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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 2019 ANNUAL RESULTS

HIGHLIGHTS	Year ended 31 December		Change
	2019	2018	
Number of new students enrollments and new customers registered	152,611	135,529	+12.6%
Average number of students enrolled and customers registered	135,571	124,534	+8.9%
Continuing operations			
Revenue (RMB million)	3,905	3,265	+19.6%
Gross profit (RMB million)	2,280	1,705	+33.7%
Net profit (RMB million)	848	515	+64.6%
Adjusted net profit (RMB million) <i>(Note)</i>	900	547	+64.5%
	As at	As at	
	31 December 2019	31 December 2018	Change
Number of schools and centers	177	163	+14
Net assets (RMB million)	6,120	873	+601.4%
Total assets (RMB million)	9,678	2,816	+243.7%

Note: Adjusted net profit was derived from the net profit for the year excluding the effect of (i) the non-cash share-based payment expenses; (ii) the non-recurring listing expenses; and (iii) the net foreign exchange gains. This is not Hong Kong Financial Reporting Standard measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit” 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 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
Revenue	4	3,905,306	3,264,964
Cost of revenue		<u>(1,625,307)</u>	<u>(1,559,856)</u>
Gross profit		2,279,999	1,705,108
Other income	5	116,774	61,827
Other gains and losses	6	130,807	58,089
Selling expenses		(698,002)	(648,032)
Administrative expenses		(576,306)	(437,863)
Listing expenses		(21,578)	(23,873)
Research and development expenses		(30,652)	(28,252)
Finance costs	7	<u>(131,521)</u>	<u>–</u>
Profit before taxation		1,069,521	687,004
Income tax expense	8	<u>(221,703)</u>	<u>(171,863)</u>
Profit and total comprehensive income for the year from continuing operations	9	<u>847,818</u>	<u>515,141</u>
Discontinued operation			
Loss and total comprehensive expenses for the year from discontinued operation	10	<u>–</u>	<u>(5,048)</u>
Profit and total comprehensive income for the year	9	<u>847,818</u>	<u>510,093</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	<i>Notes</i>	Year ended 31 December	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Profit (loss) and total comprehensive income (expenses) for the year attributable to owners of the Company			
– from continuing operations		847,818	515,141
– from discontinued operation	<i>10</i>	–	(5,048)
		<u>847,818</u>	<u>510,093</u>
From continuing and discontinued operations			
Earnings per share	<i>12</i>		
– Basic (<i>RMB cents</i>)		<u>42.60</u>	<u>10.26</u>
– Diluted (<i>RMB cents</i>)		<u>40.84</u>	<u>10.25</u>
From continuing operations			
Earnings per share	<i>12</i>		
– Basic (<i>RMB cents</i>)		<u>42.60</u>	<u>10.36</u>
– Diluted (<i>RMB cents</i>)		<u>40.84</u>	<u>10.35</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2019*

		As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property and equipment		1,405,915	1,361,005
Right-of-use assets		1,712,262	–
Prepaid lease payments		–	123,409
Deferred tax assets		3,642	2,996
Deposit paid for acquisition of leasehold land		21,708	–
Prepayments for rental		–	17,873
Deposits for rental		24,022	31,873
Deposits for utilities and others		12,230	8,031
		<u>3,179,779</u>	<u>1,545,187</u>
CURRENT ASSETS			
Inventories		51,713	37,138
Prepaid lease payments		–	2,940
Trade and other receivables	<i>13</i>	203,236	242,290
Other financial assets	<i>14</i>		
– measured at fair value through profit or loss (“FVTPL”)		418,013	–
– measured at amortised cost		49,500	–
Tax recoverable		1,068	1,687
Time deposits		1,891,600	–
Bank balances and cash		3,882,953	986,293
		<u>6,498,083</u>	<u>1,270,348</u>
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	443,134	507,643
Dividend payable		–	34,112
Tax liabilities		138,142	108,167
Lease liabilities		307,391	–
Contract liabilities		1,383,298	1,233,230
		<u>2,271,965</u>	<u>1,883,152</u>
NET CURRENT ASSETS (LIABILITIES)		<u>4,226,118</u>	<u>(612,804)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,405,897</u>	<u>932,383</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		1,206,840	—
Contract liabilities		72,316	56,101
Government grants		6,339	3,651
		<u>1,285,495</u>	<u>59,752</u>
NET ASSETS		<u>6,120,402</u>	<u>872,631</u>
CAPITAL AND RESERVES			
Share capital	16	193	—
Reserves		6,120,209	872,631
TOTAL EQUITY		<u>6,120,402</u>	<u>872,631</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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. 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 30 March 2020.

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 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.

As the Reorganisation involved inserting new holding companies and has not resulted in any change of economic substance, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2018 have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2018, or since the respective dates of incorporation or establishment of the relevant companies now comprising the Group where this is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

3.1 HKFRS 16 Leases

The Group has applied Hong Kong Financial Reporting Standard 16 – Leases (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b) (ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease- by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.75% to 13.76%.

	As at 1 January 2019 <i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	<u>2,302,181</u>
Lease liabilities discounted at relevant incremental borrowing rates	1,441,407
Add: Extension options reasonably certain to be exercised	8,282
Less: Recognition exemption – short-term leases	(1,132)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	<u>(3,492)</u>
Lease liabilities as at 1 January 2019	<u><u>1,445,065</u></u>
Analysed as	
Current	177,615
Non-current	<u>1,267,450</u>
	<u><u>1,445,065</u></u>

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	<i>Notes</i>	Right-of- use assets <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,445,065
Adjusted by:		
Prepayments for rental		
– current portion	(a)	102,569
– non-current portion	(a)	17,873
Trade and other payables	(b)	(29,737)
Reclassified from prepaid lease payments	(c)	126,349
Adjustments on rental deposits at 1 January 2019	(d)	<u>12,985</u>
		<u><u>1,675,104</u></u>

- (a) Upfront payments for leases of properties were recognised as prepayments for rental as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepayments for rental amounted to RMB102,569,000 and RMB17,873,000 respectively were reclassified to right-of-use assets.
- (b) These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.
- (c) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounted to RMB2,940,000 and RMB123,409,000 respectively were reclassified to right-of-use assets.
- (d) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB12,985,000 was adjusted to refundable rental deposits paid and right-of-use assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2018 <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Carrying amounts under HKFRS 16 as at 1 January 2019 <i>RMB'000</i>
Non-current Assets			
Prepaid lease payments	123,409	(123,409)	–
Right-of-use assets	–	1,675,104	1,675,104
Prepayment for rental	17,873	(17,873)	–
Deposits for rental	31,873	(12,985)	18,888
	<u>31,873</u>	<u>(12,985)</u>	<u>18,888</u>
Current Assets			
Trade and other receivables	242,290	(102,569)	139,721
Prepaid lease payments	2,940	(2,940)	–
	<u>242,290</u>	<u>(102,569)</u>	<u>139,721</u>
Current Liabilities			
Trade and other payables	507,643	(29,737)	477,906
Lease liabilities	–	177,615	177,615
	<u>507,643</u>	<u>(29,737)</u>	<u>477,906</u>
Non-current Liabilities			
Lease liabilities	–	1,267,450	1,267,450
	<u>–</u>	<u>1,267,450</u>	<u>1,267,450</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

3.1 HKFRS 16 Leases (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 ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁵

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors of the Company anticipate that the application of these 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:

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (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. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 2. 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.

The segment information reported does not include any amounts for the discontinued operation, which are described in note 10.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue from continuing operations and results by operating and reportable segments for the year ended 31 December 2019 and 2018:

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>	–	<u>1,048,097</u>
Unallocated									
Other income									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>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	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	Wiszone Data Technology Education RMB'000	Cuisine Academy RMB'000	Other miscellaneous businesses RMB'000	Elimination RMB'000	Total RMB'000
Revenue									
External sales	1,900,126	604,413	444,305	213,256	70,076	20,797	11,991	–	3,264,964
Inter-segment sales	–	–	–	–	13,000	–	42,453	(55,453)	–
Segment revenue	<u>1,900,126</u>	<u>604,413</u>	<u>444,305</u>	<u>213,256</u>	<u>83,076</u>	<u>20,797</u>	<u>54,444</u>	<u>(55,453)</u>	<u>3,264,964</u>
Results									
Segment results	<u>663,831</u>	<u>182,604</u>	<u>4,781</u>	<u>(35,978)</u>	<u>(70,468)</u>	<u>(35,186)</u>	<u>(28,111)</u>	<u>–</u>	<u>681,473</u>
Unallocated									
Other income									25,034
Other gains and losses									58,089
Corporate administrative expenses									(53,719)
Listing expenses									(23,873)
Profit before taxation									687,004
Income tax expense									(171,863)
Profit for the year									<u>515,141</u>
Other segment information									
Depreciation of property and equipment	140,898	51,654	81,507	51,755	5,837	13,536	6,286	–	351,473
Amortisation of prepaid lease payments	1,033	928	619	–	–	–	360	–	2,940
Purchase of property and equipment	<u>306,382</u>	<u>96,209</u>	<u>131,169</u>	<u>112,599</u>	<u>12,947</u>	<u>12,719</u>	<u>2,690</u>	<u>–</u>	<u>674,715</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 years ended 31 December 2019 and 2018.

5. OTHER INCOME

Year ended 31 December
2019 2018
RMB'000 *RMB'000*

Continuing operations

Asset-related government grants	1,692	1,274
Unconditional government grants	39,098	35,519
Interest income from banks	71,600	23,954
Others	4,384	1,080
	<u>116,774</u>	<u>61,827</u>

6. OTHER GAINS AND LOSSES

Year ended 31 December
2019 2018
RMB'000 *RMB'000*

Continuing operations

Net gains on other financial assets measured at FVTPL	45,215	58,003
Gains on disposals of property and equipment	322	86
Net foreign exchange gains	85,270	—
	<u>130,807</u>	<u>58,089</u>

7. FINANCE COSTS

Year ended 31 December
2019 2018
RMB'000 *RMB'000*

Continuing operations

Interest expenses on lease liabilities	<u>131,521</u>	<u>—</u>
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8. INCOME TAX EXPENSE

Year ended 31 December
2019 2018
RMB'000 *RMB'000*

Continuing operations

PRC Enterprise Income Tax – Current tax	222,349	171,010
Deferred tax (credit) charge	(646)	853
	<u>221,703</u>	<u>171,863</u>

9. PROFIT FOR THE YEAR

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year from continuing operations has been arrived at after charging:		
Directors' remuneration	2,065	338
Other staff costs		
— salaries and other allowances	992,239	892,325
— retirement benefit scheme contributions	128,060	122,712
— equity-settled share-based payments expenses	114,895	8,059
	<u>1,237,259</u>	<u>1,023,434</u>
Total staff costs		
Depreciation of property and equipment	294,265	351,473
Depreciation of right-of-use assets	249,058	—
Amortisation of prepaid lease payments	—	2,940
Operating lease rental expenses in respect of rental premises	—	273,795
Auditor's remuneration	3,590	1,199
	<u>3,590</u>	<u>1,199</u>

During the year ended 31 December 2019, share-based payments expenses of approximately RMB115,829,000 (2018: RMB8,125,000) were recognised in profit or loss in respect of share options of the Company.

10. DISCONTINUED OPERATION

In October and November 2018, the Group disposed of six subsidiaries which provided training courses for driving examinations. Five out of these subsidiaries were disposed to companies controlled by the Controlling Equity Holders at cash consideration of RMB10,000 each and one was disposed to the independent third parties at cash consideration of RMB1,000,000. The disposals were consistent with the Group's long-term policy to focus its activities on the operation of vocational training education institutions.

Loss from discontinued operation for the year ended 31 December 2018 were set out below:

	RMB'000
Loss for the year from discontinued operation	(9,406)
Gain on disposal of discontinued operation	4,358
	<u>(5,048)</u>

10. DISCONTINUED OPERATION (CONTINUED)

The results of the discontinued operation for the year ended 31 December 2018 were as follows:

	Year ended 31 December 2018 RMB'000
Revenue	24,269
Cost of revenue	<u>(24,035)</u>
Gross profit	234
Other income	392
Selling expenses	(4,256)
Administrative expenses	<u>(5,776)</u>
Loss for the year from discontinued operation	<u><u>(9,406)</u></u>
Loss for the year from discontinued operation include the followings:	
Staff costs	
– salaries and other allowances	13,459
– retirement benefit scheme contributions	<u>1,969</u>
Total staff costs	<u>15,428</u>
Depreciation of property and equipment	6,034
Operating leases rental expenses in respect of rental premises	<u>4,450</u>

11. DIVIDENDS

No dividend has been paid or proposed by the Company during the year ended 31 December 2019 (2018: Nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK\$0.21 (2018: Nil) per ordinary share, in an aggregate amount of approximately HK\$460 million (2018: Nil), has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting to be held on Wednesday, 27 May 2020 (“**Annual General Meeting**”).

During the year ended 31 December 2018, the Group declared and paid dividends of RMB907,851,000 to the Controlling Equity Holders. The rate of dividend and the number of shares, ranking for the dividend are not presented, as such information is not meaningful having regard to the purpose of these consolidated financial statements.

12. EARNINGS PER SHARE

From continuing operations

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Profit for the purposes of calculating basic and diluted earnings per share		
– attributable to the owners of the Company	<u>847,818</u>	<u>515,141</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,990,225,780	4,972,877,114
Effect of dilutive potential ordinary shares:		
– share options	85,682,721	2,756,243
– over-allotment option (<i>note</i>)	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,075,908,501</u>	<u>4,975,633,357</u>

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 16) was completed on 1 January 2018 and taking into account of the capital reduction in 2018.

From continuing and discontinued operations

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Profit for the purpose of calculating basic and diluted earnings per share		
– attributable to the owners of the Company	<u>847,818</u>	<u>510,093</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operation is RMB0.10 cents for the year ended 31 December 2018, based on the loss from the discontinued operation of RMB5,048,000 and the denominators detailed above for basic earnings per share.

For the year ended 31 December 2018, the diluted loss per share was the same with the basic loss per share.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Trade receivables		
– from government (<i>note i</i>)	36,743	27,922
– from others (<i>note ii</i>)	10,206	6,427
	<u>46,949</u>	<u>34,349</u>
Other receivables		
Prepayments for consumables	22,526	25,361
Prepayments for rental (<i>note iii</i>)	8,529	102,569
Prepayments for services	21,737	15,440
Prepayments for advertisement	44,063	44,774
Prepayments for listing expenses	–	1,799
Value added tax recoverable	2,068	1,287
Advance to staff	7,480	4,386
Deferred issue costs	–	5,474
Interest receivable from time deposits and bank balances	42,090	–
Other receivables	7,794	6,851
	<u>156,287</u>	<u>207,941</u>
	<u><u>203,236</u></u>	<u><u>242,290</u></u>

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.
- iii. Prepayment for rental which were not exempted from HKFRS 16 were adjusted upon the application of HKFRS 16. Details of the adjustments are set out in note 3. The remaining amounts represent prepaid rental fees for short-term leases.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB30,959,000.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2019 RMB'000	As at 31 December 2018 RMB'000
Within 3 months	22,906	20,589
Over 3 months but within 12 months	19,146	11,382
Over 1 year	4,897	2,378
	<u>46,949</u>	<u>34,349</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.

14. OTHER FINANCIAL ASSETS

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Other financial assets measured at FVTPL (<i>note i</i>)	<u>418,013</u>	<u>—</u>
Other financial assets measured at amortised cost (<i>note ii</i>)	<u>49,500</u>	<u>—</u>

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 other financial assets measured at amortised cost are short-term investments issued by a bank with predetermined return and principal protected.

15. TRADE AND OTHER PAYABLES

	As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Trade payables	79,699	143,727
Payable for property and equipment	77,773	98,993
Value added tax and other taxes payable	8,364	7,382
Payroll payable	155,989	153,805
Discretionary subsidies received on behalf of students	20,473	22,235
Miscellaneous deposits received from students		
– within 12 months	68,685	51,472
Listing expenses and issue costs payable	–	4,562
Other payables	32,151	25,467
	<u>443,134</u>	<u>507,643</u>

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 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Within 90 days	<u>79,699</u>	<u>143,727</u>

16. 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 the date of incorporation on 4 October 2018, 31 December 2018 and 31 December 2019	<i>i</i>	3,800,000,000	380,000	–
Issued:				
1 share issued and allotted, at the date of incorporation on 4 October 2018	<i>ii</i>	1	–	–
999,999 shares issued and allotted, on 4 October 2018	<i>iii</i>	999,999	100	–
30 shares issued and allotted, on 26 October 2018	<i>iv</i>	30	–	–
At 31 December 2018		1,000,030	100	–
Capitalisation Issue	<i>v</i>	1,742,199,970	174,220	154
Issue of new shares by ways of global offering	<i>vi</i>	435,800,000	43,580	38
Issue of new shares upon exercise of the over-allotment option	<i>vii</i>	4,894,000	489	–
Issue of new shares upon the exercise of share options	<i>viii</i>	7,198,104	720	1
At 31 December 2019		2,191,092,104	219,109	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 4 October 2018, 1 share of HK\$0.0001 was issued and allotted to the subscriber and transferred to Wu Wei Education Company Limited (“**Wu Wei Education**”) at par value.
- iii. On 4 October 2018, 426,667 shares, 292,221 shares and 281,111 shares were issued and allotted to Wu Junbao Education Company Limited, Wu Wei Education and Xiao Guoqing Education Company Limited, respectively, at par value.
- iv. On 26 October 2018, 30 shares were issued and allotted to Lu Lu Education Company Limited for a cash consideration at HK\$600,000 (approximately equivalent to RMB533,000).
- v. 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**”).

16. SHARE CAPITAL (CONTINUED)

- vi. 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.
- vii. 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 (equivalent to RMB48,583,000), before issuing expenses, were credited to the share premium amount.
- viii. 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 (equivalent to approximately RMB2.02 and RMB10.10 per share) respectively, resulting in the issue of aggregate of 7,198,104 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.

17. CAPITAL COMMITMENTS

	As at 31 December 2019 <i>RMB '000</i>	As at 31 December 2018 <i>RMB '000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment and leasehold land	<u>63,379</u>	<u>40,468</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 2019 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. 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 2019. 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 177 schools and centers in operation as of 31 December 2019, spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under six 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 and Wontone Automotive 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 2019, we operated 177 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
CULINARY ARTS		
New East Culinary Education (“ New East ”)	56	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.
Omick Education of Western Cuisine and Pastry (“ Omick ”)	25	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	19	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 ”)	25	We provide information technology and internet technology-related training programs under Xinhua Internet Technology Education. 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 ”)	30	We focus on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce.

SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments and new customers registered under each school/center brand for the years ended 31 December 2019 and 2018:

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2019	2018	
CULINARY ARTS				
New East	Long-term	35,663	35,939	(0.8%)
	– One to less than two years	5,661	7,274	(22.2%)
	– Two to less than three years	21,668	23,310	(7.0%)
	– Three years	8,334	5,355	55.6%
	Short-term	41,785	35,396	18.1%
	Subtotal	77,448	71,335	8.6%
Omick	One year	99	–	N/A
	Short-term	12,170	9,180	32.6%
	Subtotal	12,269	9,180	33.6%
Cuisine Academy	Short-term	10,066	5,778	74.2%
CULINARY ARTS	Subtotal	99,783	86,293	15.6%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	24,771	21,380	15.9%
	– One to less than two years	1,327	1,203	10.3%
	– Two to less than three years	13,227	11,064	19.5%
	– Three years	10,217	9,113	12.1%
	Short-term	3,083	3,035	1.6%
	Subtotal	27,854	24,415	14.1%
Wisezone	Short-term	4,049	4,558	(11.2%)

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2019	2018	
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	Subtotal	31,903	28,973	10.1%
AUTO SERVICES				
Wontone	Long-term	10,432	11,780	(11.4%)
	– One to less than two years	1,746	2,291	(23.8%)
	– Two to less than three years	3,474	5,604	(38.0%)
	– Three years	5,212	3,885	34.2%
	Short-term	10,493	8,483	23.7%
AUTO SERVICES	Subtotal	20,925	20,263	3.3%
THE GROUP				
	Long-term	70,965	69,099	2.7%
	– One to less than two years	8,833	10,768	(18.0%)
	– Two to less than three years	38,369	39,978	(4.0%)
	– Three years	23,763	18,353	29.5%
	Short-term	81,646	66,430	22.9%
THE GROUP	TOTAL	152,611	135,529	12.6%

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 school/center brand for the years ended 31 December 2019 and 2018:

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2019	2018	
CULINARY ARTS				
New East	Long-term	62,281	64,376	(3.3%)
	– One to less than two years	6,367	7,596	(16.2%)
	– Two to less than three years	44,274	50,496	(12.3%)
	– Three years	11,640	6,284	85.2%
	Short-term	5,948	4,765	24.8%
	Subtotal	68,229	69,141	(1.3%)
Omick	One year	97	–	N/A
	Short-term	4,344	3,106	39.9%
	Subtotal	4,441	3,106	43.0%
Cuisine Academy	Short-term	666	577	15.4%
CULINARY ARTS	Subtotal	73,336	72,824	0.7%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	39,407	30,356	29.8%
	– One to less than two years	1,236	1,189	4.0%
	– Two to less than three years	20,033	16,087	24.5%
	– Three years	18,138	13,080	38.7%
	Short-term	735	667	10.2%
	Subtotal	40,142	31,023	29.4%
Wisezone	Short-term	1,017	1,364	(25.4%)

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Year ended 31 December		Change Increase/ (Decrease)
		2019	2018	
INFORMATION				
TECHNOLOGY AND				
INTERNET				
TECHNOLOGY				
	Subtotal	41,159	32,387	27.1%
AUTO SERVICES				
Wontone	Long-term	19,223	17,511	9.8%
	– One to less than two years	2,334	2,653	(12.0%)
	– Two to less than three years	9,103	10,055	(9.5%)
	– Three years	7,786	4,803	62.1%
	Short-term	1,853	1,812	2.3%
AUTO SERVICES	Subtotal	21,076	19,323	9.1%
THE GROUP				
	Long-term	121,008	112,243	7.8%
	– One to less than two years	10,034	11,438	(12.3%)
	– Two to less than three years	73,410	76,638	(4.2%)
	– Three years	37,564	24,167	55.4%
	Short-term	14,563	12,291	18.5%
THE GROUP	TOTAL	135,571	124,534	8.9%

Notes:

- (1) As our schools provide various vocational training education programs during a period 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 period is only an approximation of the average number of students enrolled during a certain period, 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 period 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 calculation.

Tuition Fees/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each school brand/center for the years ended 31 December 2019 and 2018:

Segments and Brands	Program ⁽¹⁾	Tuition/Service fee Year ended 31 December	
		2019	2018
<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>			
CULINARY ARTS			
New East	Long-term	5,600-82,000	5,600-76,000
	Short-term ⁽²⁾	800-58,000	800-58,000
Omick	Short-term ⁽²⁾	5,500-60,000	5,000-50,000
Cuisine Academy ⁽³⁾	Customized catering experience program	980-22,800	1,980-18,800
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	15,800-38,800	6,680-37,800
	Short-term ⁽²⁾	1,580-26,800	800-29,300
Wisezone	Short-term ⁽²⁾	1,000-28,800	999-26,800
AUTO SERVICES			
Wontone	Long-term	4,800-38,600	4,800-38,500
	Short-term ⁽²⁾	1,000-37,500	800-37,400

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 Rate

We are committed to assisting our students in developing their careers. Our average recommended employment rate of our long-term program graduates from New East reached over 90% while Xinhua Internet and Wontone reached over 95% for the year ended 31 December 2019. The following table sets forth the recommended employment rate of our long-term program graduates by brands for the year ended 31 December 2019:

Brands⁽¹⁾	Recommended employment rate⁽²⁾
New East	93.8%
Xinhua Internet	95.2%
Wontone	95.5%

Notes:

- (1) Omick and Wisezone were not included because the schools under these brands had not provided long-term programs of one year or more during the year ended 31 December 2019. We also provide graduate placement 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 with a view to setting up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.
- (2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or 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 reached RMB3,905 million for the year ended 31 December 2019, increased by 19.6% as compared to RMB3,265 million in 2018. The increase in revenue was mainly driven by the increase in average number of students enrolled and customers registered and increase in average tuition/service fee per student/customer.

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	
	2019		2018		Average	Average
	Revenue	Average Tuition/Service Fee per Student/Customer	Revenue	Average Tuition/Service Fee per Student/Customer	Revenue	Customer
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>Increase/(Decrease)</i>	<i>Increase/(Decrease)</i>
CULINARY ARTS						
New East	2,138,046	31.3	1,900,126	27.5	12.5%	14.0%
Omick	338,082	76.1	213,256	68.7	58.5%	10.9%
Cusine Academy ⁽²⁾	48,256	72.5	20,797	36.0	132.0%	101.0%
	<u>2,524,384</u>	<u>34.4</u>	<u>2,134,179</u>	<u>29.3</u>	<u>18.3%</u>	<u>17.5%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	774,465	19.3	604,413	19.5	28.1%	(1.0%)
Wisezone	58,860	57.9	70,076	51.4	(16.0%)	12.7%
	<u>833,325</u>	<u>20.2</u>	<u>674,489</u>	<u>20.8</u>	<u>23.5%</u>	<u>(2.8%)</u>
AUTO SERVICES						
Wontone	531,264	25.2	444,305	23.0	19.6%	9.6%
Other Micellaneous Businesses ⁽³⁾	16,333	N/A	11,991	N/A	36.2%	N/A
Total ⁽⁴⁾	<u>3,905,306</u>	<u>28.7</u>	<u>3,264,964</u>	<u>26.1</u>	<u>19.6%</u>	<u>9.8%</u>

Notes:

- (1) For illustration purposes only, the average tuition/service fee revenue per student/customer for the years ended 31 December 2018 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 2018 and 2019, revenue generated from Cuisine Academy mainly represents service fees we collected from customers who attended our customized catering experience programs.
- (3) Other miscellaneous businesses primarily include revenue from 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 RMB1,560 million for the year ended 31 December 2018 to approximately RMB1,625 million for the year ended 31 December 2019, representing an increase of 4.2%.

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

	Year ended 31 December			
	2019		2018	
	Cost	% of	Cost	% of
	<i>RMB'000</i>	Total	<i>RMB'000</i>	Total
Teaching staff salaries and benefits	520,607	32.0%	481,354	30.9%
Teaching related consumables and other costs	435,425	26.8%	374,495	24.0%
Leasing expenses/Depreciation of right-of-use assets	252,732	15.6%	274,154	17.6%
Campus maintenance and depreciation	293,108	18.0%	317,866	20.4%
Utilities	73,795	4.5%	71,523	4.6%
Office expenses	49,640	3.1%	40,464	2.5%
Total	1,625,307	100.0%	1,559,856	100.0%

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB2,280 million for the year ended 31 December 2019 as compared to RMB1,705 million in 2018. The gross profit margin was 58.4% for the year ended 31 December 2019 as compared to 52.2% in 2018. The increase in gross profit margin was mainly due to the gross profit margin of certain newly established schools and centers in 2017 and 2018 which became mature after the initial ramp-up period and gradually enhanced benefiting from increase in the utilisation rates of these schools and centers for the year ended 31 December 2019. 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			
	2019		2018	
	Gross profit	Gross profit margin	Gross profit/ (loss)	Gross profit/ (loss) margin
Gross profit from continuing operations ⁽¹⁾	RMB'000	percentage	RMB'000	percentage
CULINARY ARTS				
New East	1,299,305	60.8%	1,073,709	56.5%
Omick	173,642	51.4%	73,354	34.4%
Cuisine Academy	8,802	18.2%	(10,257)	(49.3%)
	<u>1,481,749</u>	<u>58.7%</u>	<u>1,136,806</u>	<u>53.3%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	507,671	65.6%	362,584	60.0%
Wisezone	2,944	5.0%	3,297	4.7%
	<u>510,615</u>	<u>61.3%</u>	<u>365,881</u>	<u>54.2%</u>
AUTO SERVICES				
Wontone	273,624	51.5%	197,652	44.5%
Other Miscellaneous Businesses ⁽²⁾	14,011	85.8%	4,769	39.8%
Total	<u><u>2,279,999</u></u>	<u><u>58.4%</u></u>	<u><u>1,705,108</u></u>	<u><u>52.2%</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 the internet technology solution and staff outsourcing services provided to independent third parties.

Selling Expenses

The Group's selling expenses was RMB698 million for the year ended 31 December 2019 as compared to RMB648 million for the year ended 31 December 2018. The increase in selling expenses incurred for the year ended 31 December 2019 was mainly related to the inclusion of the selling expenses of newly established schools and centers.

Administrative Expenses

The Group's administrative expenses was RMB576 million for the year ended 31 December 2019 as compared to RMB438 million for the year ended 31 December 2018. It represented about 14.8% of the revenue for the year ended 31 December 2019 and was increased as compared to that of 13.4% for the year ended 31 December 2018. The increase in administrative expenses was mainly due to the inclusion of administrative expenses of the newly established schools and centers and the share-based payments expenses of approximately RMB116 million for the year ended 31 December 2019 (year ended 31 December 2018: RMB8 million).

Finance Costs

The finance costs of RMB132 million for the year ended 31 December 2019 represented the interest expenses on lease liabilities recognised following the adoption of HKFRS 16 (year ended 31 December 2018: Nil).

Adjusted Net Profit

To supplement this annual results announcement which is presented in accordance with HKFRSs, we also presented the following unaudited non-HKFRSs adjusted net profit as an additional financial measure 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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Net profit	847,818	515,141
Adjustments for: Non-cash share-based payments	115,829	8,125
Non-recurring listing expenses	21,578	23,873
Net foreign exchange gains	(85,270)	—
Adjusted net profit	899,955	547,139

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.

(ii) Following the adoption of HKFRS 16 with effect from 1 January 2019 (which resulted in the amortization of right-of-use assets and interests recognised on lease liabilities), the net profit from continuing operations for the year ended 31 December 2019 has taken into account the effects of HKFRS 16 which resulted in an adjustment of expenses of approximately RMB 43 million for the year while the net profit from continuing operations for the year ended 31 December 2018 did not have such impact.

Property and Equipment

Property and equipment as at 31 December 2019 increased by 3.3% to approximately RMB1,406 million from approximately RMB1,361 million as at 31 December 2018. Increase in property and equipment was mainly due to the inclusion of the property and equipment of newly established schools and centers.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2019, the Company's issued share capital was approximately RMB193,000 divided into 2,191,092,104 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB6,120 million (31 December 2018: RMB873 million).

As at 31 December 2019, the current ratio of the Group, representing current assets divided by current liabilities, was 2.9 times (31 December 2018: 0.7 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 36.8% (31 December 2018: 69.0%).

As at 31 December 2019, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB5,775 million (31 December 2018: RMB986 million), representing 59.7% (31 December 2018: 35.0%) of the total assets of the Group of approximately RMB9,678 million (31 December 2018: RMB2,816 million). The increase in total of time deposit and bank balances and cash of the Group was mainly due to the net proceeds received from the listing of the shares of the Company on the Stock Exchange on 12 June 2019 and the exercise of over-allotment option on 4 July 2019.

For the year ended 31 December 2019, our capital expenditures were approximately RMB636 million (year ended 31 December 2018: RMB676 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.

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 2019, the Group held other financial assets of approximately RMB468 million, particulars of which are set out below:

Name of the financial assets	Fair value as at 31 December 2019 (RMB'000)	Realised gains for the year ended 31 December 2019 (RMB'000)	Unrealised gains for the year ended 31 December 2019 (RMB'000)	% of total assets of the Group as at 31 December 2019
Financial assets measured at fair value through profit or loss				
China Construction Bank Corporation				
CCB Qianyuan Ri Xin Yue Yi	116,091	–	11	1.2%
Guo Yuan Securities Company Limited				
Guo Yuan Yuanying No. 28	151,134	–	1,134	1.6%
Industrial and Commercial Bank of China Limited				
ICBC Wealth Capital Guarantee “Sui Xin e”	50,157	–	157	0.5%
Quan Xin Quan Yi	100,631	–	631	1.0%
Total	418,013	–	1,933	4.3%
Financial assets measured at amortised cost				
Shanghai Pudong Development Bank				
Li Duo Duo Cash Management No. 1	49,500	–	–	0.5%

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. These measures include, among other things, the followings:

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

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.

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, 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 2019. 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 2018 and 2019, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 31 December 2018 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In early 2020, due to an outbreak of novel coronavirus (COVID-19) in mainland China (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 since February 2020 according to the instruction of the PRC government. During this period, 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. All the businesses of the Group were conducted and proceeded in a normal pace.

Up to the date of this announcement, the physical classes of our schools in mainland China are yet to be fully resumed in a normal way. Following the situation of the Epidemic in mainland China gradually improved recently, the Directors expected that the physical classes of our schools located in mainland China would gradually resume. The Group will fulfill our contractual obligations with students by launching make-up classes after receiving the instruction from the PRC government for resumption of the education services. Moreover, no request of withdrawal and refund were received from our students up to now and the Group also has a clear students’ withdrawal and refund policy in place under each business segment. In the opinion of the Directors, the financial impact arising from the above due to the Epidemic will not be significant.

As the situation of the Epidemic remains uncertain as at the date of the consolidated financial statements are authorised for issue, the Directors considered that the impact of admission for new students due to the Epidemic cannot be reasonably estimated and it may affect the performance of the Group for the first half and full year of 2020. The Company will make further announcement(s) in relation to material impact, if any, in due course pursuant to relevant requirements of the Listing Rules.

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:

Firstly, 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 six school/center brands, namely, New East, Omick, Cuisine Academy, Xinhua Internet, Wisezone, as well as Wontone. The Regional Centers will also house our research and development, 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.

Secondly, 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, as well as auto services.

Thirdly, in the three industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, as well as auto services, 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. For example, we launched our first school in beauty segment at Chengdu city, Sichuan province, the PRC in spring 2020 and 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.

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

On 12 June 2019, the Group issued 435,800,000 new shares at the issue price of HK\$11.25 per share in connection with the listing, and on 4 July 2019, additional shares of 4,894,000 were issued at HK\$11.25 pursuant to the over-allotment option exercised by BNP Paribas Securities (Asia) Limited. The net proceeds after deducting underwriting commission and issuance expenses in connection with the listing and the exercised of the over-allotment option amounted to approximately RMB4,223 million. As at 31 December 2019, the Company has utilised the net proceeds of approximately RMB163 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 sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 31 December 2019:

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	–	1,900,433
Establishment of schools in selected markets	15%	633,478	(53,500)	579,978
Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums	15%	633,478	(12,341)	621,137
Construction of and upgrade our school facilities as well as purchase teaching equipment; and	15%	633,478	(86,387)	547,091
Funding of our working capital and general corporate purposes	10%	422,318	(10,969)	411,349
	100%	4,223,185	(163,197)	4,059,988

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

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 31 December 2019, we had a total of 10,807 employees. The following table sets forth the numbers of our employees, categorized by function, as at 31 December 2019:

Function	Number of Full-Time Employees	% of Total
Executive directors and core management	333	3.1%
Full-time teachers and instructors	4,503	41.6%
Student accommodation staff	87	0.8%
Logistic personnel	692	6.4%
Administrative staff	3,305	30.6%
Accounting and finance staff	388	3.6%
Others	1,499	13.9%
Total ^(Note)	<u>10,807</u>	<u>100%</u>

Note: Among 10,807 employees, we had 11 employees in Hong Kong and 10,796 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.

DIVIDEND

At the board meeting held on 30 March 2020, the Board proposed a final dividend of HK\$0.21 (approximately RMB0.19) per ordinary share in respect of the year ended 31 December 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 4 June 2020. The final dividend, payable on or around Tuesday, 23 June 2020 are subject to approval of the shareholders of the Company at the Annual General Meeting of the Company to be held on Wednesday, 27 May 2020.

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 period from the listing date of the Company to 31 December 2019.

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 period from the listing date of the Company to 31 December 2019, 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 of the Company (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 period from the listing date of the Company to 31 December 2019.

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 2019 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 2019, 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, 27 May 2020. For the details, please refer to the notice of the Annual General Meeting which will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company’s articles of association and the Listing Rules.

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, 22 May 2020 to Wednesday, 27 May 2020 (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, 27 May 2020. 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, 21 May 2020.

(b) For determining the entitlement to the final dividend

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Thursday, 4 June 2020 (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. The record date for the proposed final dividend shall be Thursday, 4 June 2020. In order to qualify for the proposed final 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, 1 June 2020.

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 2019 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, 30 March 2020

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.