

CHINA XINHUA EDUCATION GROUP LIMITED

中國新華教育集團有限公司

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

Stock Code 股份代號 : 02779



2023

INTERIM REPORT
中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Wu Junbao (吳俊保) (*Chairman*)

Executive Directors

Mr. Zhang Ming (張明)

Mr. Lu Zhen (陸真)

Mr. Wang Yongkai (王永凱)

Independent Non-executive Directors

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

Mr. Yao Heping (姚和平)

AUDIT COMMITTEE

Mr. Yao Heping (姚和平) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Jiang Min (蔣敏)

REMUNERATION COMMITTEE

Mr. Jiang Min (蔣敏) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Yang Zhanjun

NOMINATION COMMITTEE

Mr. Wu Junbao (吳俊保) (*Chairman*)

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

COMPANY SECRETARY

Ms. Yu Anne (余安妮)

AUTHORISED REPRESENTATIVES

Mr. Wang Yongkai (王永凱)

Ms. Yu Anne (余安妮)

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 555 Wangjiangxi Road

Hefei City, Anhui Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

Suites 1902-09, 19th Floor

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITORS

KPMG

Public Interest Entity Auditor registered in accordance

with the Accounting and Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China

Hefei Science and Technology Rural Commercial Bank

Huishang Bank

Hangzhou Bank

Industrial and Commercial Bank of China

COMPANY WEBSITE

<http://www.chinaxhedu.com>

STOCK CODE

02779

HIGHLIGHTS

	Six months ended 30 June		Percentage change
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Adjusted revenue ⁽¹⁾	490,697	457,295	7.3%
Revenue	351,075	333,473	5.3%
Gross profit	234,822	221,856	5.8%
Profit for the period	181,454	172,495	5.2%
Adjusted net profit ⁽²⁾	218,904	219,417	-0.2%

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 interim report.
- (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 interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OPERATION UPDATE

Our Schools

As at 30 June 2023, the Group invested and operated four education institutions, namely (i) Xinhua University, a private university for formal education; (ii) School of Clinical Medicine, a college jointly operated by the Group and Anhui Medical University* (安徽醫科大學); (iii) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學); and (iv) 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 and continuing education focusing on applied education, 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* (碩士學位授予權立項建設單位).

As at 30 June 2023, Xinhua University had 10 subordinate colleges and 2 teaching departments, with a total of 59 undergraduate majors, including 4 national-level first-class undergraduate majors in communication engineering, financial management, economics and finance and software engineering. It also introduced a new national-level first-class undergraduate course "Digital Circuits". In addition, Xinhua University also provided continuing education programs for social students. During the 2022/2023 school year, the number of awards won by teachers and students hit a record high, with 899 awards won in various discipline competitions which represented an increase of 4% in the number of national-level awards when compared with the same period of last year.

School of Clinical Medicine

China attaches great importance to medical education, and emphasizes the new medical construction as the starting point, and categorizes and nurtures research, inter-disciplinary and application-oriented talents, so as to nurture 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 15 undergraduate majors, while its major offerings focus on clinical medicine.

MANAGEMENT DISCUSSION AND ANALYSIS

The number of student enrollment reached 5,991 for the 2022/2023 school year, representing a year-on-year increase of 40.6%. Since our operation, students have had a strong desire to apply for admission to the School of Clinical Medicine, and the student yield of the School of Clinical Medicine has ranked among the top schools of similar type in Anhui Province for consecutive years. It has also introduced a new provincial-level high-level school of public health, and the number of its teaching and research projects doubled as compared with the same period of the previous year.

The construction of the phase I of the new campus project had been officially put into operation in the 2021/2022 school year. The phase II of the project will be built gradually with the increasing number of students. Two rounds of indicator optimization for the conversion have been completed, subject to approval by competent authorities.

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 work progressed in an orderly manner, and the conversion conditions were constantly improved. The construction of the phase I of the new campus project has been completed and it could accommodate 12,000 students to study and live there. The relocation of the school is progressing steadily. The new campus will be launched upon approval by regulatory authorities.

Xinhua School

Xinhua School is a secondary vocational school, which has been 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 in-depth integration of school-enterprise cooperation, aimed at advancing to undergraduate level. As at 30 June 2023, the school received a total of 74 honorary titles such as “May 4th Red Flag Youth League Committee” of Hefei City and “May 4th Red Flag Youth League Branch Committee” in High-tech Zone.



MANAGEMENT DISCUSSION AND ANALYSIS

Student Enrollment

	As at 30 June 2023	As at 30 June 2022
Xinhua University		
Full-time student enrollment	24,092	24,476
Continuing education	15,586	12,296
Subtotal	39,678	36,772
School of Clinical Medicine⁽¹⁾		
Full-time student enrollment	5,991	4,261
Hongshan College⁽¹⁾		
Full-time student enrollment	9,820	10,213
Xinhua School		
Full-time student enrollment	4,374	6,288
Total number of full-time students	44,277	45,238
Total number of students enrolled	59,863	57,534

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 interim report, 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

- Significant achievements were made in major and program construction conducted in line with the needs of emerging industries.** The Group continued its efforts to enhance construction of majors based on the development needs of emerging industries and the transformation and upgrading of traditional industries. The colleges and universities of the Group currently have a total of 4 national-level first-class undergraduate majors and 14 provincial-level first-class undergraduate majors. Among them, the School of Clinical Medicine further enriched the types of majors and added a new undergraduate major in biopharmaceutics, and the majors of clinical medicine, nursing and biomedical engineering have been approved to be included in the “Six Excellent and One Top-notch” programme. The Group actively carried out curriculum construction, continuously created high-quality courses, and one course of Xinhua University has been included in the national-level first-class undergraduate courses.

MANAGEMENT DISCUSSION AND ANALYSIS

2. **Strengthening the introduction and nurturing of talents to build a high-level teaching team.** The Group continuously introduced doctors, and talents with an associate senior title and above, and increased the proportion of teachers with high academic qualifications and high professional titles, to further optimize the structure of the teacher team. The Group introduced experts and highly skilled talents from enterprises in the industry to further reinforce the team of “dual-certificate” teachers, thus providing excellent teachers for the nurturing of applied talents and continuing to improve the faculty’s training sessions. The Group strengthened personnel training and carried out 340 training sessions by levels and categories.
3. **Deepening exchanges and cooperation to effectively give play to the collaborative education effect.** The Group actively promoted school-enterprise and school-local government cooperation. Xinhua University has built several practical education bases and rural revitalization colleges. The School of Clinical Medicine was recognized as a provincial-level practice educational base and provincial-level modern industrial college. The Group deepened international exchanges and cooperation to enhance its international influence by holding international forums. The Group’s colleges and universities carried out educational cooperation with universities including The Ider University in Mongolia and Management and Science University in Malaysia. The Group created an international exchange cloud platform and introduced curriculum resources from famous universities such as Harvard University and the University of Oxford.
4. **Increasing investment to take modern campuses to a new level.** The Group invested a lot of funds to purchase first-class teaching facilities and equipment and built or rebuilt 32 experimental training centers to provide high-quality teaching resources and environment. The Group strengthened the information-based construction of campuses, further upgraded the servers of data centers, enabled the function of early warning, review and handling of student status, realized the sharing of data of the teaching system, student management system, financial system and other platforms, thus laying the foundation for promoting the digital construction of education. Specifically, Xinhua University established a visualized online classroom surveillance platform, covering 273 multimedia classrooms, while the School of Clinical Medicine implemented the construction of standard laboratories. Gaochun Campus of Hongshan College with complete facilities, sound functions and superior conditions is about to be put into operation.

FUTURE PROSPECTS

I. Grasping the policy spirit and serving the construction of an education power

President Xi Jinping emphasised in the report of the 20th National Congress of the Communist Party of China that we should “give priority to the development of education, rely on ourselves to advance science and technology, drive the development with talents, accelerate efforts to build China into a powerhouse of education, technology and talents, keep cultivating talents for the Party and the Country to fully improve the quality of independent talents cultivation”. With the industrial upgrading and the increasing demands for the applied talents from advanced manufacturing and other sectors, the Group will resolutely implement the fundamental task of fostering character and civic virtue, actively practice the applied talent nurturing philosophy of “orientation towards students and output, and continuous improvement”, so as to nurture high-quality applied talents with a sound personality, solid foundation, strong practical ability, international vision, innovative spirit and development potential.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Explore internal construction for high-quality education

- (i) Based on the needs of cultivating high-quality applied talents, we will continue to advance cooperation between schools and enterprises, focus on national key industries and emerging industries such as electronic information and artificial intelligence, deepen the integration between industry and education, co-build modern industrial colleges and closely align the major offerings with the industrial needs, promote the cluster development of advantaged majors, actively create premium courses, formulate and improve the applied talents cultivation program, so as to constantly improve the students' high-quality employment.
- (ii) We will create a high-level teaching faculty, actively build a professional and high-quality team of teachers, constantly deepen the construction of the team of "dual-certificate" teachers, advance the effective connection between educational chain, talent chain and industrial chain, and optimize the talent cultivation mechanism where universities and enterprises cooperate to cultivate talents.
- (iii) We will enhance cooperation and exchanges and actively play the role of social services to improve our level of serving the society in multiple forms including project co-construction and base co-construction. At the same time, we will actively strengthen cooperation and exchanges with overseas universities and colleges, actively promote the sharing of quality teaching resources, the faculty and student sources at home and abroad, continuously widen the platform for international exchanges and cooperation and broaden the students' vision for development.
- (iv) We will make more efforts to digitalize our campus, continuously improve our level of informatization, enhance the construction of an intelligent campus and create an interactive, intelligent, open and diversified teaching environment, so as to provide the students with high-quality learning and lifestyle services.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 5.3% from RMB333.5 million for the six months ended 30 June 2022 to RMB351.1 million for the Reporting Period. This increase was mainly due to the increase in the average tuition fees received from its students.

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:

	For the six months ended 30 June	
	2023 RMB' 000	2022 RMB' 000
Revenue	351,075	333,473
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	139,622	123,822
Adjusted revenue	490,697	457,295

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income primarily consists of rental and property management income, service income, interest income and surplus on operation of the School of Clinical Medicine and Hongshan College. Other income decreased by 34.7% from RMB37.8 million for the six months ended 30 June 2022 to RMB24.7 million for the Reporting Period, primarily due to the combined effect of decrease in gain on operation of Hongshan College.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staff, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs. Our cost of sales increased by 4.2% from RMB111.6 million for the six months ended 30 June 2022 to RMB116.3 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 5.8% from RMB221.9 million for the six months ended 30 June 2022 to RMB234.8 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 increased by 72.2% from RMB1.8 million for the six months ended 30 June 2022 to RMB3.1 million for the Reporting Period, mainly due to the increase of many admissions activities to increase the student enrollment rates in the first half of 2023.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to administrative staff, depreciation and amortization, and consultancy expenses. Administrative expenses decreased by 13.6% from RMB76.6 million for the six months ended 30 June 2022 to RMB66.2 million for the Reporting Period, primarily due to the decrease in foreign exchange loss.

Finance Costs

Finance costs primarily consist of interest expenses on loans and borrowings. Our finance costs decreased from RMB8.0 million for the six months ended 30 June 2022 to RMB6.5 million for the Reporting Period, primarily due to the decrease in the amount of loans and the interest rate.

Profit before Taxation

The Group recognized a profit of RMB183.7 million before income tax for the Reporting Period, representing an increase of 6.1% as compared with a profit of RMB173.2 million before income tax for the six months ended 30 June 2022, primarily due to the increase of revenue.

Income Tax

The Group's income tax increased by 175.0% from RMB0.8 million for the six months ended 30 June 2022 to RMB2.2 million 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 RMB181.5 million during the Reporting Period, representing an increase of 5.2% as compared with the RMB172.5 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	181,454	172,495
Add:		
Foreign exchange loss	35,009	43,580
Share-based payment expenses	2,441	3,342
Adjusted net profit	218,904	219,417

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 2023, the Group recorded long-term bank time deposits, cash and bank balances of RMB283.4 million (31 December 2022: RMB502.1 million).

Net Current Assets

As at 30 June 2023, the Group recorded net current assets of RMB47.0 million, representing an increase of 77.4% as compared with RMB26.5 million as at 31 December 2022, which was primarily attributable to the decrease in contract liabilities exceeding the decrease in current assets.

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 RMB126.1 million (30 June 2022: RMB14.3 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 RMB500.2 million as at 30 June 2023.

Contingent Liabilities, Guarantees and Litigation

As at 30 June 2023, the Group did not have any unrecorded significant contingent liabilities, guarantees and any litigation against us.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The gearing ratio of the Group, which was calculated as total liabilities divided by total assets. The ratio as at 30 June 2023 is 17.7%, in compare with the figure of 22.8% as at 31 December 2022, there was a slight decrease 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 30 June 2023 and up to the date of this interim report.

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 Renminbi, as most of revenues and expenditures of the Group are denominated in Renminbi. As at 30 June 2023, balances of several banks were denominated in United States dollars or Hong Kong dollars. So far, the Group has not entered into any financial instruments used for hedging purpose, and the management will continue to pay 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 2023, no assets of the Group were pledged.

Human Resources

As at 30 June 2023, the Group has approximately 2,576 employees (as at 30 June 2022: 2,057). In accordance with the applicable laws and regulations, the Group has participated in 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 2023, the Group has not conducted any off-balance sheet transaction.

Events After the Reporting Period

There was no event which has occurred after the Reporting Period and up to the date of this interim report 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.

OTHER INFORMATION

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

There was no changes in the information of our Directors and chief executives of the Company subsequent to the date of the 2022 annual report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE IN CONSTITUTIONAL DOCUMENTS

On 16 June 2023, a special resolution of the Shareholders was passed to adopt the second amended and restated memorandum and articles of the Company to (i) bringing the existing memorandum and articles of association of the Company in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules and applicable laws and procedures of the Cayman Islands; and (ii) making other consequential and housekeeping amendments, the second amended and restated memorandum and articles of the Company are available on the websites of the Stock Exchange and the Company.

OTHER INFORMATION

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name	Capacity/nature of interest	Number of Shares/ underlying Shares	Long/short position	Approximate percentage of shareholding in the Company (%)
Mr. Wu Junbao ⁽¹⁾	Interest in a controlled corporation	1,154,452,879	Long position	71.77
Mr. Zhang Ming	Beneficial owner	30,000,000 ⁽³⁾	Long position	1.86
Mr. Lu Zhen	Beneficial owner	12,000,000 ⁽³⁾	Long position	0.75
Mr. Wang Yongkai	Beneficial owner	12,000,000 ⁽³⁾	Long position	0.75

Notes:

- (1) Mr. Wu Junbao is the sole shareholder of Wu Junbao Company Limited (吳俊保有限公司) ("WJB Company") and he is therefore deemed to be interested in the Shares held by WJB Company.
- (2) The calculation of approximate percentage of shareholding in the Company was based on the total number of 1,608,583,000 Shares in issue as of 30 June 2023.
- (3) These were underlying Shares and represented the share options granted by the Company under the Share Option Scheme. Details of these share options granted are set out in the section headed "Share Option Scheme" below.

(ii) Interest in associated corporation**Xinhua Group**

Name	Capacity/nature of interest	Amount of registered share capital	Long/short position	Approximate percentage of interest in Xinhua Group (%)
Mr. Wu Junbao	Beneficial owner	RMB100,000,000	Long position	95.70

Save as disclosed in this report, as at 30 June 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2023, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company (%)
WJB Company	Beneficial owner	1,154,452,879	Long position	71.77

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 160,000,000 Shares. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 20,200,000 Shares, representing approximately 1.26% of the total issued share capital of the Company.

OTHER INFORMATION

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 4 years and 7 months.

OTHER INFORMATION

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

Category and name of participant	Date of grant	Exercise price per Share	Exercise Period	Vesting period	Outstanding	Granted	Exercised	Cancelled/	Outstanding
					as at 1 January 2023	during the Reporting Period	during the Reporting Period	Lapsed during the Reporting Period	as at 30 June 2023
Director									
Zhang Ming	30 April 2019	HK\$2.69	5 years from vesting date	Note (1)	15,000,000	-	-	-	15,000,000
	5 June 2023	HK\$0.764 ⁽⁷⁾	10 years from vesting date	Note (4)	-	15,000,000	-	-	15,000,000
Lu Zhen	15 July 2019	HK\$2.82	5 years from vesting date	Note (2)	6,000,000	-	-	-	6,000,000
	5 June 2023	HK\$0.764 ⁽⁷⁾	10 years from vesting date	Note (5)	-	6,000,000	-	-	6,000,000
Wang Yongkai	15 July 2019	HK\$2.82	5 years from vesting date	Note (2)	6,000,000	-	-	-	6,000,000
	5 June 2023	HK\$0.764 ⁽⁷⁾	10 years from vesting date	Note (5)	-	6,000,000	-	-	6,000,000
Employees	15 July 2019	HK\$2.82	Notes (2) and (3)	Notes (2) and (3)	40,900,000	-	-	-	40,900,000
	5 June 2023	HK\$0.764 ⁽⁷⁾	10 years from vesting date	Notes (5) and (6)	-	44,900,000	-	-	44,900,000
Total					67,900,000	71,900,000	-	-	139,800,000

Notes:

- (1) Share options granted shall vest in accordance with the timetable below:

Vesting date	Percentage of share options to be vested
30 April 2020	20% of the total number of share options granted
30 April 2021	20% of the total number of share options granted
30 April 2022	20% of the total number of share options granted
30 April 2023	20% of the total number of share options granted
30 April 2024	20% of the total number of share options granted

- (2) Among the 52,900,000 share options granted on 15 July 2019, 33,000,000 share options (including share options granted to Lu Zhen and Wang Yongkai (the "Group A Share Options")) shall vest in accordance with the timetable below with an exercise period commencing from the relevant vesting date and ending on the expiration date of five years after the relevant vesting date:

Vesting date	Percentage of share options to be vested
15 July 2020	25% of the total number of the Group A Share Options granted
15 July 2021	25% of the total number of the Group A Share Options granted
15 July 2022	25% of the total number of the Group A Share Options granted
15 July 2023	25% of the total number of the Group A Share Options granted

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

Vesting date	Percentage of share options to be vested
15 July 2020	30% of the total number of the Group B Share Options granted
15 July 2021	30% of the total number of the Group B Share Options granted
15 July 2022	40% of the total number of the Group B Share Options granted

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

Vesting date	Percentage of share options to be vested
15 July 2020	50% of the total number of the Group C Share Options granted
15 July 2021	50% of the total number of the Group C Share Options granted

OTHER INFORMATION

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

Vesting date	Percentage of share options to be vested
15 July 2020	100% of the total number of the Group D Share Options granted

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

- (4) Among the 71,900,000 share options granted on 5 June 2023, 15,000,000 share options granted to Zhang Ming (the "Group A Share Options") shall vest in accordance with the timetable below:

Vesting date	Percentage of Share Options to be vested
5 June 2024	20% of the total number of the Group A Share Options granted
5 June 2025	20% of the total number of the Group A Share Options granted
5 June 2026	20% of the total number of the Group A Share Options granted
5 June 2027	20% of the total number of the Group A Share Options granted
5 June 2028	20% of the total number of the Group A Share Options granted

- (5) Among the 71,900,000 share options granted on 5 June 2023, 34,000,000 share options (including share options granted to Lu Zhen and Wang Yongkai) (the "Group B Share Options") shall vest in accordance with the timetable below:

Vesting date	Percentage of Share Options to be vested
5 June 2024	25% of the total number of the Group B Share Options granted
5 June 2025	25% of the total number of the Group B Share Options granted
5 June 2026	25% of the total number of the Group B Share Options granted
5 June 2027	25% of the total number of the Group B Share Options granted

- (6) Among the 71,900,000 share options granted on 5 June 2023, 1,500,000 share options (the "Group C Share Options") shall vest in accordance with the timetable below:

Vesting date	Percentage of Share Options to be vested
5 June 2024	30% of the total number of the Group C Share Options granted
5 June 2025	30% of the total number of the Group C Share Options granted
5 June 2026	40% of the total number of the Group C Share Options granted

Among the 71,900,000 share options granted on 5 June 2023, 19,300,000 share options (the "Group D Share Options") shall vest in accordance with the timetable below:

Vesting date	Percentage of Share Options to be vested
5 June 2024	50% of the total number of the Group D Share Options granted
5 June 2025	50% of the total number of the Group D Share Options granted

Among the 71,900,000 share options granted on 5 June 2023, 2,100,000 share options (the "Group E Share Options") shall vest in accordance with the timetable below:

Vesting date	Percentage of Share Options to be vested
5 June 2024	100% of the total number of the Group E Share Options granted

- (7) The closing price of the Share immediately before the date on which share options were granted was HK\$0.750 per Share.

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

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Reporting Period is 92,100,000 and 20,200,000, respectively.

The number of Shares that may be issued in respect of options granted under all Schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.0869.

OTHER INFORMATION

The Group used binomial model to determine the fair value of the share options as of the date of grant, taking into account the terms and conditions upon which the share options were granted. The fair value of share options granted by the Company on 5 June 2023 to employee participants and Directors were HK\$0.22 and HK\$0.22 per share option, respectively. The following table shows key assumptions and the fair value of the share options:

Fair value of share options and assumptions	30 April 2019	15 July 2019	5 June 2023
Fair value at measurement date (HK\$'000)	16,434	53,520	16,055
Share price (HK\$)	2.66	2.82	0.75
Exercise price (HK\$)	2.69	2.82	0.764
Expected volatility	47.04%	41.99%	48.94%
Option life	8.0 years	7.2 years	12.3 years
Expected dividends	2.10%	1.98%	8.75%
Risk-free interest rate	1.672%-1.697%	1.418%-1.566%	3.602%-3.916%

The expected volatility is based on the average volatilities in the similar industry. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. During the Reporting Period, the Board has reviewed the overall performance of the Structured Contracts (as defined in the Prospectus) and believed that the Group has complied with the Structured Contracts in all material respects.

Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and had taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus and the annual report of the Company for the year ended 31 December 2022 for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

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

Foreign Investment Law

The “Law of the People’s Republic of China on Foreign Investment” (“**Foreign Investment Law**”) was passed and promulgated in the National People’s Congress, and became effective on 1 January 2020. As at the date of this interim report, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

OTHER INFORMATION

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 Reporting Period.

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 Reporting Period 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 Reporting Period) 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 and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the Reporting Period. 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 as set out in Appendix 10 to 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.

APPRECIATION

We wish to express our sincere gratitude to our shareholders, management team, employees, business partners and our students for their support and contribution to the Group.

On behalf of the Board

China Xinhua Education Group Limited

Wu Junbao

Chairman

30 August 2023

AUDITOR'S INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS

(Incorporated in Cayman Islands with limited liability)



INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 36 which comprises the consolidated statement of financial position of China Xinhua Education Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

30 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi Yuan)*

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	351,075	333,473
Cost of sales		(116,253)	(111,617)
Gross profit		234,822	221,856
Other income	4	24,725	37,817
Selling and distribution costs		(3,092)	(1,822)
Administrative expenses		(66,249)	(76,615)
Profit from operations		190,206	181,236
Finance costs	5(a)	(6,514)	(7,989)
Profit before taxation	5	183,692	173,247
Income tax	6	(2,238)	(752)
Profit for the period		181,454	172,495
Other comprehensive income for the period (after tax and reclassification adjustments)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		23,282	39,842
Other comprehensive income for the period		23,282	39,842
Total comprehensive income for the period		204,736	212,337
Earnings per share			
Basic (RMB cents)	7	11.3	10.7
Diluted (RMB cents)	7	11.3	10.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

(Expressed in Renminbi Yuan)

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		467,135	496,141
Right-of-use assets		76,370	77,649
Intangible assets		198,939	199,895
Other non-current assets	8	2,826,094	2,700,291
Long-term bank time deposits	11	180,000	180,000
		3,748,538	3,653,976
Current assets			
Trade receivables	9	574	2,639
Prepayments, deposits and other receivables	10	211,681	213,229
Cash and bank balances	11	103,433	322,068
		315,688	537,936
Current liabilities			
Loans and borrowings	12	50,020	50,020
Contract liabilities	13	14,784	329,549
Other payables	14	201,642	128,517
Current taxation		2,238	3,337
		268,684	511,423
Net current assets		47,004	26,513
Total assets less current liabilities		3,795,542	3,680,489
Non-current liability			
Loans and borrowings	12	450,188	446,096
NET ASSETS		3,345,354	3,234,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

(Expressed in Renminbi Yuan)

	<i>Note</i>	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Capital and reserves			
Share capital		12,952	12,952
Reserves	15	3,332,402	3,221,441
TOTAL EQUITY		3,345,354	3,234,393

Approved and authorised for issue by the board of directors on 30 August 2023.

Zhen Lu
Director

Yongkai Wang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company						Total equity
		Share capital	Share premium	Capital reserves	Statutory reserves	Exchange reserves	Retained earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022		12,952	767,406	163,675	508,052	28,601	1,587,431	3,068,117
Changes in equity for the six months ended 30 June 2022:								
Profit for the period		–	–	–	–	–	172,495	172,495
Other comprehensive income		–	–	–	–	39,842	–	39,842
Total comprehensive income		–	–	–	–	39,842	172,495	212,337
Dividends approved in respect of the previous year	15(a)	–	(148,237)	–	–	–	–	(148,237)
Equity settled share-based transactions	15(b)	–	–	3,342	–	–	–	3,342
Balance at 30 June 2022 and 1 July 2022		12,952	619,169	167,017	508,052	68,443	1,759,926	3,135,559
Changes in equity for the six months ended 31 December 2022:								
Profit for the period		–	–	–	–	–	63,016	63,016
Other comprehensive income		–	–	–	–	33,552	–	33,552
Total comprehensive income		–	–	–	–	33,552	63,016	96,568
Equity settled share-based transactions		–	–	2,266	–	–	–	2,266
Balance at 31 December 2022		12,952	619,169	169,283	508,052	101,995	1,822,942	3,234,393

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Capital reserves	Statutory reserves	Exchange reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	12,952	619,169	169,283	508,052	101,995	1,822,942	3,234,393
Changes in equity for the six months ended 30 June 2023:							
Profit for the period	-	-	-	-	-	181,454	181,454
Other comprehensive income	-	-	-	-	23,282	-	23,282
Total comprehensive income	-	-	-	-	23,282	181,454	204,736
Dividends approved in respect of the previous year	15(a)	(96,216)	-	-	-	-	(96,216)
Equity settled share-based transactions	15(b)	-	2,441	-	-	-	2,441
Balance at 30 June 2023	12,952	522,953	171,724	508,052	125,277	2,004,396	3,345,354

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Operating activities			
Cash used in operations		(79,974)	(59,507)
Income tax paid		(3,337)	(2,845)
Net cash used in operating activities		(83,311)	(62,352)
Investing activities			
Payment for the purchase of property, plant and equipment		(1,147)	(13,708)
Proceeds from sale of property, plant and equipment		18	–
Payment for the purchase of intangible assets		(598)	(663)
Payment for school investments		(124,392)	(284,585)
Redemption of bank time deposits		70,000	120,000
Net cash used in investing activities		(56,119)	(178,956)
Financing activities			
Proceeds from related party borrowings		–	68,415
Repayment of bank loans		(5,000)	(5,000)
Borrowing costs paid		(4,267)	(5,894)
Net cash (used in)/generated from financing activities		(9,267)	57,521
Net decrease in cash and cash equivalents		(148,697)	(183,787)
Cash and cash equivalents at 1 January	11	192,068	366,892
Effect of foreign exchanges rates changes		62	5,174
Cash and cash equivalents at 30 June	11	43,433	188,279

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This 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 (“IASB”). It was authorised for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

This 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 2022 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 International Financial Reporting Standards (“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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 20.

2 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, Insurance contracts
- Amendments to IFRS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IFRS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IFRS 12, Income taxes: International tax reform – Pillar Two model rules

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	323,909	306,960
Boarding fees	27,166	26,513
Total	351,075	333,473

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.

During the six month ended 30 June 2023 and 2022, all of the Group's revenues were generated in the People's Republic of China ("PRC") and all of its non-current assets were located in the PRC.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

4 OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Rental and property management income	10,914	10,841
Service income	7,233	6,849
Government grants	798	1,097
Interest income on financial assets measured at amortised cost	4,842	3,569
Surplus on operation of the School of Clinical Medicine and Hongshan College (i)	1,411	15,131
Others	(473)	330
	24,725	37,817

- (i) 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 and 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 and is responsible for the operation costs of the campus before the conversion.

The amount represents the surplus or deficit to be absorbed by the Group, being the recognized revenue less the operation costs of the School of Clinical Medicine and Hongshan College during the reporting period. During the conversion period, the schools are governed by a board in which the Group has board seats but not control. The Group's advances and other investments to the above two schools are disclosed in Notes 8 and 10, representing the Group's related financial exposures prior to the completion of the conversion. After the conversion, the operation results of the School of Clinical Medicine and Hongshan College will be consolidated into the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(a) Finance costs		
Interest expense on loans and borrowings	6,514	7,989
(b) Staff costs		
Salaries, wages and other benefits	77,676	72,022
Contributions to defined contribution retirement plan (i)	5,430	3,719
Equity settled share-based payment expenses	2,441	3,342
	85,547	79,083

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

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(c) Other items		
Depreciation of owned property, plant and equipment	31,164	30,167
Amortisation of intangible assets	1,554	2,480
Depreciation of right-of-use assets	1,278	1,278
Auditors' remuneration	1,000	1,612
	34,996	35,537

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(Expressed in Renminbi Yuan unless otherwise indicated)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
Provision for PRC income tax for the period	2,238	752

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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 reporting 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 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 report, as no detail instructions have been issued yet, the Group has not commenced the registration process.

In accordance with the historical tax returns filed to the relevant tax authorities and the communication with local tax authorities, 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. As a result, 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 2023.

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 CIT for the income from provision of formal educational services as determined by the local tax bureau.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2023 of RMB181,454,000 (six months ended 30 June 2022: RMB172,495,000) and the weighted average number of ordinary shares in issues is 1,608,583,000 (30 June 2022: 1,608,583,000) shares.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2023 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2023 of RMB181,454,000 (six months ended 30 June 2022: RMB172,495,000) and the weighted average number of ordinary shares is 1,609,579,000 (30 June 2022: 1,608,583,000) shares.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

8 OTHER NON-CURRENT ASSETS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Prepayment for investments	660,000	660,000
Other receivables	2,166,094	2,040,291
	2,826,094	2,700,291

As at 30 June 2023 and 31 December 2022, the prepayment for investments represents the payment for the acquisition of Hongshan College of RMB660 million. The other receivables represent the payment to the School of Clinical Medicine for its campus construction with the amount of RMB1,081,049,000 (31 December 2022: RMB1,001,872,000) and the payment to Hongshan College for its campus construction with the amount of RMB1,085,045,000 (31 December 2022: RMB1,038,419,000), which were unsecured, interest-free and receivable on demand. For backgrounds of establishing a new campus for the School of Clinical Medicine and Hongshan College, please refer to the Company's prospectus dated 14 March 2018 and announcement dated 29 April 2019, respectively.

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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 1 year	574	2,639

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

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Prepayments and deposits	201,299	205,089
Other receivables	10,382	8,140
	211,681	213,229

As at 30 June 2023, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

11 LONG-TERM BANK TIME DEPOSITS, CASH AND BANK BALANCES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Long-term bank time deposit	180,000	180,000
Cash and bank balances		
– Bank time deposit	60,000	130,000
– Cash and cash equivalents	43,433	192,068
Total	283,433	502,068

The interest rates on bank time deposits as at 30 June 2023 were ranged from 3.10% to 3.70% per annum (31 December 2022: 2.96% to 3.70%).

12 LOANS AND BORROWINGS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
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	107,900	112,900
	157,920	162,920
	207,940	212,940
Loan from related party:		
After 1 year but within 2 years	–	283,176
After 2 years but within 5 years	292,268	–
	292,268	283,176
	500,208	496,116

As at 30 June 2023, the unsecured bank loans carried interest at annual rates of 3.90% (31 December 2022: 3.90%).

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 an additional sum of HKD80 million, equivalent to RMB68 million, with an annual interest rate of 2.00%. During the reporting period, the Group signed a loan extension agreement with Wu Junbao Company Limited to extend the due date under the previous loan agreement from 21 June 2024 to 21 June 2027.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 CONTRACT LIABILITIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Tuition fees	5,797	296,718
Boarding fees	8,987	32,831
	14,784	329,549

14 OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Payable to suppliers	57,007	68,103
Miscellaneous expenses received from students (i)	8,988	16,491
Accrued staff costs	19,687	27,421
Accrued expenses	7,198	8,175
Dividends payable	97,290	–
Interest payable	10,712	7,567
Others	760	760
	201,642	128,517

(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.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$6.56 cents per ordinary share (2022: HK\$10.78 cents per share)	96,216	148,237

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Equity settled share-based transactions

On 30 April 2019, 15,000,000 share options were granted to Mr. Zhang Ming, an executive Director, under the Company's employee share option scheme, with an exercise price of HK\$2.69 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On 15 July 2019, 52,900,000 share options were granted to certain employees, including two executive directors Lu Zhen and Wang Yongkai, under the Company's employee share option scheme, with an exercise price of HK\$2.82 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On 5 June 2023, 71,900,000 share options were granted to certain employees, including three executive directors Zhang Ming, Lu Zhen and Wang Yongkai, under the Company's employee share option scheme, with an exercise price of HK\$0.764 per share. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 5 June 2024, and then be exercisable until 2028.

No share options were exercised during the six months ended 30 June 2023 (2022: Nil).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratios at 30 June 2023 and 31 December 2022 were as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Total liabilities	718,872	957,519
Total assets	4,064,226	4,191,912
Debt-to-asset ratios	18%	23%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

16 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 30 June 2023 and 31 December 2022 not provided for in the consolidated financial statements were as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Authorised but not contracted for	501,783	600,367

17 MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Wu Junbao	Controlling Shareholder
Wu Junbao Company Limited	Fellow subsidiary
Anhui New East Cuisine Education Institute 安徽新東方烹飪專修學院	Fellow subsidiary
Xinhua Computer College 新華電腦專修學院	Fellow subsidiary
Anhui Wontone Automobile Maintenance Institute 安徽萬通汽車專修學院	Fellow subsidiary

Note: The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(a) Significant related party transactions

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Service fee charged by related parties	44	–
Interest expenses charged by related parties	2,818	2,383
Loan from a related party	–	68,415

As at 30 June 2023, the Group's interest-bearing bank loan with the principal amount of RMB207,940,000 (2022: RMB257,960,000) was guaranteed by the controlling shareholder Mr. Wu Junbao.

DEFINITION

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	China Xinhua Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hongshan College”	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學)
“IFRSs”	the International Financial Reporting Standard(s)
“Listing Date”	26 March 2018, the date on which the Company’s Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New Implementation Rules”	the Implementation Rules for the Law for Promoting Private Education
“PRC Legal Advisors”	Anhui Lanyan Law Firm, our legal advisors as to PRC Laws
“Prospectus”	the prospectus of the Company dated 14 March 2018

DEFINITION

“Reporting Period”	the six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“School of Clinical Medicine”	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college established in 2003 and currently jointly operated by the Group and Anhui Medical University as further described in “Business – Planned Additional Schools – School of Clinical Medicine” in the Prospectus and the 2018 to 2022 annual reports of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 8 March 2018
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States dollars”	United States dollars, the lawful currency of the United States
“Xinhua Group”	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司), (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of the Company
“Xinhua School”	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on 11 April 2002, of which the school sponsor’s interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company
“Xinhua University”	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College* (安徽新華職業學院) which obtained approval from The People’s Government of Anhui Province* (安徽省人民政府) for its establishment on 18 June 2000, of which school sponsor’s interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	percent

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

CHINA XINHUA EDUCATION GROUP LIMITED
中國新華教育集團有限公司