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 2023

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 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022. 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 change**
	2023	2022	
	RMB'000	*RMB'000*	
	(Unaudited)	(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 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 2023 – unaudited

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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)			
Item that will not be reclassified subsequently to profit or loss:			
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

As at 30 June 2023

	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 (CONTINUED)

As at 30 June 2023

	Note	**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

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 ("**IFRS**").

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.

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.

3 Revenue and segment reporting

(a) Revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(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 (the "**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.

4 Other income

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(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.

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(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	2022
	RMB'000	*RMB'000*
	(Unaudited)	(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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(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 Profit 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 announcement, 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 issue 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.

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 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 comprised the balance due from Hongshan College in the amount of RMB200,000,000.

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 agreements from 21 June 2024 to 21 June 2027.

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

(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.

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.

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) 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 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.

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 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.

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 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

1. **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.

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.

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	2022
	RMB' 000	*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

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.

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	2022
	RMB'000	*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.

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 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 Renminbi, as most 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 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 has 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 ("**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 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 for Securities Transactions by the Directors of Listed Issuers (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.

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 the end of September 2023.

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

Hong Kong, 30 August 2023

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. Yao Heping.

* *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.*