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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2779)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of China Xinhua Education Group Limited (the "**Company**") is pleased to announce the unaudited interim consolidated financial results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021. The unaudited interim consolidated financial results of the Group for the Reporting Period have been reviewed by the audit committee of the Board (the "**Audit Committee**").

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

HIGHLIGHTS

	Six months ended 30 June		**Percentage**
	2022	2021	**change**
	RMB'000	*RMB'000*	
Adjusted revenue (1)	**457,295**	398,312	**+14.8%**
Revenue	**333,473**	290,014	**+15.0%**
Gross profit	**221,856**	206,105	**+7.6%**
Profit for the period	**172,495**	207,692	**-16.9%**
Adjusted net profit (2)	**219,417**	205,151	**+7.0%**

Notes:

(1) The adjusted revenue consists of the revenue of the Group plus the revenue of the School of Clinical Medicine and Hongshan College. This is not an International Financial Reporting Standards ("**IFRSs**") measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

(2) The Group defines the adjusted net profit as the profit for the period after adjusting for those items which are not indicative of the Group's operating performances. This is not an IFRSs measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2022 – unaudited

		Six months ended 30 June	
	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**333,473**	290,014
Cost of sales		**(111,617)**	(83,909)
Gross profit		**221,856**	206,105
Other income	*4*	**37,817**	48,514
Selling and distribution costs		**(1,822)**	(4,362)
Administrative expenses		**(76,615)**	(34,406)
Profit from operations		**181,236**	215,851
Finance costs	*5(a)*	**(7,989)**	(7,699)
Profit before taxation	*5*	**173,247**	208,152
Income tax	*6*	**(752)**	(460)
Profit for the period		**172,495**	207,692
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**39,842**	(10,723)
Other comprehensive income for the period		**39,842**	(10,723)
Total comprehensive income for the period		**212,337**	196,969
Earnings per share			
Basic and diluted (RMB cents)	*7*	**10.7**	12.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022 – unaudited

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		**495,455**	512,110
Right-of-use assets		**78,928**	80,206
Intangible assets		**201,968**	203,793
Other non-current assets	*8*	**660,000**	660,000
Long-term bank time deposits		**140,000**	170,000
		1,576,351	1,626,109
Current assets			
Trade receivables	*9*	**138**	2,606
Prepayments, deposits and other receivables	*10*	**2,160,672**	1,860,376
Cash and cash equivalents		**207,279**	475,892
		2,368,089	2,338,874
Current liabilities			
Loans and borrowings	*11*	**50,020**	50,020
Contract liabilities	*12*	**10,722**	308,549
Other payables	*13*	**117,634**	126,260
Current taxation		**3,233**	5,326
		181,609	490,155
Net current assets		**2,186,480**	1,848,719
Total assets less current liabilities		**3,762,831**	3,474,828
Non-current liabilities			
Loans and borrowings	*11*	**479,035**	406,711
NET ASSETS		**3,283,796**	3,068,117
Capital and reserves			
Share capital		**12,952**	12,952
Reserves		**3,270,844**	3,055,165
TOTAL EQUITY		**3,283,796**	3,068,117

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). KPMG's independent review report to the Board of Directors is included on page 18-19.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these financial statements for the year ended 31 December 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated 31 March 2022.

2 Changes in accounting policies

The International Accounting Standards Board ("**IASB**") has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IFRS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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

3 Revenue and segment reporting

(a) *Revenue*

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**306,960**	264,507
Boarding fees	**26,513**	25,507
Total	**333,473**	290,014

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

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

(b) *Segment Reporting*

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

4 Other income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Rental and property management income	**10,841**	11,059
Service income	**6,849**	7,069
Government grants (i)	**1,097**	178
Interest income on financial assets measured at amortised cost	**3,569**	5,920
Gain on operation of the School of Clinical Medicine and Hongshan College (ii)	**15,131**	23,815
Others	**330**	473
	37,817	48,514

(i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities, scientific researches and expenditures on facilities.

(ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter is responsible for the operation costs of the campus before the conversion.

On 29 April 2019, the Group entered into agreements with Nanjing University of Finance and Economics and Nanjing University of Finance and Economics Education Development Foundation, pursuant to which the Group would jointly operate Hongshan College of Nanjing University of Finance and Economics ("**Hongshan College**") with Nanjing University of Finance and Economics with the eventual goal of converting Hongshan College into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees of Hongshan College from the 2019-2020 school year and thereafter is responsible for the operation costs of the campus before the conversion.

The amount represents the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the reporting period. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on loans and borrowings	**7,989**	7,699
(b) Staff costs		
Salaries, wages and other benefits	**72,022**	68,619
Contributions to defined contribution retirement plan (i)	**3,719**	3,954
Equity settled share-based payment expenses	**3,342**	7,364
	79,083	79,937

(i) Employees of the Group's People's Republic of China ("**PRC**") subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of owned property, plant and equipment	**30,167**	27,243
Amortisation of intangible assets	**2,480**	2,733
Depreciation of right-of-use assets	**1,278**	1,279
Auditors' remuneration	**1,612**	1,252
	35,537	32,507

6 Income tax in the consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period	**752**	460

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on its taxable income.

(iv) According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools for which the school sponsors do not require reasonable returns/schools elected as not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. After the Detailed Implementation Rules of Law for Promoting Private Education announced with effective from 1 September 2021, under the Implementation Opinions of the Anhui Provincial People's Government on Encouraging Social Forces to Establish Education to Promote the Healthy Development of Private Education (the "**Implementation Opinions**"), the Group's schools are required to register as either a for-profit or a not-for-profit organization by the end of 2022. Up to the date of this announcement, the Group has not commenced the registration process.

In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns have not been levied for income tax on the income from provision of formal educational services. Following the prevailing practice, no income tax expense for the income from provision of formal educational services is thus recognised for the Group's schools for the six months ended 30 June 2022.

Subject to the outcome of the registration and other policy update which cannot be determined at the moment, the preferential tax treatment previously enjoyed by the Group under the prevailing practice may be unfavorably affected and the Group may be subject to corporate income tax for the income from provision of formal educational services as determined by the local tax bureau.

7 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2022 of RMB172,495,000 (30 June 2021: RMB207,692,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue (30 June 2021: 1,608,583,000 shares).

The share options granted on 30 April 2019 and 15 July 2019 do not give rise to any dilution effect on the Company's earnings per share and there were no dilutive potential ordinary shares throughout the six months ended 30 June 2022 and 30 June 2021, and therefore, the basic and diluted earnings per share are the same.

8 Other non-current assets

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayment for investments	**660,000**	660,000

As at 30 June 2022 and 31 December 2021, the prepayment for investments represents the down-payment for the acquisition of Hongshan College.

9 Trade receivables

As of the end of the reporting period, an ageing analysis of the Group's trade receivables, based on the transaction date, is as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**138**	2,606

No allowance for doubtful debts was made as of the end of the reporting period.

10 Prepayments, deposits and other receivables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayments and deposits	**205,835**	204,977
Other receivables	**1,954,837**	1,655,399
	2,160,672	1,860,376

As at 30 June 2022, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivables mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB959,557,000 and balance due from Hongshan College with the amount of RMB988,541,000.

11 Loans and borrowings

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Unsecured bank loans:		
Within 1 year or on demand	**50,020**	50,020
After 1 year but within 2 years	**50,020**	50,020
After 2 years but within 5 years	**157,920**	162,920
	207,940	212,940
Loan from related party:		
After 2 years but within 5 years	**271,095**	193,771
	529,055	456,731

As at 30 June 2022, the unsecured bank loans carried interest at annual rates of 4.7% and 4.553%.

In June 2021, the Group entered into a loan agreement with its related party Wu Junbao Company Limited with an annual interest rate of 2.00%. In June 2022, the group borrowed related-party loan from Wu Junbao Company Limited with total amount of HKD80 million, equivalent to RMB68 million, with an annual interest rate of 2.00%.

12 Contract liabilities

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Tuition fees	**1,284**	274,694
Boarding fees	**9,438**	33,855
	10,722	308,549

13 Other payables

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Payable to suppliers	**74,201**	68,616
Miscellaneous expenses received from students (i)	**12,115**	20,303
Accrued staff costs	**21,275**	26,835
Accrued expenses	**4,732**	6,486
Interest payable	**4,550**	2,456
Others	**761**	1,564
	117,634	126,260

(i) the amount represents miscellaneous expenses received from students which will be paid out on behalf of students.

All other payables are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta in terms of total student enrollment in the Yangtze River Delta Region. As at 30 June 2022, the full-time student enrollment of the Group was approximately 45,238, representing an increase of approximately 6.3% compared to the same period last year. Due to the implementation of the Strategic Cooperation Framework Agreement for the Integrated Development of Higher Quality Education in the Yangtze River Delta Region and the Three-year Action Plan for the Integrated Development of Education in the Yangtze River Delta Region, the Group's influence in terms of running schools will be further expanded, which will improve the quality and accelerate the development of the Group's education business in the future.

"A thriving education makes a thriving country, while a powerful education makes a powerful country." General Secretary Xi Jinping stressed that building powerful education country is a basic project of the great rejuvenation of the Chinese nation, and we should give priority to education, deepen education reform, accelerate education modernization, properly provide satisfactory education, and train socialist builders and successors featuring an all-round development in morality, intelligence, physique, art and hardwork. The Group actively responds to the call of the party and the state, and firmly adheres to the lofty mission of "Rejuvenating the Country and Serving the People through Xinhua Education", and the direction of schools under socialism, and focus on and offer good education. The Group vigorously promotes connotative construction, continuously improves the quality of schools, and plays a great role in improving the quality of workers, promoting employment, upgrading and transforming the service industry, etc.

We are committed to providing high-quality application-oriented formal education services to our students, including formal university education and secondary vocational education covering various mainstream subjects and areas of employment. Through continuous and efficient market research, we strive to design comprehensive and diversified courses to meet employers' preferences and labor market demands. Meanwhile, we actively adjust our major offerings, continuously optimize our teaching conditions by improving our tangible and intangible infrastructure, optimize the educational environment, and strengthen strategic cooperation with various private enterprises and public institutions, in order to help our students acquire useful skills and seek good employment opportunities. As a whole, our graduate employment rate is higher than the average graduate employment rate in the provinces and cities where we operate. The high employment rate will further consolidate our reputation, and to improve our image in the industry, and enable our schools to attract more talented students. With professional and high-quality education, the Group has continuously made outstanding contributions to students and their families, to employers, economic and social development.

BUSINESS REVIEW AND OPERATION UPDATE

Our Schools

As at 30 June 2022, the Group invested and operated four education institutions, namely (i) Anhui Xinhua University* (安徽新華學院) ("**Xinhua University**"), a private university for formal education; (ii) School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院) ("**School of Clinical Medicine**"), a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); (iii) Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院) ("**Hongshan College**"), a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學); and (iv) Anhui Xinhua School* (安徽新華學校) ("**Xinhua School**"), a private secondary vocational school.

Xinhua University

Founded in 2000, Xinhua University is a formal university-level education institution, which provides undergraduate education, junior college education and continuing education focusing on applied sciences, and is one of the first Fifty National Higher Education Institutions with Typical Experience in Graduate Employment* (全國畢業生就業典型經驗50所高校), the Application-Oriented High-level University Construction Unit in Anhui Province* (安徽省應用型高水準大學建設單位) and Project Construction Unit with the Right to Grant Master's Degree* (碩士學位授予立項建設單位).

As at 30 June 2022, Xinhua University had 10 subordinate colleges and 2 teaching departments, offering a total of 57 undergraduate majors, and newly approved 2 undergraduate majors in financial technology and artificial intelligence. In addition, the university also provides the continuing education program to students in society. During the 2021/2022 school year, the number of awards for teachers and students has reached a new high, with more than 400 provincial and above awards, of which students won national and above awards, an increase of 43% year-on-year. The total number of students in school has increased year by year in the past three years. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta in terms of student enrollment.

School of Clinical Medicine

With the sporadic spread of COVID-19 pandemic still in certain regions, our country highly values on medical education, and emphasizes the new medical construction as the starting point, and to categorizes and cultivates research, inter-disciplinary and application-oriented talents, so as to provide more outstanding medical innovative talents for the construction of healthy China.

School of Clinical Medicine is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers eleven undergraduate majors, while its major offerings focus on majors such as clinical medicine, pharmacy and nursing. During the 2021/2022 school year, preventive medicine major was added and 2 filing majors in intelligent medical engineering and biomedical data science were approved. The approved undergraduate (including top-up degree(s)) enrollment plan in the 2022/2023 school year representing a year-on-year increase of 47.5%.

Meanwhile, School of Clinical Medicine additionally enrolled students in two provinces, namely Chongqing and Jiangxi. The number of student enrollment reached 4,261 for the 2021/2022 school year, representing a year-on-year increase of 50.5%. As students have had a strong desire to apply for admission to School of Clinical Medicine since our operation, its lowest admission mark for science was the highest among schools of the same type in Anhui Province for consecutive years, and its admission rate was also the highest among schools of the same type in Anhui Province. Students have won 36 honor awards above the provincial level, such as the Challenge Cup.

The conversion is progressing efficiently. The main construction of Phase I of the new campus project was completed and has been officially put into operation in the 2021/2022 school year and satisfied the relevant requirements on the conversion to independent colleges. The Phase II of the project will be built gradually with the increase of student size.

Hongshan College

Hongshan College is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers 15 undergraduate majors, while its major offerings focus on economic management, with literature and law characteristics.

The conversion and the construction of the new campus are progressing efficiently. As a level-two key project in Jiangsu and Nanjing, the construction progress was smooth, the Phase I of the project was almost completed. The new campus will be officially put into operation in September 2022, after the approval of the competent authority, and satisfy the relevant requirements on the conversion to independent colleges.

Xinhua School

As a secondary vocational school, Xinhua School, which was awarded as National Key Secondary Vocational School* (國家級重點中等職業學校), Model School for School-Enterprise Cooperation in Hefei* (合肥市校企合作示範校), and Experimental School for Moral Education Innovation in Hefei* (合肥市德育創新實驗學校), provides career-oriented general secondary vocational program with deep integration of school and enterprise, undergraduate oriented secondary vocational education program, all students of Xinhua School are enrolled in full-time courses. As at 30 June 2022, Xinhua School offered 16 majors, with 6,288 full-time students, representing a year-on-year increase of approximately 3.2%.

Student Enrollment

	As at 30 June 2022	As at 30 June 2021
Xinhua University		
Full-time student enrollment	**24,476**	23,681
Continuing education	**12,296**	6,004
Subtotal	**36,772**	29,685
School of Clinical Medicine(1)		
Full-time student enrollment	**4,261**	2,831
Hongshan College(1)		
Full-time student enrollment	**10,213**	9,945
Xinhua School		
Full-time student enrollment	**6,288**	6,093
Total number of full-time students	**45,238**	42,550
Total number of students enrolled	**57,534**	48,554

Note:

(1) The conversion of the School of Clinical Medicine and Hongshan College is pending approval from relevant authorities. Therefore, as at the date of this announcement, these two schools are not consolidated subsidiaries of the Group. After the Conversion, the operation results of these two schools will be consolidated into the Group.

OPERATION UPDATE AND HIGHLIGHTS

I. **Continue to strengthen major construction and further improve the quality of running schools.** The Group focused on high-quality development and continued to improve the quality of schools. Xinhua University of the Group had 2 new majors (4 in total), namely economics and finance and software engineering, included in national-level first-class bachelor degree programmes, the total number of which ranks highest in the country's private colleges; and had 2 new majors (10 in total), namely English and automation, included in Anhui provincial first-class undergraduate majors. The clinical medicine major offered by the School of Clinical Medicine was approved Anhui provincial first-class undergraduate majors. Hongshan College continues to strengthen the construction of 2 majors, namely taxation and marketing, included in the first-class undergraduate majors in Jiangsu Province, and continuously improve the professional gold content and competitiveness.

II. **Fully tap high-quality resources, and achieve innovation in the cooperative education model.** The Group has carried out in-depth cooperation with private enterprises and public institutions and foreign universities to strengthen the cultivation of applied talents. For the first time, Xinhua University of the Group established an overseas admissions office, and reached cooperation agreements with Thailand Rai Royal University in Thailand and Ider University in Mongolia. The School of Clinical Medicine and the First People's Hospital of Hefei City established the College of Geriatric Nursing Industry, having 30 new practice hospitals and partners. Hongshan College had 2 new overseas cooperative colleges to strengthen the training of international talents.

III. **Focus on strengthening the construction of the talent team, and the strength of the teaching staff continues to increase.** Under the philosophy of "talents make schools thrive", the Group continues to implement the Doctoral Project, Teaching Ability Training Project and Heartwarming Cohesion Project, etc., implements the youth tutor system, and continuously strengthens the introduction and training of high-level talents, and comprehensively improves the level of the teaching staff.

FUTURE PROSPECTS

I. Persistence in the classified characteristic development and enhancement of endogenous development momentum.

The national "14th Five-Year Plan" proposes that China should promote classified management of higher education and comprehensive reform of colleges and universities, carry out classified construction of first-class universities and disciplines, develop high-quality undergraduate education, and promote the transformation of certain ordinary undergraduate colleges and universities to application-oriented ones. With a focus on the construction of high-quality application-oriented undergraduate education, the Group adhered to the construction strategy of "one school with one characteristic", and caused its colleges and universities to develop school-running characteristics based on their existing school running advantages and the new needs of regional economic development. The Group continuously made greater efforts in the construction of majors, strengthened the training of high-level teachers, and provided better education and teaching resources. Meanwhile, under the philosophy of "coordinated development", the Group promoted the co-construction and sharing of high-quality resources, so as to achieve high-quality development with strong connotation.

II. Seizing the opportunities from favorable policies of vocational education and adhering to the high-quality development route.

On 20 April, 2022, the newly revised Vocational Education Law was announced. For the first time, the new Vocational Education Law clarified in legal form that vocational education and general education have the same important status, and clearly pointed out that "the coordinated development of vocational education and general education should be promoted as a whole". The Group will take "the development of vocational education" as lead and innovate its business development model and expand its business network by coordination between different types of education, carry out market-oriented social training based on schools, etc. At the same time, strengthen cooperation and communication with leading enterprises, develop new cooperation models, further enhance the effectiveness of the integration of production and education, and achieve mutually beneficial and win-win development. We will persist in high-quality development, continuously meet the needs of the people for more types of higher-quality selective education, and continuously establish the competitiveness and influence of the Group in the higher education sector.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 15.0% from RMB290.0 million for the six months ended 30 June 2021 to RMB333.5 million for the Reporting Period. This increase was mainly due to the increase in the Group's full-time student enrollment and average tuition fees.

Adjusted revenue

The adjusted revenue consists of the revenue of the Group plus the revenue of the School of Clinical Medicine and Hongshan College. This is not an IFRSs measure. The Group has presented this item because the Group considers it is an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows adjusted revenue of the Group for the periods presented below:

	30 June 2022	30 June 2021
	RMB' 000	*RMB' 000*
Revenue	**333,473**	290,014
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	**123,822**	108,298
Adjusted revenue	**457,295**	398,312

Other Income

Other income primarily consists of rental and property management income, service income, interest income and gain on operation of the School of Clinical Medicine and Hongshan College. Other income decreased by 22% from RMB48.5 million for the six months ended 30 June 2021 to RMB37.8 million for the Reporting Period, primarily due to the combined effect of decrease in gain on operation of Hongshan College as well as the decrease in interest income.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staff, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs. Our cost of sales increased by 33% from RMB83.9 million for the six months ended 30 June 2021 to RMB111.6 million for the Reporting Period, primarily due to the expansion of the school scale and the continuous increase in teaching investment.

Gross Profit

Our gross profit increased by 7.7% from RMB206.1 million for the six months ended 30 June 2021 to RMB221.9 million for the Reporting Period, primarily due to the combined effect of the continuous improvement in our management level and the scale effect brought by the resource integration, which was in line with the growth of our business.

Selling and Distribution Costs

Selling and distribution costs primarily consist of student admission expenses, salaries and benefits paid to our sales staff, amortization and depreciation, and advertising expenses. Selling and distribution costs decreased by 59% from RMB4.4 million for the six months ended 30 June 2021 to RMB1.8 million for the Reporting Period, compared with the previous period, mainly due to the reduction of many admissions activities under COVID-19 control measures in the first half of 2022.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to administrative staff, depreciation and amortization, and consultancy expenses. Administrative expenses increase by 123% from RMB34.4 million for the six months ended 30 June 2021 to RMB76.6 million for the Reporting Period, primarily due to the increase in foreign exchange loss.

Finance Costs

Finance costs primarily consist of interest expenses on loans and borrowings and increased from RMB7.7 million for the six months ended 30 June 2021 to RMB8.0 million for the Reporting Period, mainly due to the increase in the interest period during the Reporting Period compared with the same period last year.

Profit before Taxation

The Group recognized a profit of RMB173.2 million before income tax for the Reporting Period, representing a decrease of 16.8% as compared with a profit of RMB208.2 million before income tax for the six months ended 30 June 2021, mainly due to the increase of foreign exchange loss.

Income Tax

The Group's income tax increased by 63.5% from RMB460,000 for the six months ended 30 June 2021 to RMB752,000 for the Reporting Period, primarily due to the increase in taxable income.

Profit for the Reporting Period

As a result of the combined effects of the above income, costs and expenses, the Group recorded a profit of RMB172.5 million during the Reporting Period, representing a decrease of 16.9% as compared with the RMB207.7 million for the six months ended 30 June 2021.

Adjusted net profit

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**172,495**	207,692
Add:		
Foreign exchange (gain)/loss	**43,580**	(9,905)
Share-based payment expenses	**3,342**	7,364
Adjusted net profit	**219,417**	205,151

Working Capital and Source of Capital

The Group's cash is mainly used to satisfy the needs of working capital and purchase of property, plant and equipment. During the Reporting Period, the Group has funded for operations primarily with cash and cash equivalents generated from operations. As at 30 June 2022, the Group recorded cash and cash equivalents of RMB347.3 million (31 December 2021: RMB645.9 million).

Net Current Assets

As at 30 June 2022, the Group recorded net current assets of RMB2,186.48 million, representing an increase of 18.3% as compared with the RMB1,848.72 million as at 31 December 2021, which was primarily attributable to the decrease in the contract liabilities balance and the increase of other receivable balance.

Capital Expenditures

Capital expenditures consist of purchase or construction cost of property and equipment, prepayment of land lease outlay and other intangible assets. Since the School of Clinical Medicine and Hongshan College have not yet been consolidated, capital expenditures do not consist the scope of the two schools mentioned above. During the Reporting Period, the Group's capital expenditures were RMB14.3 million (30 June 2021: RMB14.7 million). The Group's capital expenditures for the Reporting Period are primarily related to the construction of buildings and school facilities and the purchase of equipment and software. The Group has funded these capital expenditures primarily with cash generated from operations.

Bank Loans and Other Borrowings

The bank loans and loan from related party of the Group amounted to RMB529.1 million as at 30 June 2022.

Contingent Liabilities, Guarantees and Litigation

As at 30 June 2022, the Group did not have any unrecorded significant contingent liabilities, guarantees and any litigation against it.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total liabilities divided by total assets, decreased from 22.6% as at 31 December 2021 to 16.7% as at 30 June 2022, primarily because the effect of the decrease in contractual liabilities of the Group's tuition and boarding fees during the Reporting Period.

Future Plan for Material Investments and Capital Assets

The Group did not have any other plans for material investments and capital assets as at the date of this announcement.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

Significant Investment Held by the Group

During the Reporting Period, there was no significant investment held by the Group.

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 30 June 2022, balances of several banks were denominated in USD or HKD. So far, the Group has not entered into any financial instruments used for hedging purpose, and the management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

Pledge of Assets

As at 30 June 2022, no assets of the Group were pledged.

Human Resources

As at 30 June 2022, the Group has approximately 2,057 employees (as at 30 June 2021: 1,942). In accordance with the applicable laws and regulations, the Group has attended the employee social security programs managed by local governments, including housing, retirement pension, medical insurance, maternity insurance and unemployment insurance. The Board believes that the Group is maintaining a favorable working relationship with our employees, and we have experienced no major labor disputes during the Reporting Period.

Off-Balance Sheet Commitments and Arrangements

As at 30 June 2022, the Group has not conducted any off-balance sheet transaction.

Events After the Reporting Period

There was no event which has occurred after the six months ended 30 June 2022 and up to the date of this announcement that would cause material impact on the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely, KPMG, have carried out a review of the unaudited consolidated interim financial statements for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended 30 June 2022) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (“**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2022. The Board will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code, and to ensure that the Group is led by an effective Board with an independent view from the independent non-executive Directors, in order to optimize return for the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaxhedu.com). The interim report of the Company for the Reporting Period will be dispatched to the Shareholders and made available on the above websites before end of September 2022.

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

Hong Kong, 30 August 2022

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

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*