grants | 49,831 | 39,098 |
| Interest income from | | |
| – bank deposits | 104,125 | 71,600 |
| – entrusted loans | 8,323 | – |
| Covid-19-related rent concessions | 22,622 | – |
| Others | 3,152 | 4,384 |
| | <u>190,802</u> | <u>116,774</u> |

6. OTHER GAINS AND LOSSES

| | Year ended 31 December | |
|---------------------------------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Gains on other financial assets measured at FVTPL | 39,581 | 45,215 |
| Gains on disposals of property and equipment | 640 | 322 |
| Losses on termination of lease agreements | (984) | – |
| Net foreign exchange (losses) gains | (166,503) | 85,270 |
| | <u>(127,266)</u> | <u>130,807</u> |

7. FINANCE COSTS

| | Year ended 31 December | |
|----------------------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest expenses on lease liabilities | 146,053 | 131,521 |

8. INCOME TAX EXPENSE

| | Year ended 31 December | |
|-----------------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| PRC Enterprise Income Tax | | |
| – Current tax | 178,576 | 222,349 |
| – Under provisions in prior years | 9,276 | – |
| Deferred tax credit | (1,718) | (646) |
| | <u>186,134</u> | <u>221,703</u> |

9. PROFIT FOR THE YEAR

| | Year ended 31 December | |
|---------------------------------------------------------|------------------------|------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Profit for the year has been arrived at after charging: | | |
| Directors' remuneration | 3,472 | 2,065 |
| Other staff costs | | |
| — salaries and other allowances | 1,151,291 | 992,239 |
| — retirement benefit scheme contributions | 82,954 | 128,060 |
| — equity-settled share-based payments expenses | 75,552 | 114,895 |
| Total staff costs | <u>1,313,269</u> | <u>1,237,259</u> |
| Depreciation of property and equipment | 323,862 | 294,265 |
| Depreciation of right-of-use assets | 279,347 | 249,058 |
| Auditor's remuneration | 3,580 | 3,590 |

During the year ended 31 December 2020, equity-settled share-based payments expense of approximately RMB76,166,000 (2019: RMB115,829,000) was recognised in profit or loss in respect of share options of the Company.

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK\$0.135 per ordinary share and a special dividend of HK\$0.135 per ordinary share in respect of the year ended 31 December 2020, in an aggregate amount of approximately HK\$593 million, have been proposed by the Directors at the Board meeting held on 25 March 2021 and are subject to approval by the shareholders of the Company (the “Shareholders”) in the forthcoming annual general meeting of the Company to be held on Wednesday, 26 May 2021 (“Annual General Meeting”).

A final dividend of HK\$0.21 per ordinary share in respect of the year ended 31 December 2019, in an aggregate amount of approximately HK\$460 million, was approved by the Shareholders at the annual general meeting held on 27 May 2020 and was paid during the year ended 31 December 2020.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | Year ended 31 December | |
|------------------------------------------------------------------------------------------------------|------------------------|----------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Earnings: | | |
| Profit for the purposes of calculating basic and diluted earnings per share | | |
| – attributable to owners of the Company | <u>257,614</u> | <u>847,818</u> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 2,192,738,757 | 1,990,225,780 |
| Effect of dilutive potential ordinary shares: | | |
| – share options | 91,798,911 | 85,682,721 |
| – over-allotment option (note) | <u>N/A</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>2,284,537,668</u> | <u>2,075,908,501</u> |

Note: The average stock price between the date of Listing and exercise of over-allotment option was lower than the offering price of initial public offering. Thus, the over-allotment option was anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

| | As at | As at |
|--------------------------------|----------------|----------------|
| | 31 December | 31 December |
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Trade receivables | | |
| – from government (note i) | 33,010 | 36,743 |
| – from others (note ii) | <u>15,591</u> | <u>10,206</u> |
| | <u>48,601</u> | <u>46,949</u> |
| Other receivables | | |
| Prepayments for consumables | 13,762 | 22,526 |
| Prepayments for rental | 17,401 | 8,529 |
| Prepayments for services | 19,271 | 21,737 |
| Prepayments for advertisement | 49,865 | 44,063 |
| Value added tax recoverable | 9,600 | 2,068 |
| Advance to staff | 6,722 | 7,480 |
| Interest receivable from banks | 7,518 | 42,090 |
| Other receivables | <u>7,363</u> | <u>7,794</u> |
| | <u>131,502</u> | <u>156,287</u> |
| | <u>180,103</u> | <u>203,236</u> |

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- i. The amounts represent receivables from the PRC local governments, which purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB34,349,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on revenue recognition dates:

| | As at 31 December 2020 <i>RMB'000</i> | As at 31 December 2019 <i>RMB'000</i> |
|------------------------------------|------------------------------------------------|------------------------------------------------|
| Within 3 months | 25,530 | 22,906 |
| Over 3 months but within 12 months | 21,787 | 19,146 |
| Over 1 year | 1,284 | 4,897 |
| | <u>48,601</u> | <u>46,949</u> |

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considers various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the receivables and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each year which have been past due over 90 days are not considered as in default as these are contributed by PRC local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year and no impairment loss on expected credit losses is recognised during both years.

13. OTHER FINANCIAL ASSETS

| | As at 31 December 2020 RMB'000 | As at 31 December 2019 RMB'000 |
|------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Other financial assets measured at FVTPL (<i>note i</i>) | 509,173 | 418,013 |
| Other financial assets measured at amortised cost | | |
| – entrusted loans (<i>note ii</i>) | 390,000 | – |
| – short-term investments (<i>note iii</i>) | – | 49,500 |
| | 390,000 | 49,500 |

Notes:

- i. The other financial assets measured at FVTPL are short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.
- ii. The amounts represented entrusted loans amounted to RMB130,000,000 provided to Anhui Xinhua Investment Group Co., Ltd. (安徽新華投資集團有限公司) (“**Xinhua Investment Group**”), a company controlled by Mr. Wu Junbao, and RMB260,000,000 provided to Anhui Xinhua Holdings Group Investment Co., Ltd. (安徽新華控股集團投資有限公司) (“**Xinhua Holdings Group**”), a company controlled by Mr. Xiao Guoqing, respectively, at a fixed interest rate of 7% per annum and with maturity on 31 December 2021, for earning interests via the bank with predetermined return.
- iii. The amounts represented short-term investments, which would be matured within one year and were issued by a bank with predetermined return and principal protected.

14. TRADE AND OTHER PAYABLES

| | As at 31 December 2020 RMB'000 | As at 31 December 2019 RMB'000 |
|------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Trade payables | 122,288 | 79,699 |
| Payable for property and equipment | 83,576 | 77,773 |
| Value added tax and other taxes payable | 3,511 | 8,364 |
| Payroll payable | 222,619 | 155,989 |
| Discretionary subsidies received on behalf of students | 30,948 | 20,473 |
| Miscellaneous deposits received from students – within 12 months | 77,947 | 68,685 |
| Other payables | 36,672 | 32,151 |
| | 577,561 | 443,134 |

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the dates of delivery of goods:

| | As at 31 December 2020 RMB'000 | As at 31 December 2019 RMB'000 |
|----------------|-----------------------------------------|-----------------------------------------|
| Within 90 days | 122,288 | 79,699 |

15. SHARE CAPITAL

| | <i>Notes</i> | Number of shares | Share capital <i>HK\$</i> | Shown in the consolidated financial statements <i>RMB'000</i> |
|-------------------------------------------------------------------|--------------|---------------------|------------------------------|---------------------------------------------------------------------------|
| <i>Ordinary shares of HK\$0.0001 each</i> | | | | |
| Authorised: | | | | |
| At 1 January 2019, 31 December 2019 and 31 December 2020 | <i>i</i> | 3,800,000,000 | 380,000 | – |
| Issued: | | | | |
| At 1 January 2019 | | 1,000,030 | 100 | – |
| Capitalisation Issue (defined below) | <i>ii</i> | 1,742,199,970 | 174,220 | 154 |
| Issue of new shares upon Listing | <i>iii</i> | 435,800,000 | 43,580 | 38 |
| Issue of new shares upon exercise of the over-allotment option | <i>iv</i> | 4,894,000 | 489 | – |
| Issue of new shares upon exercise of share options | <i>v</i> | 7,198,104 | 720 | 1 |
| At 31 December 2019 | | 2,191,092,104 | 219,109 | 193 |
| Issue of new shares upon the exercise of share options | <i>vi</i> | 4,011,602 | 401 | – |
| At 31 December 2020 | | 2,195,103,706 | 219,510 | 193 |

Notes:

- i. The Company was incorporated in the Cayman Islands on 4 October 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. On 12 June 2019, the Company capitalised the sum of HK\$174,220 (approximately equivalent to RMB154,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 1,742,199,970 shares of nominal value of HK\$0.0001 each for allotment to the Shareholders as appearing on the register of members of the Company immediately before the listing of the shares of the Company on the Stock Exchange (the “**Capitalisation Issue**”).
- iii. On 12 June 2019, 435,800,000 ordinary shares of nominal value of HK\$0.0001 each were issued at a price of HK\$11.25 per ordinary share (approximately equivalent to RMB9.90 per ordinary share) by way of global offering. On the same date, the Company’s shares were listed on the Main Board of the Stock Exchange. The proceeds of HK\$43,580 (approximately equivalent to RMB38,000) representing the par value of the shares of the Company, were credited to the Company’s share capital. The remaining proceeds of approximately HK\$4,902,706,000 (approximately equivalent to RMB4,315,853,000), before issuing expenses, were credited to the share premium amount.

15. SHARE CAPITAL (CONTINUED)

- iv. On 4 July 2019, 4,894,000 ordinary shares of nominal value of HK\$0.0001 each were issued at a price of HK\$11.25 per ordinary share (approximately equivalent to RMB9.90 per ordinary share) pursuant to the exercise of over-allotment option. The proceeds of HK\$489 (approximately equivalent to RMB432) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK\$55,057,000 (approximately equivalent to RMB48,583,000), before issuing expenses, were credited to the share premium amount.
- v. During the year ended 31 December 2019, 7,090,194 and 107,910 share options were exercised at a subscription price of HK\$2.25 and HK\$11.25 per share (approximately equivalent to RMB2.02 and RMB10.10 per share) respectively, resulting in the issue of aggregately 7,198,104 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.
- vi. During the year ended 31 December 2020, 4,011,602 share options were exercised at a subscription price of HK\$2.25 per share (approximately equivalent to RMB1.99 per share), resulting in the issue of aggregate of 4,011,602 ordinary shares of nominal value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.

16. CAPITAL COMMITMENTS

| | As at 31 December 2020 RMB'000 | As at 31 December 2019 RMB'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment and leasehold land | <u><u>82,717</u></u> | <u><u>63,379</u></u> |

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We have a leading position in vocational training education segment in China in terms of average number of students enrolled and revenue generated for the year ended 31 December 2020. Moreover, we also have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 206 schools and centers in operation as of 31 December 2020, spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under seven renowned school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Cuisine Academy, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and On-mind Fashion & Beauty Education.

We are a pioneer in providing vocational training education in China in culinary arts, information technology and internet technology, as well as auto services. These industry sectors are areas in China where there is significant unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels.

OUR BUSINESS SEGMENTS

As at 31 December 2020, we operated 206 vocational education institutions under the following brand names:

| Segments and Brands | No. of schools/ centers | Description |
|---------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CULINARY ARTS | | |
| New East Culinary Education (“ New East ”) | 64 | New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. Each of our schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands. |

| Segments and Brands | No. of schools/ centers | Description |
|------------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Omick Education of Western Cuisine and Pastry (“ Omick ”) | 35 | Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. We offer a variety of courses, including baking, desserts, western cuisines, bartending and barista training. |
| Cuisine Academy | 20 | Cuisine Academy has been providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs. |

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

| | | |
|-------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Xinhua Internet Technology Education (“ Xinhua Internet ”) | 31 | Xinhua Internet Technology Education provide information technology and internet technology-related training programs. We provide a wide range of information technology and internet technology-related training to students with different course lengths. |
| Wisezone Data Technology Education (“ Wisezone ”) | 22 | Wisezone Data Technology Education primarily provides short-term information technology and internet technology programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we train professional data technology engineers. |

AUTO SERVICES

| | | |
|---------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wontone Automotive Education (“ Wontone ”) | 33 | Wontone Automotive Education focus on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce. |
|---------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

FASHION AND BEAUTY

| | | |
|---------------------------------------------------------|---|-------------------------------------------------------------------------------------------------------|
| On-mind Fashion & Beauty Education (“ On-mind ”) | 1 | On-mind Fashion & Beauty Education focus on cultivating high skills fashion and beauty professionals. |
|---------------------------------------------------------|---|-------------------------------------------------------------------------------------------------------|

SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments/new customers registered under each segment and brand for the year ended 31 December 2020 and 2019:

| Segments and Brands | New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾ | Year ended 31 December | | Change Increase/ (Decrease) |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------|--------|-----------------------------------|
| | | 2020 | 2019 | |
| CULINARY ARTS | | | | |
| New East | Long-term | 31,220 | 35,663 | (12.5%) |
| | – One to less than two years | 3,390 | 5,661 | (40.1%) |
| | – Two to less than three years | 17,219 | 21,668 | (20.5%) |
| | – Three years | 10,611 | 8,334 | 27.3% |
| | Short-term | 37,319 | 41,785 | (10.7%) |
| | Subtotal | 68,539 | 77,448 | (11.5%) |
| Omick | Long-term | | | |
| | – One to less than two years | 695 | 99 | 602.0% |
| | Short-term | 14,218 | 12,170 | 16.8% |
| | Subtotal | 14,913 | 12,269 | 21.6% |
| Cuisine Academy | Short-term | 10,649 | 10,066 | 5.8% |
| CULINARY ARTS | Subtotal | 94,101 | 99,783 | (5.7%) |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | | |
| Xinhua Internet | Long-term | 20,719 | 24,771 | (16.4%) |
| | – One to less than two years | 762 | 1,327 | (42.6%) |
| | – Two to less than three years | 7,669 | 13,227 | (42.0%) |
| | – Three years | 12,288 | 10,217 | 20.3% |
| | Short-term | 2,515 | 3,083 | (18.4%) |
| | Subtotal | 23,234 | 27,854 | (16.6%) |
| Wisezone | Short-term | 4,402 | 4,049 | 8.7% |

| Segments and Brands | New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾ | Year ended 31 December | | Change Increase/ (Decrease) |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------|---------|-----------------------------------|
| | | 2020 | 2019 | |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | Subtotal | 27,636 | 31,903 | (13.4%) |
| AUTO SERVICES | | | | |
| Wontone | Long-term | 12,672 | 10,432 | 21.5% |
| | – One to less than two years | 914 | 1,746 | (47.7%) |
| | – Two to less than three years | 3,026 | 3,474 | (12.9%) |
| | – Three years | 8,732 | 5,212 | 67.5% |
| | Short-term | 10,504 | 10,493 | 0.1% |
| AUTO SERVICES | Subtotal | 23,176 | 20,925 | 10.8% |
| FASHION AND BEAUTY | | | | |
| On-mind | Long-term | 124 | – | N/A |
| | – One to less than two years | 14 | – | N/A |
| | – Two to less than three years | 5 | – | N/A |
| | – Three years | 105 | – | N/A |
| | Short-term | 435 | – | N/A |
| FASHION AND BEAUTY | Subtotal | 559 | – | N/A |
| THE GROUP | | | | |
| | Long-term | 65,430 | 70,965 | (7.8%) |
| | – One to less than two years | 5,775 | 8,833 | (34.6%) |
| | – Two to less than three years | 27,919 | 38,369 | (27.2%) |
| | – Three years | 31,736 | 23,763 | 33.6% |
| | Short-term | 80,042 | 81,646 | (2.0%) |
| THE GROUP | Total | 145,472 | 152,611 | (4.7%) |

Notes:

- (1) New students enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new students enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) Number of new customers registered represents the total number of new customers attending our customized catering experience programs of Cuisine Academy.

The following table sets forth the average number of students enrolled and customers registered under each segment and brand for the year ended 31 December 2020 and 2019:

| Segments and Brands | Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾ | Year ended 31 December | | Change Increase/ (Decrease) |
|----------------------|------------------------------------------------------------------------------------------------|------------------------|--------|-----------------------------------|
| | | 2020 | 2019 | |
| CULINARY ARTS | | | | |
| New East | Long-term | 57,897 | 62,281 | (7.0%) |
| | – One to less than two years | 4,098 | 6,367 | (35.6%) |
| | – Two to less than three years | 37,066 | 44,274 | (16.3%) |
| | – Three years | 16,733 | 11,640 | 43.8% |
| | Short-term | 5,603 | 5,948 | (5.8%) |
| | Subtotal | 63,500 | 68,229 | (6.9%) |
| Omick | Long-term | | | |
| | – One to less than two years | 398 | 97 | 310.3% |
| | Short-term | 4,310 | 4,344 | (0.8%) |
| | Subtotal | 4,708 | 4,441 | 6.0% |
| Cuisine Academy | Short-term | 1,012 | 666 | 52.0% |
| CULINARY ARTS | Subtotal | 69,220 | 73,336 | (5.6%) |

| Segments and Brands | Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾ | Year ended 31 December | | Change Increase/ (Decrease) |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------|--------|-----------------------------------|
| | | 2020 | 2019 | |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | | |
| Xinhua Internet | Long-term | 40,917 | 39,407 | 3.8% |
| | – One to less than two years | 1,194 | 1,236 | (3.4%) |
| | – Two to less than three years | 18,025 | 20,033 | (10.0%) |
| | – Three years | 21,698 | 18,138 | 19.6% |
| | Short-term | 472 | 735 | (35.8%) |
| | Subtotal | 41,389 | 40,142 | 3.1% |
| Wisezone | Short-term | 758 | 1,017 | (25.5%) |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | | |
| | Subtotal | 42,147 | 41,159 | 2.4% |
| AUTO SERVICES | | | | |
| Wontone | Long-term | 20,100 | 19,223 | 4.6% |
| | – One to less than two years | 1,441 | 2,334 | (38.3%) |
| | – Two to less than three years | 6,761 | 9,103 | (25.7%) |
| | – Three years | 11,898 | 7,786 | 52.8% |
| | Short-term | 1,689 | 1,853 | (8.9%) |
| AUTO SERVICES | Subtotal | 21,789 | 21,076 | 3.4% |
| FASHION AND BEAUTY | | | | |
| On-mind | Long-term | 55 | – | N/A |
| | – One to less than two years | 6 | – | N/A |
| | – Two to less than three years | 4 | – | N/A |
| | – Three years | 45 | – | N/A |
| | Short-term | 99 | – | N/A |
| FASHION AND BEAUTY | Subtotal | 154 | – | N/A |

| Segments and Brands | Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾ | Year ended 31 December | | Change Increase/ (Decrease) |
|---------------------|------------------------------------------------------------------------------------------------|------------------------|---------|-----------------------------------|
| | | 2020 | 2019 | |
| THE GROUP | Long-term | 119,367 | 121,008 | (1.4%) |
| | – One to less than two years | 7,137 | 10,034 | (28.9%) |
| | – Two to less than three years | 61,856 | 73,410 | (15.7%) |
| | – Three years | 50,374 | 37,564 | 34.1% |
| | Short-term | 13,943 | 14,563 | (4.3%) |
| THE GROUP | TOTAL | 133,310 | 135,571 | (1.7%) |

Notes:

- (1) As our schools provide various vocational training education programs during a year and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average number of students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average number of students enrolled for a year is only an approximation of the average number of students enrolled during a certain year, representing the sum of the number of students enrolled at our operating schools at the end of each month divided by the number of months during such year, without taking into account any transfer or withdrawal.
- (2) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such year, without taking into account any withdrawal. The courses for one month or shorter are regarded as one-month programs for the purpose of calculation.

Tuition Fees/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each segment and brand for the year ended 31 December 2020 and 2019:

| Segments and Brands | Program ⁽¹⁾ | Tuition/Service fee | |
|-------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------|---------------|
| | | Year ended 31 December 2020 | 2019 |
| <i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i> | | | |
| CULINARY ARTS | | | |
| New East | Long-term | 10,400-99,400 | 5,600-82,000 |
| | Short-term ⁽²⁾ | 380-82,000 | 800-58,000 |
| Omick | Long-term | 46,000-72,000 | 40,000-60,000 |
| | Short-term ⁽²⁾ | 800-39,000 | 5,500-39,000 |
| Cuisine Academy ⁽³⁾ | Customized catering experience program | 777-15,600 | 980-22,800 |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | |
| Xinhua Internet | Long-term | 16,800-38,800 | 15,800-38,800 |
| | Short-term ⁽²⁾ | 3,280-28,800 | 1,580-26,800 |
| Wisezone | Short-term ⁽²⁾ | 999-26,800 | 1,000-28,800 |
| AUTO SERVICES | | | |
| Wontone | Long-term | 4,800-38,600 | 4,800-38,600 |
| | Short-term ⁽²⁾ | 1,000-37,500 | 1,000-37,500 |
| FASHION AND BEAUTY | | | |
| On-mind | Long-term | 11,800-29,600 | N/A |
| | Short-term ⁽²⁾ | 3,600-15,800 | N/A |

Notes:

- (1) We charge tuition fee to students enrolled at our schools. Tuition fee of our long-term programs are typically charged based on the yearly tuition standards of different programs that students enrolled in such period.
- (2) Tuition fee of our short-term programs are typically charged by each program that students enrolled in.
- (3) We typically charge customers service fees by each program that customers registered in Cuisine Academy.

Recommended Employment and Entrepreneurship Rate

We are committed to assisting our students in developing their careers. Our average recommended employment and entrepreneurship rate of our long-term program graduates from New East and Omick reached over 90%, while Xinhua Internet and Wontone reached over 95% for the year ended 31 December 2020. The following table sets forth the recommended employment and entrepreneurship rate of our long-term program graduates by brands for the year ended 31 December 2020:

| Brands⁽¹⁾ | Recommended employment and entrepreneurship rate⁽²⁾ |
|-----------------------------|-----------------------------------------------------------------------|
| New East | 94.3% |
| Xinhua Internet | 95.5% |
| Wontone | 96.0% |
| Omick | 92.5% |

Notes:

- (1) As the schools of other brands had not provided long-term programs of one year or more and there was no graduate of long-term programs of the schools of On-mind during the year ended 31 December 2020, the recommended employment and entrepreneurship rate of these brands were not included. We also provide graduate placement service or entrepreneurial service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or to study for interests, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to setting up their own businesses.
- (2) We provide graduate placement service and entrepreneurial service to all students of our long-term programs. The recommended employment and entrepreneurship rate represents the total number of students of long-term programs who are hired through our graduate placement service program or who set up their own business through our entrepreneurial service in a certain period, excluding students who are employed through other channels divided by the total number of graduates of long-term programs during such year.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB3,649 million for the year ended 31 December 2020, decreased by 6.6% as compared to approximately RMB3,905 million in 2019. The decrease in revenue was primarily attributable to a decrease of approximately 5% in number of new students enrollments and new customers registered due to the outbreak of novel coronavirus (COVID-19) (the “Epidemic”) during the year.

The following table sets forth a breakdown of our revenue and average tuition/service fee per student/customer by segments and brands for the years indicated:

| | Year ended 31 December | | | | Change | |
|-------------------------------------------------------|-------------------------|------------------------------------------------------------------|-------------------------|------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------|
| | 2020 | | 2019 | | | |
| | Revenue | Average Tuition/Service Fee per Student/ Customer ⁽¹⁾ | Revenue | Average Tuition/Service Fee per Student/ Customer ⁽¹⁾ | Revenue Increase/(Decrease) | Average Tuition/Service Fee per Student/ Customer ⁽¹⁾ |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| CULINARY ARTS | | | | | | |
| New East | 1,954,301 | 30.8 | 2,138,046 | 31.3 | (8.6%) | (1.8%) |
| Omick | 325,295 | 69.1 | 338,082 | 76.1 | (3.8%) | (9.2%) |
| Cuisine Academy ⁽²⁾ | 55,805 | 55.1 | 48,256 | 72.5 | 15.6% | (23.9%) |
| | <u>2,335,401</u> | <u>33.7</u> | <u>2,524,384</u> | <u>34.4</u> | <u>(7.5%)</u> | <u>(2.0%)</u> |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | | | | |
| Xinhua Internet | 747,583 | 18.1 | 774,465 | 19.3 | (3.5%) | (6.4%) |
| Wisezone | 45,819 | 60.4 | 58,860 | 57.9 | (22.2%) | 4.4% |
| | <u>793,402</u> | <u>18.8</u> | <u>833,325</u> | <u>20.2</u> | <u>(4.8%)</u> | <u>(7.0%)</u> |
| AUTO SERVICES | | | | | | |
| Wontone | 483,203 | 22.2 | 531,264 | 25.2 | (9.0%) | (12.0%) |
| Other Miscellaneous Businesses ⁽³⁾ | 36,886 | N/A | 16,333 | N/A | 125.8% | N/A |
| Total ⁽⁴⁾ | <u>3,648,892</u> | <u>27.1</u> | <u>3,905,306</u> | <u>28.7</u> | <u>(6.6%)</u> | <u>(5.4%)</u> |

Notes:

- (1) For illustration purposes only, the average tuition/service fee revenue per student/customer for the years ended 31 December 2020 and 2019 is calculated on a basis as revenue generated from tuition or service fees for the year divided by the average number of students enrolled and customers registered in the year.
- (2) During the years ended 31 December 2020 and 2019, revenue generated from Cuisine Academy mainly represents service fees collected from customers who attended our customized catering experience programs.
- (3) Other miscellaneous businesses primarily include revenue from fashion and beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.
- (4) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

The Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses/depreciation of right of use assets, campus maintenance and depreciation, utilities and office expenses. The cost of revenue increased from approximately RMB1,625 million for the year ended 31 December 2019 to approximately RMB1,680 million for the year ended 31 December 2020, representing an increase of 3.4%.

The following table sets forth a breakdown of our cost of revenue for the years indicated:

| | Year ended 31 December | | | |
|------------------------------------------------------|-------------------------------|-------------------|------------------|-------------------|
| | 2020 | | 2019 | |
| | Cost | % of Total | Cost | % of Total |
| | RMB'000 | | RMB'000 | |
| Teaching staff salaries and benefits | 540,447 | 32.2% | 520,607 | 32.0% |
| Teaching related consumables and other costs | 385,837 | 23.0% | 435,425 | 26.8% |
| Leasing expenses/Depreciation of right of use assets | 285,876 | 17.0% | 252,732 | 15.6% |
| Campus maintenance and depreciation | 342,997 | 20.4% | 293,108 | 18.0% |
| Utilities | 72,638 | 4.3% | 73,795 | 4.5% |
| Office expenses | 52,264 | 3.1% | 49,640 | 3.1% |
| Total | 1,680,059 | 100.0% | 1,625,307 | 100.0% |

Gross Profit and Gross Profit Margin

The Group's gross profit was approximately RMB1,969 million for the year ended 31 December 2020 as compared to approximately RMB2,280 million in 2019. The gross profit margin was 54.0% for the year ended 31 December 2020 as compared to 58.4% in 2019. The decrease in gross profit margin was mainly due to the decrease in revenue for the year ended 31 December 2020 as a result of the Epidemic. The following table sets forth a breakdown of our gross profit and gross profit margin by segments and brands for the years indicated:

| | Year ended 31 December | | | |
|-----------------------------------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | 2020 | | 2019 | |
| | Gross profit | Gross profit | Gross profit | Gross profit |
| | margin ⁽¹⁾ | margin ⁽¹⁾ | margin ⁽¹⁾ | margin ⁽¹⁾ |
| | <i>RMB'000</i> | <i>percentage</i> | <i>RMB'000</i> | <i>percentage</i> |
| CULINARY ARTS | | | | |
| New East | 1,111,934 | 56.9% | 1,299,305 | 60.8% |
| Omick | 141,917 | 43.6% | 173,642 | 51.4% |
| Cuisine Academy | 17,486 | 31.3% | 8,802 | 18.2% |
| | <u>1,271,337</u> | <u>54.4%</u> | <u>1,481,749</u> | <u>58.7%</u> |
| INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY | | | | |
| Xinhua Internet | 454,557 | 60.8% | 507,671 | 65.6% |
| Wisezone | 18,576 | 40.5% | 2,944 | 5.0% |
| | <u>473,133</u> | <u>59.6%</u> | <u>510,615</u> | <u>61.3%</u> |
| AUTO SERVICES | | | | |
| Wontone | 198,645 | 41.1% | 273,624 | 51.5% |
| Other Miscellaneous Businesses ⁽²⁾ | 25,718 | 69.7% | 14,011 | 85.8% |
| Total | <u><u>1,968,833</u></u> | <u><u>54.0%</u></u> | <u><u>2,279,999</u></u> | <u><u>58.4%</u></u> |

Notes:

- (1) The establishment of new schools and centers under a segment/brand has a negative impact on our gross profit margin for the relevant segment/brand. During the initial ramp-up period after a new school or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the schools and centers.
- (2) Other miscellaneous businesses primarily include gross profit derived from fashion and beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.

Other Income and Expenses

For the year ended 31 December 2020, other income and expenses amounted to approximately RMB191 million (2019: RMB117 million) which primarily included government grants, interest income from bank deposits and entrusted loans and Covid-19-related rent concession. The increase in other income was mainly due to the increase in interest income from bank deposits and entrusted loans of approximately RMB41 million and the recognition of Covid-19-related rent concessions of approximately RMB23 million during the year ended 31 December 2020.

Other Gains and Losses

The other gains and losses were recorded at net losses of approximately RMB127 million for the year ended 31 December 2020 (2019: net gains of RMB131 million) which was mainly attributable to net foreign exchange losses of approximately RMB167 million as a result of mainly the depreciation of Hong Kong dollars possessed by the Group, which consists of proceeds from the initial public offering of shares of the Company, against Renminbi during the year ended 31 December 2020, while the Group recorded net exchange gains of approximately RMB85 million for the year ended 31 December 2019.

Selling Expenses

The Group's selling expenses was approximately RMB829 million for the year ended 31 December 2020 as compared to approximately RMB698 million for the year ended 31 December 2019. The increase in selling expenses incurred for the year ended 31 December 2020 was mainly because the Group had placed more advertising costs during the year and the inclusion of the selling expenses of newly established schools and centers.

Administrative Expenses

The Group's administrative expenses was approximately RMB570 million for the year ended 31 December 2020 as compared to approximately RMB576 million for the year ended 31 December 2019. It represented about 15.6% of the revenue for the year ended 31 December 2020 and was increased as compared to that of 14.8% for the year ended 31 December 2019. The decrease in administrative expenses was mainly due to the decrease of equity-settled share-based payment expenses from approximately RMB116 million for the year ended 31 December 2019 to approximately RMB76 million for the year ended 31 December 2020 and partly set off by the inclusion of administrative expenses of the newly established schools.

Finance Costs

The finance costs of approximately RMB146 million for the year ended 31 December 2020 represented the interest expenses on lease liabilities recognised following the adoption of Hong Kong Financial Reporting Standard 16 – Leases (2019: RMB132 million).

Adjusted Net Profit and Adjusted EBITDA

To supplement this announcement which is presented in accordance with HKFRSs, we also presented the following unaudited non-HKFRSs adjusted net profit and adjusted EBITDA as additional financial measures which we believes that it can also provide useful information to help investors and others understand and evaluate the Company's financial performance:

| | Year ended 31 December | |
|------------------------------------------------|--------------------------------|--------------------------------|
| | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
| Net profit | 257,614 | 847,818 |
| Adjustments for: Non-cash share-based payments | 76,166 | 115,829 |
| Net foreign exchange losses/(gains) | 166,503 | (85,270) |
| Non-recurring listing expenses | – | 21,578 |
| Adjusted net profit | 500,283 | 899,955 |
| Adjustments for: Depreciation | 603,209 | 543,323 |
| Finance costs | 146,053 | 131,521 |
| Income tax expenses | 186,134 | 221,703 |
| Adjusted EBITDA | 1,435,679 | 1,796,502 |

Note:

- (i) Non-HKFRSs financial measure does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies.

Property and Equipment

Property and equipment as at 31 December 2020 increased by 0.7% to approximately RMB1,416 million from approximately RMB1,406 million as at 31 December 2019. Increase in property and equipment was mainly due to the inclusion of the property and equipment of newly established schools and centers during the year.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2020, the Company's issued share capital was approximately RMB193,000 divided into 2,195,103,706 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB6,040 million (31 December 2019: RMB6,120 million).

As at 31 December 2020, the current ratio of the Group, representing current assets divided by current liabilities, was 2.6 times (31 December 2019: 2.9 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 38.5% (31 December 2019: 36.8%).

As at 31 December 2020, the total of time deposits and bank balances and cash of the Group amounted to approximately RMB5,170 million (31 December 2019: RMB5,775 million), representing 52.6% (31 December 2019: 59.7%) of the total assets of the Group of approximately RMB9,821 million (31 December 2019: RMB9,678 million).

For the year ended 31 December 2020, our capital expenditures were approximately RMB870 million (2019: RMB636 million) and were primarily related to acquisition of property and equipment and right-of-use assets for upgrading the existing school premises and construction of new campuses and regional centre.

It is believed that the Group has sufficient capital to meet its commitment and working capital requirements for future operations and for general business expansion and development.

Other Financial Assets

As at 31 December 2020, the Group held other financial assets of approximately RMB899 million, particulars of which are set out below:

| | Fair value as at 31 December 2020 <i>(RMB'000)</i> | Realised gains for the year ended 31 December 2020 <i>(RMB'000)</i> | Unrealised gains for the year ended 31 December 2020 <i>(RMB'000)</i> | % of total assets of the Group as at 31 December 2020 |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------|
| Financial assets measured at FVTPL | | | | |
| Bank of Hangzhou | | | | |
| – “Tian Li Bao” Structured Deposits | 20,016 | – | 16 | 0.2% |
| China Construction Bank Corporation | | | | |
| – CCB Qianyuan Weekly Profit Opened Guaranteed Wealth Management Product | 377,035 | – | 35 | 3.8% |
| China Minsheng Bank | | | | |
| – Outstanding Asset Management Prosperous Increasing Income Wealth Management Product | 10,175 | – | 175 | 0.1% |
| Huarong Securities Company Limited | | | | |
| – Huarong Stable Growth No. 2 Combined Selected Stock Asset Management Plan | 30,506 | – | 506 | 0.3% |
| Industrial and Commercial Bank of China Limited | | | | |
| – Corporation “Tian Li Bao” Net Value Wealth Management Products | 10,636 | – | 136 | 0.1% |
| Shanghai Pudong Development Bank | | | | |
| – Weekly Profit Growth No. 1 | 60,805 | – | 5 | 0.6% |
| Total | 509,173 | – | 873 | 5.1% |
| Financial assets measured at amortised cost | | | | |
| Entrusted loans to related parties | | | | |
| – Xinhua Investment Group | 130,000 | – | – | 1.3% |
| – Xinhua Holdings Group | 260,000 | – | – | 2.6% |
| | 390,000 | – | – | 3.9% |

Investment Strategy and Future Prospects

The Group's investments in other financial assets have been conducted on the premise that such investments would not affect our business operation or capital expenditures so as to generate a relatively higher return from such investments than fixed-term bank deposits.

The Group has implemented a set of internal control and risk management measures to manage our risks related to investments in other financial assets.

Regarding the investment in financial assets measured at FVTPL, the measures include, among other things, the followings:

- the term of such financial investments must not exceed 12 months;
- we analyze such financial assets regularly and keep track of their performance and redemption status;
- such financial assets should be issued by a reputable bank or financial institution; and
- the investment portfolio of such financial assets should generally bear relatively low-risk or principal protected.

Regarding the entrusted loans to related parties under the investment in financial assets measured at amortised cost, the measures include among other things, the followings:

- the borrowing company is required to enter into entrusted loan agreement(s) with reputable PRC bank(s) and the entrusted bank(s) will assess the financial position of the borrowing company(s) regularly to ensure the repayment ability;
- to secure the loan(s), each of the controlling shareholders of the borrowing company shall enter into a personal guarantee. Each of the controlling shareholders of the borrowing company irrevocably and unconditionally, among others, guarantees to the Group the punctual performance by his respective borrowing company for borrowing the loan(s) and undertakes that whenever the respective borrowing company does not pay any amount of the loan when due, he shall immediately on demand pay that amount as if he were the principal of the loan(s). In addition, each of the controlling shareholders of the borrowing company made a guarantee that the Company has the right to postpone the payment of the Company's dividends to each of the controlling shareholders of the borrowing company to the amount of the loans and interests owed by the respective borrowing company until the loans and interests are fully paid;
- upon the Group's request at any time, the borrowing company shall provide forthwith to the Group any documents and information relating to the business operations and financial position of the borrowing company, including but not limited to financial reports and financial statements;
- if the borrowing company or its controlling shareholder has any potential risks of financial instability, it shall inform the Group or the entrusted bank(s) immediately; and

- if the borrowing company or its controlling shareholder has shown any signs of financial instability, the Group or the entrusted bank(s) can demand the borrowing company or its controlling shareholder to repay prior to the repayment date all or part of outstanding principal and interest accrued by giving not less than 10 business days prior written notice to such borrowing company.

In view of the above, we believe that our internal policies regarding investment in other financial assets and the related risk management mechanism are adequate. It is expected that the Group would continue to improve our capital usage efficiency by investing in such low-risk or principal protected other financial assets using our temporarily idle funds.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2020.

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain bank balances and other payables denominated in Hong Kong dollars and United State dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2020. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 31 December 2020 and 2019, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 31 December 2020 and 2019, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

The Impact of the Covid-19 Pandemic to the Group

In early 2020, due to an outbreak of the Epidemic and the subsequent quarantine measures imposed by the PRC government, the physical classes of our schools located in mainland China had been temporarily suspended during February to April 2020 according to the instruction of the PRC government. During the suspension of physical classes caused by the Epidemic, the Group conducted its marketing business operation through our online consultation and application systems, etc. and the Group has also arranged online tuitions to our students of our schools located in mainland China.

Since April 2020, the physical classes of our schools of the Group had been gradually resumed in a normal way. Despite there may still be risks or uncertainties that the Epidemic will be outbreak again in 2021, our schools of the Group have already taken necessary health precaution measures to safeguard the safety of our employees and students. Moreover, the Group has already developed a comprehensive online learning programmes to our students which can offer online tuitions to our students in case physicals classes were suspended due to the outbreak of the Epidemic. Furthermore, the total of time deposits and bank balances and cash of the Group amounted to approximately RMB5,170 million as at 31 December 2020 which were sufficient for the Group to meet its future commitment and working capital requirements for future operations and for general business expansion and development.

In view of the situation of the Epidemic in mainland China has been under control currently, the Directors expected that the impact by the Epidemic in year 2021 would not have any material adverse impact to the operation and financial position of the Group. Nevertheless, the Group will closely monitor to the development of the situation of the Epidemic and will take necessary precautions to minimize the negative impact to the Group.

OUTLOOK

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business, school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

Establishment of Regional Centers

We plan to establish five self-owned regional centers in China's five major geographical regions (the “**Regional Centers**”), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an. The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our seven school/center brands, namely, New East, Omick, Cuisine Academy, Xinhua Internet, Wisezone, Wontone as well as On-mind. The Regional Centers will also house our research and development centers, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions. For the year ended 31 December 2020, a land parcel located at Chengdu had been acquired by the Group for the development of the regional center. It is expected that the construction of phase I of the regional center of Chengdu can be completed by year 2022.

Expansion of School Network

Our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, auto services as well as fashion and beauty.

Expansion and Diversification of Course Structures

In the four industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, auto services as well as fashion and beauty business, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. We will continue to explore other markets for vocational training education in the service industry and new economy, such as artificial intelligence and healthcare. Based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments.

Actively Applying as the Third-Party Rating Organisation for the Recognition of Vocational Skills

During the year ended 31 December 2020, the Group has become one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby the Group is allowed to perform the recognition of certain vocational skills for the public. Vocational skill recognition represents the recognition of the skill level of labors by the rating organisation filed by the Ministry of Human Resources and Social Security of the People’s Republic of China (“**Ministry of Human Resources and Social Security**”), which is a way for rating of the skills of talents implemented together with the occupational qualification rating. The third-party organisations for the recognition of vocational skills in China are the unit organisations recognised by the Ministry of Human Resources and Social Security, which are unit organisations with leading positions in the industry with credibility. After procedures such as self-reporting, selection by experts, credit checks, assessment by the local human resources and social security departments at the place where the Group was registered and seeking of views from the society, the Group became one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby it is allowed to perform the recognition of certain vocational skills. This means that the Group is allowed to perform vocational skill recognition for the public in accordance with the standards and regulatory requirements, and issue certificates recognised by the state, which will significantly raise the Group’s reputation and enhance its brand influence, and further strengthen the Group’s leading position in the vocational skill training business in China. By providing corresponding examinations and training for the public targeting vocational skill certificates, the Group can enrich its curriculum in the culinary segment to attract customers who want to obtain such certificates and increase the potential customers of the Group’s overall culinary segment. By issuing vocational skill certificates, the Group can further integrate employment resources to provide better job opportunities to the students. The Group will have a comprehensive understanding of the state’s policy and industry standards, which will facilitate our vocational skill education in accordance with the state’s policy and standards, and effectively enhance our education quality to provide high quality vocational education services.

We believe that with our over 30 years experience in vocational training industry, we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades and to react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings. It is believed that the Group will further strengthen its market leadership and reputation by having the above strategies.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 December 2020, the Company has utilised the net proceeds of approximately RMB771 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 30 May 2019. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits and time deposits.

The following table sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 31 December 2020:

| Purpose | Percentage to total amount | Net proceeds amount* RMB'000 | Utilised amount RMB'000 | Unutilised amount RMB'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------|------------------------------------|--------------------------------------|
| Acquisition of land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an | 45% | 1,900,433 | (43,429) | 1,857,004 |
| Establishment of schools in selected markets | 15% | 633,478 | (203,234) | 430,244 |
| Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums | 15% | 633,478 | (55,124) | 578,354 |
| Construction of and upgrade our school facilities as well as purchase teaching equipment; and | 15% | 633,478 | (447,466) | 186,012 |
| Funding of our working capital and general corporate purposes | 10% | 422,318 | (22,199) | 400,119 |
| | 100% | 4,223,185 | (771,452) | 3,451,733 |

* Net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing and the exercise of the over-allotment option.

The Company will utilise the remaining proceeds in accordance with the progress of the above expansion of our school network and the business development. It is expected that the proceeds will be fully utilised in the next 5 to 10 years but there is no detailed schedule for the utilisation of the remaining proceeds. In particular, it is subject to, among others, negotiations and governmental approvals for the Group to acquire land parcels or establish schools.

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 31 December 2020, we had a total of 11,976 employees. The following table sets forth the numbers of our employees, categorized by function, as at 31 December 2020:

| Function | Number of Full-Time Employees | % of Total |
|-----------------------------------------|-------------------------------|------------|
| Executive Directors and core management | 347 | 2.9% |
| Full-time teachers and instructors | 5,033 | 42.0% |
| Student accommodation staff | 94 | 0.8% |
| Logistic personnel | 555 | 4.6% |
| Administrative staff | 3,587 | 30.0% |
| Accounting and finance staff | 370 | 3.1% |
| Others | 1,990 | 16.6% |
| Total ^(Note) | 11,976 | 100% |

Note: Among 11,976 employees, we had 15 employees in Hong Kong and 11,961 employees in mainland China.

Remuneration Policies

The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by PRC local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

Our full-time employees in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") which the assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and the only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

DIVIDENDS

At the Board meeting held on 25 March 2021, the Board proposed the payment of a final dividend of HK\$0.135 (approximately RMB0.113) per ordinary share in respect of the year ended 31 December 2020. In addition, as a reward to the Shareholders for their continuous support, having considered the business, financial and cash flow position of the Group, the Board also proposed the payment of a special dividend of HK\$0.135 (approximately RMB0.113) per ordinary share in respect of the year ended 31 December 2020. The aforesaid proposed payment of final and special dividends are subject to approval of the Shareholders at the Annual General Meeting to be held on Wednesday, 26 May 2021. Subject to the approval of Shareholders at the Annual General Meeting, the aforesaid proposed final and special dividends are expected to be paid on or around Thursday, 17 June 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**CG Code**”). During the year ended 31 December 2020, the Company has complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential to the development of the Group and to safeguard the interests of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the development of the Group and will review such practices from time to time to ensure that the Company complies with statutory and professional standards and aligns with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. HUNG Ka Hai, Clement, Mr. CHEUNG Tsun Yung, Thomas and Dr. ZHU Guobin. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the consolidated financial statements for the year ended 31 December 2020 of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group. The Audit Committee is in the opinion that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the annual results announcement.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on Wednesday, 26 May 2021. Notice of the Annual General Meeting which will be published and dispatched to the Shareholders in accordance with the Company’s articles of association and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the forthcoming Annual General Meeting

The register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders’ entitlement to attend and vote at the forthcoming Annual General Meeting. The record date for entitlement to attend and vote at the Annual General Meeting shall be Wednesday, 26 May 2021. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

(b) For determining the entitlement to the final dividend and special dividend

The register of members of the Company will be closed from Tuesday, 1 June 2021 to Thursday, 3 June 2021 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining Shareholders' entitlement for the proposed final dividend and special dividend. The record date for the proposed final dividend and special dividend shall be Thursday, 3 June 2021. In order to qualify for the proposed final dividend and special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 31 May 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeastedu.com). The annual report of the Company for the year ended 31 December 2020 will be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
China East Education Holdings Limited
WU Wei
Chairman

Hong Kong, 25 March 2021

As at the date of this announcement, the Board comprises Mr. WU Wei and Mr. XIAO Guoqing as executive Directors; Mr. WU Junbao and Mr. LU Zhen as non-executive Directors; and Mr. HUNG Ka Hai, Clement, Mr. CHEUNG Tsun Yung, Thomas and Dr. ZHU Guobin as independent non-executive Directors.