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

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

Stock Code 股份代號 : 02779

INTERIM REPORT 2019
中期報告

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director
Mr. Wu Junbao (吳俊保) *(Chairman)*

Executive Directors
Mr. Zhang Ming (張明)
Mr. Lu Zhen (陸真)
Mr. Wang Yongkai (王永凱)

Independent Non-executive Directors
Ms. Zhang Kejun (張可君)
Mr. Yang Zhanjun
Mr. Chau Kwok Keung (鄒國強)

AUDIT COMMITTEE

Mr. Chau Kwok Keung (鄒國強) *(Chairman)*
Mr. Wu Junbao (吳俊保)
Ms. Zhang Kejun (張可君)

REMUNERATION COMMITTEE

Ms. Zhang Kejun (張可君) *(Chairman)*
Mr. Wu Junbao (吳俊保)
Mr. Yang Zhanjun

NOMINATION COMMITTEE

Mr. Wu Junbao (吳俊保) *(Chairman)*
Ms. Zhang Kejun (張可君)
Mr. Yang Zhanjun

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

Mr. Wang Yongkai (王永凱)
Mr. Wong Yu Kit (黃儒傑)

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Heifei City, Anhui Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Luk & Partners
In Association with
Morgan, Lewis & Bockius

AUDITORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Hefei Science and Technology Rural Commercial Bank
Huishang Bank
Hangzhou Bank
Industrial and Commercial Bank of China

COMPANY WEBSITE

http://www.chinaxhedu.com

STOCK CODE

02779

HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	Percentage change
	RMB' 000	RMB' 000	
Revenue	**227,596**	200,432	+13.6%
Gross profit	**146,258**	130,597	+12.0%
Profit before taxation	**152,717**	138,112	+10.6%
Profit for the period	**152,358**	137,462	+10.8%
Adjusted net profit [(1)]	**154,246**	137,462	+12.2%

	As of 30 June 2019	As of 30 June 2018	Percentage change
Student enrollment	**44,701**	34,889	+28.1%

As at 30 June 2019, the Group recorded cash and cash equivalents of approximately RMB1.17 billion.

As at 30 June 2019, the Group did not have any bank loans.

Note:

1. 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 International Financial Reporting Standards ("IFRSs") measure. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this report.

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, as measured by the total student enrollment. As of 30 June 2019, the student enrollment of the Group was approximately 44,701, representing an increase of 28.1% as compared with 30 June 2018.

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 province and city where we operate. The high employment quality will further consolidate our reputation, improve our image in the industry, and enable our schools to attract more talented students.

BUSINESS REVIEW

Our Schools

As of 30 June 2019, the Group invested and operated four education institutions, namely (i) Xinhua University, a private university for formal education; (ii) Xinhua School, a private secondary vocational school; (iii) School of Clinical Medicine, a college jointly operated by the Group and Anhui Medical University (安徽醫科大學) ("Anhui Medical University"); and (iv) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics (南京財經大學) ("Nanjing University of Finance and Economics").

Xinhua University

Founded in 2000, Xinhua University is a formal university-level education institution, which provides undergraduate education, junior college education and continuing education focusing on applied sciences. As of 30 June 2019, Xinhua University had 11 subordinate colleges, offering a total of 82 majors for full-time higher education, including 60 undergraduate majors and 22 junior college majors. In addition, Xinhua University also provides the continuing education program to its students. As at 30 June 2019, approximately 30,075 students enrolled in Xinhua University. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta, as measured by the student enrollment.

Xinhua School

As a secondary vocational school, Xinhua School provides general secondary vocational program, undergraduate oriented secondary vocational education program, and five-year junior college oriented secondary vocational education program. All students of Xinhua School take full-time courses. As of 30 June 2019, Xinhua School offered 16 majors, with 5,255 full-time students.

School of Clinical Medicine

Pursuant to the agreement with Anhui Medical University, we are entitled to the tuition fees relating to those students admitted in School of Clinical Medicine in the 2018-2019 school year and thereafter and are responsible for the operations of the new campus. We are currently negotiating with the relevant authorities on the land arrangement for the new campus of the School of Clinical Medicine, and carrying out initial planning for the construction of the new campus. Meanwhile, we are actively making a long-term development plan for the School of Clinical Medicine, and will complete the conversion of the School of Clinical Medicine as early as possible, with the support of Anhui Medical University and relevant competent authorities.

Acquisition during the Reporting Period – Hongshan College

On 29 April 2019, Xinhua Group entered into an agreement with Nanjing University of Finance and Economics and the Nanjing University of Finance and Economics Education Development Foundation (南京財經大學教育發展基金會) ("Nanjing University of Finance and Economics Education Development Foundation"), pursuant to which Xinhua Group has officially become the new school sponsor of Hongshan College and cooperates with Nanjing University of Finance and Economics to jointly operate 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. After the Reporting Period, Hongshan College entered into an agreement with the People's Government of Gaochun District, Nanjing City to acquire approximately 950 mu of land for the construction and development of the new campus of Hongshan College, so as to support Hongshan College in completing the conversion into a standalone private ordinary college as soon as possible in the future.

Student Enrollment

	As at 30 June 2019	As at 30 June 2018
Xinhua University	**30,075**	29,539
Xinhua School	**5,255**[(1)]	5,350
School of Clinical Medicine	**575**	–
Hongshan College	**8,796**	–
Total	**44,701**	34,889

Note:

1. The decrease in the number of students enrolled as at 30 June 2019 was because the number of the graduating students of Xinhua School in 2018 were more than the number of the students enrolled in the 2018-2019 school year.

Tuition and boarding fees

	Tuition fees (RMB)		Boarding fees (RMB)	
	2018-2019 school year	2017-2018 school year	**2018-2019 school year**	2017-2018 school year
Xinhua University				
Four-year undergraduate program	**16,500-25,000**	15,100-25,000	**1,500-2,000**	1,300-1,500
Three-year junior college program	**10,700-21,000**	10,700-21,000	**1,500-2,000**	1,300-1,500
Continuing education program	**2,400-9,900**	1,200-8,900	**1,500-2,000**	1,300-1,500
Xinhua School				
General secondary vocational program	**5,200-10,400**	5,200-7,600	**1,500**	1,200
Undergraduate-oriented secondary vocational program	**10,400**	8,000	**1,500**	1,200
Five-year junior college oriented secondary vocational program	**10,400**	8,000	**1,500**	1,200
School of Clinical Medicine				
Four-year undergraduate program	**13,200-15,900**	–	**1,000**	–
Five-year undergraduate program	**15,900**	–	**1,000**	–
Hongshan College				
Four-year undergraduate program	**14,000**	–	**800-1,500**	–

BUSINESS AND OPERATION UPDATES

1. **Breakthrough in horizontal mergers and acquisitions.** The Group adheres to the merger and acquisition strategy of sustainable development, and has completed mergers and acquisitions, in a high quality manner and at a high standard. During the Reporting Period, the Group acquired Hongshan College and becoming its new school sponsor. The Group and Nanjing University of Finance & Economics jointly operated Hongshan College. After the Reporting Period, the Group entered into an agreement to acquire 60% of school sponsor's interest in Haiyuan College and Kunming Health School through the acquisition of 60% of the equity interest of Fuda Company.

2. **Closer combination of major construction and market demands.** In consideration of market demands and enterprise needs, the Group actively develops majors which are urgently needed in industrial development, and continuously optimizes the major structure and subject setting. As of 30 June 2019, the Group offered a total of 14 additional undergraduate and junior college majors. Xinhua University was approved to offer three undergraduate majors, namely preschool education, big data management and application, and robot engineering; and six junior college majors, including electronic competitive sports and management, and flight attendant. Xinhua School was approved to offer major in unmanned aerial vehicle application, and offered Sino-ROK e-commerce course and the international class on computer application for the first time. The School of Clinical Medicine offered two additional undergraduate majors, namely medical imaging technology and rehabilitation.

3. **Further progress in school-local government cooperation and school-enterprise cooperation.** The Group actively promotes school-local government cooperation and school-enterprise cooperation projects. As at 30 June 2019, Xinhua University was actively developing a long-term government-school-enterprise cooperation mechanism. It signed a strategic school-local government cooperation agreement with the Management Committee of Hefei National High-tech Industrial Development Zone (合肥市國家級高新區管委會), and cooperated with YONYOU SEENTAO (用友新道科技公司) in establishing the "YONYOU SEENTAO Cloud Finance Industry College (用友新道雲財務產業學院)", which offered "Financial Management (YONYOU SEENTAO Excellence Curriculum) (財務管理(用友新道卓越班))", a major under school-enterprise cooperation, for the first time; the School of Clinical Medicine successfully signed contracts with two affiliated hospitals.

4. **Steady improvement in the employment quality of graduates.** With the Group's high education and teaching standard, the Group's school-running record was further improved, with excellent performance in graduate employment and results of postgraduate admission tests in 2019. The initial employment rate of recent graduates of Xinhua University was 94.32%, representing an increase of 0.84% as compared with last year, and the number of students whose scores exceeded cut-off scores for postgraduate admission tests increased by 18.8%, compared with last year.

5. **Excellent results in subject competitions.** Promoting the teaching reform through competition is an effective measure to improve the comprehensive competitiveness of students. As of 30 June 2019, teachers and students of the Group won a total of over 500 awards in various competitions, thus continuously improving the brand influence of the Group.

FUTURE PROSPECTS

(i) Seizing opportunities arising from policies to comprehensively expand the school network and the size of schools of the Group

The data in the Statistical Bulletin on National Education Development 2018 show that, at present, there are 750 private higher colleges and universities across China, including 265 independent colleges, and thus there is huge room for integration. The higher education policies published in the past two years encourage high-quality private universities to expand their sizes through investment, mergers and acquisitions, and promote relevant reforms based on the principle of "conversion of as many as possible and as soon as possible" with regard to the conversion of independent colleges. Our mergers and acquisitions will focus on the following two aspects: (1) long-term investment opportunities arising from the conversion of high-quality independent colleges; and (2) high-quality private colleges and universities located in regions with highly attractive for talents or with a low gross enrollment rate in higher education. We believe that with its rich experience in running schools, abundant capital reserves and excellent brand reputation, Xinhua Group will be able to acquire higher-quality targets in future investments, mergers and acquisitions, and carry out the implementation through the best acquisition scheme, so that there will be a continuous and rapid growth in the sizes of schools of the Group and its profitability.

(ii) Strengthening brand association construction, and striving to enhance the brand effect and profitability of the Group

The Group will continue to make efforts to build a leading applied and highly educated personnel training system and major offerings in China, and continuously optimize the major structure and subject setting to encourage students to actively participate in various professional training and practical activities during their study. Under national policies advocating the integration of production and education, promoting the enrollment expansion for higher education and the construction of application-oriented undergraduate colleges and otherwise, we will continuously strengthen major setting, campus construction and school-enterprise cooperation, so as to provide students with the best learning environment and high-quality professional courses, thus enabling students to obtain better job opportunities after graduation. Meanwhile, the improvement in the teaching and employment quality will help our colleges and universities attract more excellent candidates, and continuously improve the enrollment number and the average tuition fee level of our colleges and universities.

(iii) Extending medical majors and comprehensively integrating resources of high-quality colleges and universities

Data of the National Bureau of Statistics show that in 2018, the number of registered physicians per one thousand population in China was only 2.59 persons, which was much less than that in developed countries in Europe and America. With the changes in China's population structure and the trend of population aging and people's increasing attention to health and quality of life, we believe that the social demand for medical treatment and health services will continuously increase in the future. The Group has invested in the School of Clinical Medicine, and successfully signed agreements to acquire Haiyuan College and Kunming Health School in July 2019, preliminarily developing the cross-regional and multi-level medical college structure. Haiyuan College and the School of Clinical Medicine rank among top independent medical colleges in China. They have high-quality teaching equipment, high-level teaching teams and rich practice and training resources. They complement each other and coordinate with each other in terms of school-running characteristics. The Group will enhance the structure and focus on the development, in terms of medical education.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 13.6% from RMB200.4 million for the six months ended 30 June 2018 to RMB227.6 million for the Reporting Period. This increase was mainly due to the increase in the tuition fee rate, the boarding fee rate and the number of students.

Cost of Sales

Our cost of sales increased by 16.5% from RMB69.8 million for the six months ended 30 June 2018 to RMB81.3 million for the Reporting Period, mainly because we employed more high-level talents and enhanced the salary system construction and the comprehensive training of teaching staff, to improve the education and teaching quality; meanwhile we actively increased the investment of funds in teaching research and activities, and improvement in school facilities and students' living environment.

Gross Profit

Our gross profit increased by 12.0% from RMB130.6 million for the six months ended 30 June 2018 to RMB146.3 million for the Reporting Period, primarily due to the combined effect of the continuous improvement in our management level and the increase in tuition fee, which was in line with the growth of our business.

Other Income

Other income increased by 12.4% from RMB37.1 million for the six months ended 30 June 2018 to RMB41.7 million for the Reporting Period, mainly due to the combined effect of the increase in our rentals and property management fees as a result of our optimization of the management of buildings and facilities of our schools; more grants from the government for the purpose of compensating the operating expenses arising from our schools' teaching activities, scientific research and expenditure on facility improvement; and results arising out of the improvement in the fund utilization and loss on operation of the School of Clinical Medicine. Because the students enrolled by the School of Clinical Medicine in September 2018 were the first batch of students under joint operation of the Group and Anhui Medical University. Considering that the number of students of the School of Clinical Medicine will increase year by year in the future, making it necessary to prepare sources including teachers, experimental and training facilities and sites in advance, the Group expects that the profitability of the School of Clinical Medicine will be improved after the number of students reaches a certain level.

Selling and Distribution Costs

Selling and distribution costs increased by 105.6% from RMB1.8 million for the six months ended 30 June 2018 to RMB3.7 million for the Reporting Period, mainly due to active expansion of the geographical scope of enrollment by the Xinhua School in response to the national call for vocational education; and relevant costs arising out of the promotion of international exchanges by Xinhua University for the acceleration of internationalization development.

Administrative Expenses

Administrative expenses increased by 13.7% from RMB27.7 million for the six months ended 30 June 2018 to RMB31.5 million for the Reporting Period, mainly due to the increase in management expenses arising out of business growth, and higher advisory, legal and compliance costs associated to the requirement of listed company.

Profit before Taxation

The Group recognized a profit of RMB152.7 million before income tax for the Reporting Period, representing an increase of 10.6% as compared with a profit of RMB138.1 million before income tax for the six months ended 30 June 2018, which is generally in line with the increase in gross profit.

Income Tax

The Group's income tax decreased from RMB650,000 for the six months ended 30 June 2018 to RMB359,000 for the Reporting Period, representing a year-on-year decrease of 44.8%, primarily due to the decrease in taxable profit.

Profit for the Period

As a result of the combined effects of the above income, costs and expenses, the Group recorded a profit for the period of RMB152.4 million during the Reporting Period, representing an increase of 10.8% as compared with the RMB137.5 million for the six months ended 30 June 2018.

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 an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the periods presented below:

	Six months ended 30 June (Unaudited)	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**152,358**	137,462
Add:		
Foreign exchange loss	**862**	–
Equity settled share-based payment expenses	**1,026**	–
Adjusted net profit	**154,246**	137,462

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 generated from operations. The Board believes that the need for working capital can be met by the cash flow generated from operating activities, bank loans and other borrowings, and other funds raised at the capital market from time to time in the future. As at 30 June 2019, the Group recorded cash and cash equivalents of RMB1,168.3 million (31 December 2018: RMB1,861.7 million).

Net Current Assets

As at 30 June 2019, the Group recorded net current assets of RMB1,016.2 million, representing a decrease of 37.1% as compared with the RMB1,616.4 million as at 31 December 2018, which was primarily attributable to an increase in the payment of the merger and acquisition.

Capital Expenditures

Capital expenditures consist of purchase or construction cost of property and equipment, prepayment of land lease outlay or other intangible assets. During the Reporting Period, the Group's capital expenditures were RMB21.5 million (30 June 2018: RMB24.8 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.

Capital Commitments

The Group's capital commitments primarily relate to the acquisition of property, plant and equipment and land use rights. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Contracted for	**5,872**	–
Authorized but not contracted for	**923,244**	615,212
	929,116	615,212

Bank Loans and Other Borrowings

The Group did not have any outstanding bank loans as at 30 June 2019.

Contingent Liabilities and Guarantees

As at 30 June 2019, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

Gearing Ratio

Our gearing ratio, which was calculated as total liabilities divided by total equity, decreased from 13.4% as at 31 December 2018 to 7.5% as at 30 June 2019, primarily because the Group's contract liabilities generated from tuition fees and boarding fees of last year were substantially amortized during this period.

Future Plan for Material Investments and Capital Assets

Save as disclosed herein, the Group did not have any other plans for material investments and capital assets as at the date of this report.

Significant Investments Held by the Group

There was no significant investment held by the Group, except for the material acquisitions incurred during the Reporting Period. For further details, please refer to below paragraph headed "Material Acquisitions during the Reporting Period".

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 30 June 2019, balances of several banks were denominated in USD or HKD. So far, the Group has not yet entered into any financial instruments used for hedging purpose, and the management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

Assets Pledge

As at 30 June 2019, the Group did not pledge any assets.

Human Resources

As at 30 June 2019, the Group has approximately 1,613 employees. In accordance with the applicable laws and regulations, the Group has attended the employee social security programs managed by local governments, including housing, retirement pension, medical insurance, maternity insurance and unemployment insurance. The Board believes that the Group is maintaining a favorable working relationship with our employees, and we've experienced no major labor disputes during the Reporting Period.

Off-Balance Sheet Commitments and Arrangements

During the Reporting Period, the Group has not conducted any off-balance sheet transaction.

Material Acquisitions during the Reporting Period

On 29 April 2019, Xinhua Group entered into agreements with Nanjing University of Finance and Economics and the Nanjing University of Finance and Economics Education Development Foundation, pursuant to which Xinhua Group has agreed to be a new school sponsor of Hongshan College and to cooperate with Nanjing University of Finance and Economics to jointly operate Hongshan College for a total consideration of RMB610 million. Upon Xinhua Group becoming a new school sponsor of Hongshan College, it shall have the right and obligation to convert Hongshan College into a standalone private ordinary college owned and operated solely by Xinhua Group.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Reporting Period.

Material Acquisitions after the Reporting Period

On 12 July 2019 and 14 July 2019, Xinhua Group entered into agreements with Mr. Su Pingsen (蘇平森) ("Mr. Su") (as a vendor), Ms. Yue Guimei (岳貴梅) ("Ms. Yue") (as a vendor), Fuda Company (as a target company), Kunming Fuda Development Industrial Group (昆明富達發展實業集團), Haiyuan College (as a target school), Kunming Health School (as a target school), Mr. Su (as a guarantor) and Ms. Chen Yongzhi (陳永芝) (as a guarantor), pursuant to which Xinhua Group agreed to acquire 60% of school sponsor's interest in two schools (namely, Haiyuan College and Kunming Health School) through the acquisition of 60% of the equity interest of Fuda Company, and the Group shall pay the total consideration of RMB918 million to Fuda Company, Mr. Su (or his designee) and Ms. Yue with regard to the aforesaid transaction (the "Transaction"). The Transaction is subject to the approval from competent government authorities. Upon completion of the Transaction, Fuda Company will be owned as to 60% and 40% by Xinhua Group and Mr. Su respectively. For details, please see the announcement of the Company dated 15 July 2019.

Haiyuan College, located in Kunming City, Yunnan Province, China, is a private institution of higher learning that provides undergraduate programs, as well as an independent college approved by the Ministry of Education. Haiyuan College, as the sole medical private undergraduate college in Yunnan Province, enjoys a high reputation in the southwest. During the 2018-2019 school year, Haiyuan College had a student enrollment of approximately 12,026. The tuition fee charged by Haiyuan College for the 2018-2019 school year ranged from approximately RMB17,000 to RMB25,000 (depending on majors). Kunming Health School is a private secondary vocational school located in Kunming City, Yunnan Province, China. During the 2018-2019 school year, Kunming Health School had a student enrollment of approximately 6,247. The tuition fee for the 2018-2019 school year was approximately RMB6,000 per year.

Save as the acquisition of 60% of the equity interest of Fuda Company as mentioned above, there was no event which has occurred after the Reporting Period that would cause material impact on the Group.

INTERIM DIVIDEND

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

OTHER INFORMATION

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the listing (after deducting underwriting fees and related expenses) and the over-allotment option exercised on 18 April 2018 amounted to approximately RMB1,038.0 million which was intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus dated 14 March 2018. Based on the current business development of the Company, the unutilised amount will be gradually utilised within 3-5 years.

As at 30 June 2019, a total amount of HK$392.4 million (equivalent to approximately RMB345.2 million) out of the net proceeds had been used by the Group according to the allocation set out in the Prospectus. The following sets forth a summary of the utilization of the net proceeds as at 30 June 2019:

Purpose	Percentage of total amount	Net proceeds (HK$ million)	Utilized amount as at 30 June 2019 (HK$ million)	Unutilized amount as at 30 June 2019 (HK$ million)
Acquire other schools to expand our school network, acquire undergraduate colleges that can grant bachelor's degrees and entities that own educational assets or institutions	53.0	657.1	346.7	310.4
Improve our school facilities and educational equipment	35.0	433.9	45.7	388.2
Strengthen our market position and enhance our brand recognition	2.0	24.8	–	24.8
Fund our working capital and general corporate purposes	10.0	124.0	–	124.0
Total	100	1,239.8	392.4	847.4

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name	Capacity/nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company (%)
Mr. Wu Junbao	Interest in a controlled corporation	1,150,191,879	Long position	71.5

Note:

(1) Mr. Wu Junbao is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company.

(ii) Interest in associated corporation

Xinhua Group

Name	Capacity/nature of interest	Amount of registered share capital	Long/short position	Approximate percentage of interest in Xinhua Group
Mr. Wu Junbao	Beneficial owner	RMB49,500,000	Long position	95.70%

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company (%)
WJB Company	Beneficial owner	1,150,191,879	Long position	71.5
Mr. Wu Junbao	Interest in a controlled corporation	1,150,191,879	Long position	71.5

Note:

(1) Mr. Wu Junbao is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company.

Save as disclosed above, as at 30 June 2019, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 160,000,000 Shares.

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 8 years and 7 months.

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

Category and name of participant	Date of grant [1]	Exercise price per Share	Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 30 June 2019
Director							
Zhang Ming	30 April 2019	HK$2.69	–	15,000,000	–	–	15,000,000

Note:

(1) Share options granted shall vest in accordance with the timetable below, each with an exercise period commencing from the vesting date and ending on the expiration date of five years after the vesting date:

Vesting date	Percentage of Share Options to vest
30 April 2020	20% of the total number of Share Options granted
30 April 2021	20% of the total number of Share Options granted
30 April 2022	20% of the total number of Share Options granted
30 April 2023	20% of the total number of Share Options granted
30 April 2024	20% of the total number of Share Options granted

(2) The closing price of the Share immediately before the grant of share options on 30 April 2019 was HK$2.66 per Share.

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

STRUCTURED CONTRACTS

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

Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and had taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement.

As advised by the Company's PRC legal advisors, there have been no updates to the implementation rules in relation to the Qualification Requirement since the Listing Date and up to the date of this report.

Please also refer to the section headed "Structured Contracts" in the Prospectus and the annual report of the Company for the year ended 31 December 2018 for the Group's efforts and actions undertaken to comply with the Qualification Requirement. The Group has submitted an application for provisional license for the Xinhua American College to the Centre for International Education ("CIE") on 29 August 2017. On 27 December 2017, the Group received the approval and the provisional license granted by CIE to the Xinhua American College for a period of one year, which was renewed on March 2019. As at the date of this report, we have submitted an application for the first annual license for the Xinhua American College to the CIE.

Regulatory Updates – Impact of the "Law of the People's Republic of China on Foreign Investment"

On 15 March 2019, the "Law of the People's Republic of China on Foreign Investment" ("Foreign Investment Law") was passed and promulgated in the National People's Congress, and will be implemented on 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. At the same time, the Foreign Investment Law stipulates that any foreign investment activities are granted with the pre-establishment national treatment and shall follow the negative list management system. Foreign investors shall not invest in areas that are prohibited in the Negative List for the Access of Foreign Investment ("Negative List"). Foreign investors shall meet the conditions stipulated in the Negative List in order to invest in to the areas that are categorized by the Negative List as restricted category. Foreign investors shall follow the same principle as domestic investment in order to invest in areas that are not on the Negative List. There are no provisions in the Foreign Investment Law that explicitly mention the "actual control" or the "contractual arrangements". Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this report, the Company's operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

REVIEW OF INTERIM RESULTS

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

The audit committee of the Company (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 PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the CG Code 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 Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions from the Listing Date. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

AUDITOR'S INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA XINHUA EDUCATION GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 41 which comprises the consolidated statement of financial position of China Xinhua Education Group Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2019 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June **2019** **RMB'000**	 2018 *(Note)* RMB'000
Revenue	3	**227,596**	200,432
Cost of sales		**(81,338)**	(69,835)
Gross profit		**146,258**	130,597
Other income	4	**41,669**	37,072
Selling and distribution costs		**(3,663)**	(1,778)
Administrative expenses		**(31,547)**	(27,694)
Profit from operations		**152,717**	138,197
Finance costs	5(a)	**–**	(85)
Profit before taxation	5	**152,717**	138,112
Income tax	6	**(359)**	(650)
Profit for the period		**152,358**	137,462
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**4,479**	48,338
Other comprehensive income for the period		**4,479**	48,338
Total comprehensive income for the period		**156,837**	185,800
Earnings per share	7		
Basic and diluted (RMB cents)		**9.5**	9.7

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 26 to 41 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 *(Note)* RMB'000
Non-current assets			
Property, plant and equipment	8	**466,335**	475,994
Lease prepayments		**–**	87,880
Right-of-use assets		**86,601**	–
Intangible assets		**204,160**	204,211
Other non-current assets	9	**690,000**	–
		1,447,096	768,085
Current assets			
Trade receivables	10	**77**	261
Prepayments, deposits and other receivables	11	**32,159**	13,042
Financial assets measured at fair value through profit or loss		**–**	60,242
Cash and cash equivalents	12	**1,168,310**	1,861,671
		1,200,546	1,935,216
Current liabilities			
Contract liabilities	13	**13,364**	212,810
Other payables	14	**168,491**	101,018
Deferred income	15	**755**	1,510
Current taxation		**1,746**	3,429
		184,356	318,767
Net current assets		**1,016,190**	1,616,449
Total assets less current liabilities		**2,463,286**	2,384,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 *(Note)* RMB'000
NET ASSETS		**2,463,286**	2,384,534
Equity			
Share capital		**12,952**	12,952
Reserves	16	**2,450,334**	2,371,582
TOTAL EQUITY		**2,463,286**	2,384,534

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 26 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

		Attributable to equity shareholders of the Company						
	Note	**Share capital RMB'000**	**Share premium RMB'000**	**Capital reserves RMB'000**	**Statutory reserves RMB'000**	**Exchange reserves RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2018		–*	–	110,900	222,569	–	666,456	999,925
Changes in equity for the six months ended 30 June 2018:								
Profit for the period		–	–	–	–	–	137,462	137,462
Other comprehensive income		–	–	–	–	48,338	–	48,338
Total comprehensive income		–	–	–	–	48,338	137,462	185,800
Issuance of ordinary shares through initial public offering, net of issuance costs		3,290	1,034,683	–	–	–	–	1,037,973
Capitalization issue		9,662	(9,662)	–	–	–	–	–
Balance at 30 June 2018 and 1 July 2018		12,952	1,025,021	110,900	222,569	48,338	803,918	2,223,698
Changes in equity for the six months ended 31 December 2018:								
Profit for the period		–	–	–	–	–	118,548	118,548
Other comprehensive income		–	–	–	–	42,288	–	42,288
Total comprehensive income		–	–	–	–	42,288	118,548	160,836
Appropriation to reserves		–	–	–	61,623	–	(61,623)	–
Balance at 31 December 2018 *(Note)*		12,952	1,025,021	110,900	284,192	90,626	860,843	2,384,534

* The balance represents an amount less than RMB1,000.

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019		12,952	1,025,021	110,900	284,192	90,626	860,843	2,384,534
Changes in equity for the six months ended 30 June 2019:								
Profit for the period		–	–	–	–	–	152,358	152,358
Other comprehensive income		–	–	–	–	4,479	–	4,479
Total comprehensive income		–	–	–	–	4,479	152,358	156,837
Dividends approved in respect of the previous year	16(a)	–	(79,111)	–	–	–	–	(79,111)
Equity settled share-based transactions	16(b)	–	–	1,026	–	–	–	1,026
Balance at 30 June 2019		12,952	945,910	111,926	284,192	95,105	1,013,201	2,463,286

The notes on pages 26 to 41 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019	2018
		RMB'000	*(Note)* RMB'000
Operating activities			
Cash used in operations		**(43,710)**	(30,231)
Income tax paid		**(2,042)**	(868)
Net cash used in operating activities		**(45,752)**	(31,099)
Investing activities			
Payment for the purchase of property, plant and equipment		**(21,509)**	(24,849)
Prepayment for investments		**(690,000)**	–
Other cash flows arising from/(used in) investing activities		**59,443**	(202,974)
Net cash used in investing activities		**(652,066)**	(227,823)
Financing activities			
Issue of ordinary shares through initial public offering, net of issuance costs		**–**	1,037,973
Other cash flows used in financing activities		**–**	(85)
Net cash generated from financing activities		**–**	1,037,888
Net (decrease)/increase in cash and cash equivalents		**(697,818)**	778,966
Cash and cash equivalents at 1 January		**1,861,671**	293,023
Effect of foreign exchanges rates changes		**4,457**	48,388
Cash and cash equivalents at 30 June	12	**1,168,310**	1,120,377

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 26 to 41 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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. It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

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

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated 26 March 2019.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have 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.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and recognised the cumulative effect of initial application if any as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

The Group has performed an assessment on the impact of the adoption of IFRS 16 and concluded that no adjustment to the opening balance of equity at 1 January 2019 was recognised. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position. To reflect the changes in presentation, the Group had made the following adjustment at 1 January 2019, as a result of the adoption of IFRS 16:

— Lease prepayments amounting to RMB87,880,000 as at 1 January 2019, which represents land use rights in respect of land located in the People's Republic of China ("PRC") with lease term of 50 years is now measured under right-of-use assets.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**203,623**	178,966
Boarding fees	**23,973**	21,466
Total	**227,596**	200,432

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

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

(b) Segment Reporting

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

4 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Rental and property management income	**14,266**	13,225
Service income	**6,360**	6,795
Government grants *(i)*	**8,082**	5,914
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**385**	6,970
Interest income on financial assets measured at amortised cost	**18,506**	2,785
Loss on operation of the School of Clinical Medicine *(ii)*	**(6,622)**	–
Others	**692**	1,383
	41,669	37,072

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

(ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group (the "Conversion"). 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. The amount represents the recognized revenue less the operation costs of the School of Clinical Medicine during the reporting period. After the Conversion, the operation results of the School of Clinical Medicine will be consolidated into the Group.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
(a) Finance costs		
Interest expense on bank loans	**–**	85
(b) Staff costs		
Salaries, wages and other benefits	**57,058**	51,125
Contributions to defined contribution retirement plan *(i)*	**4,314**	4,009
Equity settled share-based payment expenses	**1,026**	–
	62,398	55,134

(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	
	2019	2018
	RMB'000	RMB'000
(c) Other items		
Depreciation of owned property, plant and equipment	**26,462**	25,735
Amortisation of intangible assets	**1,235**	851
Depreciation of right-of-use assets	**1,279**	–
Amortisation of lease prepayments	**–**	1,279
Auditors' remuneration	**1,275**	1,433
	30,251	29,298

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**359**	650

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

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

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

(iv) According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the reporting period and up to the date of this report, no separate policies, regulations or rules have been introduced by the tax authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services and had enjoyed the preferential corporate income tax exemption treatment since their establishment. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the six months ended 30 June 2019.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2019 of RMB152,358,000 (30 June 2018: RMB137,462,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue (30 June 2018: 1,416,480,433).

The share options granted on 30 April 2019 (see Note 16(b)) does not give rise to any dilution effect on the Company's earnings per share and there were no dilutive potential ordinary shares throughout the six months ended 30 June 2019, and therefore, the basic and diluted earnings per share are the same.

There were no dilutive potential ordinary shares for the six months ended 30 June 2018 and, therefore, diluted earnings per share are equivalent to basic earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with original costs of RMB16,802,763 (30 June 2018: RMB16,943,696).

9 OTHER NON-CURRENT ASSETS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepayment for investments	**690,000**	–

At 30 June 2019, the prepayment for investments represent the down-payment for acquisition of Hongshan College of Nanjing University of Finance & Economics ("Hongshan College") and the earnest payment for acquisition of Kunming Fuda Development Industrial (Group) Company Limited (see Note 20) with the amount of RMB660,000,000 and RMB30,000,000, respectively.

10 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 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**77**	261

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

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepayments and deposits	**4,292**	5,289
Other receivables	**27,867**	7,753
	32,159	13,042

12 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	**1,168,310**	1,861,671

13 CONTRACT LIABILITIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Tuition fees	**5,333**	183,839
Boarding fees	**8,031**	28,971
	13,364	212,810

14 OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Dividends payable	**79,099**	–
Payables to suppliers	**20,191**	28,599
Miscellaneous expenses received from students *(Note (i))*	**17,454**	27,467
Accrued staff costs	**8,074**	16,542
Accrued expenses	**4,018**	7,203
Others	**39,655**	21,207
	168,491	101,018

Note (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 DEFERRED INCOME

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Government grants		
At beginning of period/year	**1,510**	1,384
Grants received/receivable	**7,327**	7,388
Charged to profit or loss in period/year	**(8,082)**	(7,262)
At end of period/year	**755**	1,510
Current	**755**	1,510
Non-current	**–**	–
	755	1,510

16 CAPITAL, RESERVES AND DIVIDENDS

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD5.59 cents per ordinary share (2018: nil)	**79,111**	–

(b) 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 (no share options were granted during the six months ended 30 June 2018). Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 30 April 2020, 30 April 2021, 30 April 2022, 30 April 2023 and 30 April 2024 by 20% of the total number of share options granted each time, with an exercise period commencing from the respective vesting dates and ending on the expiration date of five years after the vesting dates. The exercise price is HKD2.69 per share, being the weighted average closing price of the Company's ordinary shares for the five business days immediately before the grant.

No options were exercised during the six months ended 30 June 2019 (2018: nil).

16 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) 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 2019 and 31 December 2018 were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Total liabilities	**184,356**	318,767
Total assets	**2,647,642**	2,703,301
Debt-to-asset ratios	**7%**	12%

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

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 input i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Level 3 – bank's wealth management products	–	60,242

The fair values of banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting period.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the reporting period, there was no transfer between instruments in Level 1 and Level 2. The movements during the period in the balance of these Level 3 fair value measurements was as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank's wealth management products:		
At beginning of the period/year	**60,242**	235,521
Payment for purchases	**–**	2,400,500
Changes in fair value recognised in profit or loss during the period	**385**	16,470
Redemption of investment	**(60,627)**	(2,592,249)
At ending of the period/year	**–**	60,242

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018 due to short-term maturity of these instruments.

18 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 30 June 2019 and 31 December 2018 not provided for in the consolidated financial statements were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**5,872**	–
Authorised but not contracted for	**923,244**	615,212
	929,116	615,212

19 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party	**Relationship**
Wu Junbao	Controlling Shareholder
Anhui New East Cuisine Education Institute ("New East Cuisine") 安徽新東方烹飪專修學院	Fellow subsidiary
Xinhua Computer College ("Xinhua Computer") 新華電腦專修學院	Fellow subsidiary

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

(a) Significant related party transactions

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Rental fee charged by related parties	**3,600**	–
Service fee charged by related parties	**520**	620
Repayment to related parties	**–**	511

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The acquisition of Haiyuan College and Kunming Health School

On 12 July 2019 and 14 July 2019, the Group entered into agreements in relation to the acquisition of 60% of school sponsor' interest in Kunming Medical University Haiyuan College ("Haiyuan College") and Kunming Health School through the acquisition of 60% of the equity interest of Kunming Fuda Development Industrial (Group) Company Limited ("Fuda Company") with the vendors Mr. Su Pingsen and Ms. Yue Guimei. The Acquisition excluded all non-education assets currently held under the name of Fuda Company and certain assets currently held under the name of Haiyuan College. The total consideration payable by the Group for the transaction is RMB918 million, including a cash consideration of RMB612 million and a share consideration of RMB306 million, and as of the date of this report, the Group had made an initial cash payment of RMB336 million.

Equity settled share-based transactions

On 15 July 2019, the Group granted 52,900,000 share options to subscribe for the ordinary shares of HKD0.01 each in the share capital of the Company to certain eligible persons including the executive directors Mr. Lu Zhen and Mr. Wang Yongkai. As of the date of this report, the Group is in the process of making an assessment of the fair value of these share options granted on 15 July 2019.

DEFINITION

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

"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	China Xinhua Education Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Fuda Company"	Kunming Fuda Development Industrial (Group) Company Limited* (昆明富達發展實業（集團）有限公司), a limited liability company established in the PRC
"Group"	the Company and its subsidiaries
"Haiyuan College"	Kunming Medical University Haiyuan College (昆明醫科大學海源學院), an independent college of Kunming Medical University
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hongshan College"	Hongshan College (紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics (南京財經大學)
"IFRSs"	the International Financial Reporting Standard(s)
"Kunming Health School"	Kunming Health School (昆明市衛生學校), a private secondary vocational school
"Listing"	the listing of the shares on the Main Board of the Stock Exchange on 26 March 2018
"Listing Date"	26 March 2018, the date on which the Company's Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated 14 March 2018
"Reporting Period"	the six months ended 30 June 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"School of Clinical Medicine"	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college established in 2003 and currently jointly operated by the Group and Anhui Medical University as further described in "Business – Planned Additional Schools – School of Clinical Medicine" in the Prospectus and the annual report of the Company for the year ended 31 December 2018
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 8 March 2018
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WJB Company"	Wu Junbao Company Limited (吳俊保有限公司), a limited liability company incorporated under the laws of the BVI on 18 August 2017 and wholly owned by Mr. Wu Junbao and is one of our controlling shareholders (as defined in the Listing Rules)
"Xinhua Group"	Anhui Xinhua Group Investment Co., Ltd* (安徽新華集團投資有限公司), (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of the Company
"Xinhua School"	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on April 11, 2002, of which the school sponsor's interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company

DEFINITION

"Xinhua University"	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College (安徽新華職業學院) which obtained approval from The People's Government of Anhui Province (安徽省人民政府) for its establishment on June 18, 2000, of which school sponsor's interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company
"Yangtze River Delta"	comprises Jiangsu Province, Zhejiang, Anhui Province and Shanghai in the PRC
"%"	percent

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