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 2024

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 2024 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2023. 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**") and the independent auditor of the Company.

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**
	2024	2023	**change**
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Adjusted revenue [(1)]	**510,709**	490,697	**4.1**
Revenue	**355,716**	351,075	**1.3**
Gross profit	**235,921**	234,822	**0.5**
Profit for the period	**213,119**	181,454	**17.5**
Adjusted net profit [(2)]	**224,779**	218,904	**2.7**

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 2024 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*3*	**355,716**	351,075
Cost of sales		**(119,795)**	(116,253)
Gross profit		**235,921**	234,822
Other income	*4*	**24,057**	24,725
Selling and distribution costs		**(1,078)**	(3,092)
Administrative expenses		**(36,661)**	(66,249)
Profit from operations		**222,239**	190,206
Finance costs	*5(a)*	**(6,375)**	(6,514)
Profit before taxation	*5*	**215,864**	183,692
Income tax	*6*	**(2,745)**	(2,238)
Profit for the period		**213,119**	181,454
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		**4,539**	23,282
Other comprehensive income for the period		**4,539**	23,282
Total comprehensive income for the period		**217,658**	204,736
Earnings per share			
Basic (RMB cents)	*7*	**13.2**	11.3
Diluted (RMB cents)	*7*	**13.2**	11.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	**30 June 2024** *RMB'000* **(unaudited)**	31 December 2023 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**436,378**	460,456
Right-of-use assets		**73,813**	75,092
Intangible assets		**199,983**	200,833
Other non-current assets	*8*	**2,925,140**	2,825,104
Long-term bank time deposits	*11*	**240,000**	160,000
		3,875,314	3,721,485
Current assets			
Trade receivables	*9*	**812**	2,885
Prepayments, deposits and other receivables	*10*	**219,029**	226,647
Cash and bank balances	*11*	**260,215**	524,639
		480,056	754,171
Current liabilities			
Loans and borrowings	*12*	**50,020**	50,020
Contract liabilities	*13*	**12,480**	339,995
Other payables	*14*	**197,912**	119,420
Current taxation		**7,917**	6,064
		268,329	515,499
Net current assets		**211,727**	238,672
Total assets less current liabilities		**4,087,041**	3,960,157
Non-current liabilities			
Loans and borrowings	*12*	**493,964**	496,231
NET ASSETS		**3,593,077**	3,463,926
Capital and reserves			
Share capital		**12,952**	12,952
Reserves	*15*	**3,580,125**	3,450,974
TOTAL EQUITY		**3,593,077**	3,463,926

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 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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(s)**").

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:

- *Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*
- *Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*
- *Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback*
- *Amendments to IAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments has had a material effect on how the Group's results and financial positions 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	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**328,607**	323,909
Boarding fees	**27,109**	27,166
Total	**355,716**	351,075

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 months ended 30 June 2024 and 2023, 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 the 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 the 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. 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	
	2024	2023
	RMB'000	*RMB'000*
Rental and property management income	**12,345**	10,914
Service income	**7,270**	7,233
Government grants	**550**	798
Interest income on financial assets measured at amortised cost	**7,067**	4,842
(Deficit)/surplus on operation of the School of Clinical Medicine and Hongshan College (i)	**(3,123)**	1,411
Others	**(52)**	(473)
	24,057	24,725

(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. Prior to the completion of the conversion, 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, 10 and school operation right recorded in intangible assets 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	
	2024	2023
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on loans and borrowings	**6,375**	6,514
(b) Staff costs		
Salaries, wages and other benefits	**78,645**	77,676
Contributions to defined contribution retirement plan (i)	**5,714**	5,430
Equity settled share-based payment expenses	**4,102**	2,441
	88,461	85,547

(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's contributions to the defined contribution retirement plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

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	
	2024	2023
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of property, plant and equipment	**24,281**	31,164
Amortisation of intangible assets	**1,127**	1,554
Depreciation of right-of-use assets	**1,278**	1,278
Net foreign exchange loss	**7,558**	35,009
Auditors' remuneration	**1,000**	1,000
	35,244	70,005

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period	**2,745**	2,238

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

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

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in the PRC 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. Following the prevailing practice, management considered that no CIT would be imposed by the local tax bureau on the income from provision of formal educational services based on the PRC relevant tax collection administration circumstance. 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 2024.

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 2024 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2024 of RMB213,119,000 (six months ended 30 June 2023: RMB181,454,000) and the weighted average number of ordinary shares in issue of 1,608,583,000 (30 June 2023: 1,608,583,000) shares.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2024, therefore, diluted earnings per share are equivalent to basic earnings per share. The calculation of diluted earnings per share for the six months ended 30 June 2024 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2024 of RMB213,119,000 (six months ended 30 June 2023: RMB181,454,000) and the weighted average number of ordinary shares of 1,608,583,000 (30 June 2023: 1,609,579,000) shares.

8 Other non-current assets

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Prepayment for investments	**660,000**	660,000
Advance to the School of Clinical Medicine and Hongshan College	**2,265,140**	2,165,104
	2,925,140	2,825,104

As at 30 June 2024 and 31 December 2023, the prepayment for investments represents the down-payment for the acquisition of Hongshan College with the amount of RMB660,000,000. The advance to the School of Clinical Medicine and Hongshan College represent the payment to the School of Clinical Medicine for its campus construction with the amount of RMB1,165,261,000 (31 December 2023: RMB1,090,479,000) and the payment to Hongshan College for its campus construction with the amount of RMB1,099,879,000 (31 December 2023: RMB1,074,625,000), which were unsecured and interest-free. 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 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 1 year	**812**	2,885

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

10 Prepayments, deposits and other receivables

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Prepayments and deposits	**201,133**	201,757
Other receivables	**17,896**	24,890
	219,029	226,647

As at 30 June 2024 and 31 December 2023, prepayments and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000.

11 Long-term bank time deposits, cash and bank balances

	At **30 June 2024** ***RMB'000*** **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Long-term bank time deposits	**240,000**	160,000
Cash and bank balances		
– Bank time deposits	**173,500**	280,000
– Cash and cash equivalents	**86,715**	244,639
	260,215	524,639
Total	**500,215**	684,639

The interest rates on bank time deposits as at 30 June 2024 were ranged from 2.40% to 3.55% per annum (31 December 2023: 2.30% to 3.59%).

12 Loans and borrowings

	At **30 June 2024** ***RMB'000*** **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Unsecured bank loans:		
Within 1 year or on demand	**50,020**	50,020
Over 1 year but within 2 years	**51,610**	50,020
Over 2 years but within 5 years	**56,290**	62,880
	107,900	112,900
	157,920	162,920
Loan from a related party:		
Over 2 years but within 5 years	**289,320**	287,272
Over 5 years	**96,744**	96,059
	386,064	383,331
	543,984	546,251

As at 30 June 2024, the unsecured bank loans carried interest at annual rates of 3.05% (31 December 2023: 3.05%).

In June 2021, the Group entered into a loan agreement with a related party of the Company, Wu Junbao Company Limited, with the amount of HKD237 million, equivalent to RMB197 million, and 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%. In June 2023, the Group signed a loan extension agreement with Wu Junbao Company Limited to extend the expiry date under the previous loan agreement from 21 June 2024 to 21 June 2027. In July 2023, the Group borrowed an additional sum of HKD106 million, equivalent to RMB97 million, with an annual interest rate of 2.00%.

13 Contract liabilities

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Tuition fees	**3,464**	305,912
Boarding fees	**9,016**	34,083
	12,480	339,995

14 Other payables

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Payable to suppliers	**58,451**	64,109
Miscellaneous expenses received from students (i)	**1,588**	5,011
Accrued staff costs	**20,933**	25,357
Accrued expenses	**5,045**	9,821
Dividends payable	**92,785**	–
Interest payable	**18,349**	14,362
Others	**761**	760
	197,912	119,420

(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 (the "**Directors**") do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2023 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK6.32 cents per ordinary share (2023: HK6.56 cents per share)	**92,609**	96,216

(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 Mr. Lu Zhen and Mr. 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 Mr. Zhang Ming, Mr. Lu Zhen and Mr. 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 2024 (2023: 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 2024 and 31 December 2023 were as follows:

	At 30 June 2024 ***RMB'000*** **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Total liabilities	**762,293**	1,011,730
Total assets	**4,355,370**	4,475,656
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 OVERVIEW

The Group is a leading private higher education group in China. We are the largest private higher education provider in the Yangtze River Delta in terms of total student enrollment in the Yangtze River Delta Region. Due to the implementation of the Strategic Cooperation Framework Agreement for the Integrated Development of Higher Quality Education in the Yangtze River Delta Region and the Three-year Action Plan for the Integrated Development of Education in the Yangtze River Delta Region, the Group's influence in terms of running schools will be further expanded, which will improve the quality and accelerate the development of the Group's education business in the future.

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

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

BUSINESS REVIEW AND OPERATION UPDATE

Our Schools

As at 30 June 2024, 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 2024, 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 2023/2024 school year, the number of awards won by students in various disciplinary competitions increased by 29.7% year-on-year, of which the number of national awards increased by 49.5% year-on-year; the number of awards won by teachers in national and provincial teaching competitions increased by 200% year-on-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.

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.

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.

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 will be officially launched soon.

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).

Student Enrollment

	As at 30 June 2024	As at 30 June 2023
Xinhua University		
Full-time student enrollment	**23,831**	24,092
Continuing education	**19,777**	15,586
Subtotal	**43,608**	39,678
School of Clinical Medicine[(1)]		
Full-time student enrollment	**7,310**	5,991
Hongshan College[(1)]		
Full-time student enrollment	**9,941**	9,820
Xinhua School		
Full-time student enrollment	**2,577**	4,374
Total number of full-time students	**43,659**	44,277
Total number of students enrolled	**63,436**	59,863

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 15 courses of Xinhua University have been newly included in the provincial-level first-class undergraduate courses. Currently, Xinhua University has one national-level first-class undergraduate course and 71 provincial-level first-class courses.

2. **Focusing on the introduction and nurturing of talents to build a high-level teaching team.** The Group implemented the strategy of "strengthening schools with talents", continuously introduced doctors, and talents with an associate senior title and above and cultivated and introduced 188 doctoral teachers to further optimize the structure of the teacher team. At the same time, 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 352 training sessions by levels and categories.

3. **Continuing to expand 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 have established an Anhui Preparatory Center with the University of Malaya; set up overseas cooperation bases in Malaysia, Indonesia, Thailand and Vietnam, and carried out cooperation projects such as overseas branch campuses, language training centers, and Belt and Road colleges.

4. **Increasing investment to take modern campuses to a new level.** We continued to increase investment, continuously improved the infrastructure on campus to provide a better working and learning environment for teachers and students. Xinhua University continued to update and upgrade laboratory equipment to better meet the needs of education and teaching while the library of the new campus of School of Clinical Medicine has been completed, and the east campus has been officially put into operation. Gaochun Campus of Hongshan College with complete facilities, sound functions and superior conditions is about to be put into operation.

5. **Based on the development needs, social service skills have been continuously strengthened.** We actively performed social service value while achieving our own development. The Group also actively undertook the "Double Thousand Training Project" (「雙千培養工程」) and other government purchase service projects. With its vigorous development of scientific and technological innovation, Xinhua University's unmanned vessels and intelligent embedded technology appeared in the 3rd China University Scientific and Technological Achievement Fair (「第三屆中國高校科技成果交易會」).

FUTURE PROSPECTS

I. Implementing the policy spirit and contributing to 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"; in July 2024, the Third Plenary Session of the 20th Central Committee of the Communist Party of China issued the Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening the Reform and Promoting Chinese Modernization, which clearly proposes "to optimize the layout of higher education and accelerate the construction of world-class universities with Chinese characteristics and advantageous disciplines, to promote the reform of colleges and universities by category, establish a discipline setting adjustment mechanism and a talent training model led by scientific and technological development and national strategic needs, make an extraordinary layout of urgently needed disciplines and majors, strengthen the construction of basic disciplines, emerging disciplines, interdisciplinary disciplines and the cultivation of top talents, and strive to strengthen the cultivation of innovative capabilities." Based on strong market demand and policy support, 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. Focusing on internal construction and continuously promoting high-quality development

(1) Continuously optimize and adjust the setting of disciplines and majors. Adhere to the close integration of disciplines and majors with national development strategies and regional economic and social development needs, continue to promote matching with industry optimization, take industry needs and high-quality employment as the dual guide to deepen the integration of industry and education, school-enterprise cooperation, and realize the seamless connection between professional groups and industry chain, disciplines and majors and location advantages; at the same time, promote the cluster development of advantaged majors, actively create "premium specialty" and "premium courses", formulate and improve the applied talents cultivation program, so as to constantly improve the students' high-quality employment.

(2) Continuously create a high-level teaching faculty. Adhere to the development strategy of "strengthening the school with talents", strengthen the construction of a "dual-qualified and dual-skilled" teacher team through both introduction and education, and build a professional and high-quality team of teachers to lay a solid foundation for talent cultivating.

(3) Carry out in-depth international communication and cooperation. 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.

(4) Continuously promote digital education in depth. We will continue to improve the level of informationization, increase the construction of the smart campus, build an interactive, intelligent, open and diverse smart teaching environment relying on big data, Internet of Things, artificial intelligence and other emerging technologies, conduct data analysis on students' learning foundation, learning process, and learning evaluation, closely integrate emerging technologies with talent cultivation, education and teaching, disciplines and majors construction, scientific research innovation, management services, and continue to improve the level of digital education governance.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 1.3% from RMB351.1 million for the six months ended 30 June 2023 to RMB355.7 million for the Reporting Period. This slight increase was mainly due to the increase of student enrollment.

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	
	2024	2023
	RMB' 000	*RMB' 000*
Revenue	**355,716**	351,075
Add:		
Revenue of the School of Clinical Medicine and Hongshan College	**154,993**	139,622
Adjusted revenue	**510,709**	490,697

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 slightly decreased by 2.4% from RMB24.7 million for the six months ended 30 June 2023 to RMB24.1 million for the Reporting Period, primarily due to the effect of deficit on operation of Hongshan College.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staffs, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs. Our cost of sales increased by 3.0% from RMB116.3 million for the six months ended 30 June 2023 to RMB119.8 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 slightly increased by 0.5% from RMB234.8 million for the six months ended 30 June 2023 to RMB235.9 million for the Reporting Period, primarily due to the combined effect of the continuous improvement in our management level and the scale effect brought by the resource integration, which was in line with the growth of our business.

Selling and Distribution Costs

Selling and distribution costs primarily consist of student admission expenses, salaries and benefits paid to our sales staff, amortization and depreciation, and advertising expenses. Selling and distribution costs decreased by 64.5% from RMB3.1 million for the six months ended 30 June 2023 to RMB1.1 million for the Reporting Period, mainly due to the reduction in student admission expenses in the first half of 2024.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to administrative staff, depreciation and amortization, and consultancy expenses. Administrative expenses decreased by 44.6% from RMB66.2 million for the six months ended 30 June 2023 to RMB36.7 million for the Reporting Period, primarily due to the decrease in foreign exchange loss.

Finance Costs

Finance costs primarily consist of interest expenses on bank loans and borrowings. Our finance costs slightly decreased from RMB6.5 million for the six months ended 30 June 2023 to RMB6.4 million for the Reporting Period, primarily due to the decrease in interest rate of bank loan.

Profit before Taxation

The Group recognized a profit of RMB215.9 million before income tax for the Reporting Period, representing an increase of 17.5% as compared with a profit of RMB183.7 million before income tax for the six months ended 30 June 2023, primarily due to the increase of taxable profit in the PRC.

Income Tax

The Group's income tax increased by 22.7% from RMB2.2 million for the six months ended 30 June 2023 to RMB2.7 million for the Reporting Period, primarily due to the increase in taxable income in the PRC.

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 RMB213.1 million during the Reporting Period, representing an increase of 17.4% as compared with the RMB181.5 million for the six months ended 30 June 2023.

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 expenses, 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	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**213,119**	181,454
Add:		
Net foreign exchange loss	**7,558**	35,009
Share-based payment expenses	**4,102**	2,441
Adjusted net profit	**224,779**	218,904

Foreign exchange gain or loss arises from intra-group fundings with different functional currencies. According to IFRS, a similar amount of exchange gain or loss and other comprehensive income arises simultaneously as a result of change in the exchange rate.

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 2024, the Group recorded long-term bank time deposits, cash and bank balances of RMB500.2 million (31 December 2023: RMB684.6 million).

Net Current Assets

As at 30 June 2024, the Group recorded net current assets of RMB211.7 million, representing a decrease of 11.3% as compared with RMB238.7 million as at 31 December 2023, which was primarily attributable to the decrease in current assets exceeding the change in contract liabilities and dividends payable.

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, the Group's capital expenditures do not consist the scope of the two schools mentioned above. During the Reporting Period, the Group's capital expenditures were RMB101.7 million (30 June 2023: RMB126.1 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

Bank loans and other borrowings of the Group were mainly working capital loans and specific loans. The bank loans and loan from a related party of the Group amounted to RMB544.0 million as at 30 June 2024.

Contingent Liabilities, Guarantees and Litigation

As at 30 June 2024, 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 was 17.5% as at 30 June 2024, in compare with the figure of 22.6% as at 31 December 2023, which was primarily attributable to the decrease in total liabilities exceeding the decrease in total assets.

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 2024 and up to the date of this announcement.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

Save as disclosed herein, 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

Save as disclosed herein, there was no significant investment held by the Group during the Reporting Period.

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 2024, 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 2024, no assets of the Group were pledged.

Human Resources

As at 30 June 2024, the Group has approximately 2,501 employees (as at 30 June 2023: 2,576). 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 2024, the Group has not conducted any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

There was no event which has occurred subsequent to 30 June 2024 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 (for the six months ended 30 June 2023: Nil).

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.

The Company did not have any treasury shares (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) as at 30 June 2024.

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 C1 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 for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all the Directors, 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 made available on the above websites and dispatched to the Shareholders who request the printed copy before the end of September 2024.

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

Hong Kong, 29 August 2024

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.