

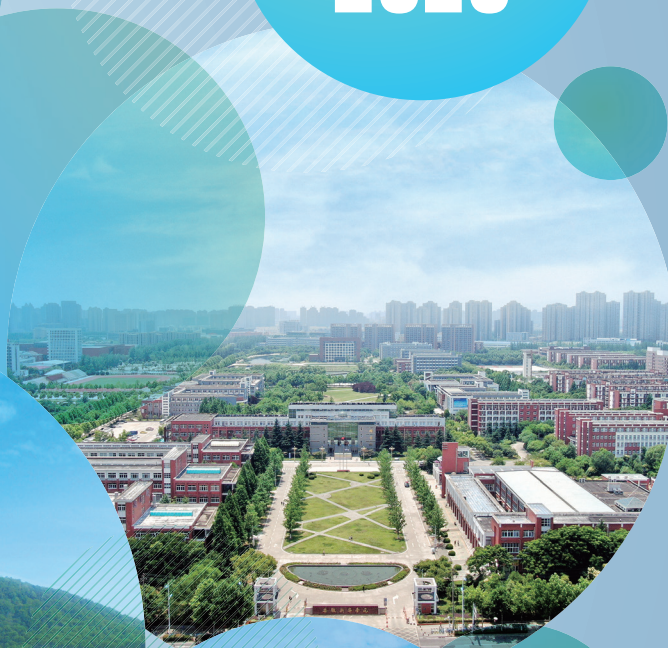
CHINA XINHUA EDUCATION GROUP LIMITED 中國新華教育集團有限公司

(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
中期報告
2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Wu Junbao (吳俊保) (*Chairman*)

Executive Directors

Mr. Zhang Ming (張明)

Mr. Lu Zhen (陸真)

Mr. Wang Yongkai (王永凱)

Independent Non-executive Directors

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

Mr. Chau Kwok Keung (鄒國強)

AUDIT COMMITTEE

Mr. Chau Kwok Keung (鄒國強) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Jiang Min (蔣敏)

REMUNERATION COMMITTEE

Mr. Jiang Min (蔣敏) (*Chairman*)

Mr. Wu Junbao (吳俊保)

Mr. Yang Zhanjun

NOMINATION COMMITTEE

Mr. Wu Junbao (吳俊保) (*Chairman*)

Mr. Jiang Min (蔣敏)

Mr. Yang Zhanjun

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

Mr. Wang Yongkai (王永凱)

Mr. Wong Yu Kit (黃儒傑)

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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Hefei 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

Suites 1902-09, 19th Floor

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITORS

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China

Hefei Science and Technology Rural Commercial Bank

Huishang Bank

Hangzhou Bank

Industrial and Commercial Bank of China

COMPANY WEBSITE

<http://www.chinaxhedu.com>

STOCK CODE

02779

HIGHLIGHTS

	Six months ended 30 June		
	2020 RMB' 000	2019 RMB' 000	Percentage change
Total income ⁽¹⁾	292,989	269,265	+8.8%
Revenue	244,819	227,596	+7.6%
Gross profit	173,939	146,258	+18.9%
Profit for the period	152,727	152,358	+0.2%
Adjusted net profit ⁽²⁾	180,285	154,246	+16.9%
Adjusted EBITDA ⁽³⁾	216,111	183,581	+17.7%

	As of 30 June 2020	As of 30 June 2019	Percentage change
Full-time student enrollment	39,879	37,496	+6.4%

As at 30 June 2020, the Group recorded cash and cash equivalents of approximately RMB1.1 billion.

Notes:

- (1) Total income of the Group consists of revenue and other income.
- (2) The Group defines the adjusted net profit as the profit for the Reporting 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 report.
- (3) For the calculation method of adjusted EBITDA, 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 2020, the student enrollment of the Group was approximately 43,923, of which the number of full-time students was approximately 39,879, representing an increase of 6.4% compared to the same period last year. The approved enrolment plan of the Group's schools for the 2020/2021 school year was 11,164 (excluding continuing education program and secondary vocational education), representing a year-on-year increase of approximately 7%. Among them, the undergraduate enrolment plan was 10,764, representing a year-on-year increase of 19%. The Group's schools further expanded the construction of new campuses to increase the school capacity. The construction of new campuses have commenced at present, and it is expected that the capacity will increase by at least 40,000 students after the completion of all the new campuses.

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. With professional and high-quality education, the Group has continuously made outstanding contributions for students and their families, employers and economic and social development.

BUSINESS REVIEW AND OPERATION UPDATE

Our Schools

As of 30 June 2020, 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); and (iv) Hongshan College, a college jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學).

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. Xinhua University 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 of 30 June 2020, 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 students in the society. The approved undergraduate enrolment plan of the Xinhua School for the 2020/2021 school year was 6,400, representing a year-on-year increase of 19%. Xinhua University is expected to open four new student dormitory buildings and one laboratory building in September 2020, increasing the campus capacity by more than 4,000 students to meet the needs of increasing student numbers in the future. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta, as measured by the student enrollment.

MANAGEMENT DISCUSSION AND ANALYSIS

School of Clinical Medicine

School of Clinical Medicine is an independent college approved by the Ministry of Education to train full-time undergraduate students. It offers seven undergraduate majors, while its major offerings focus on majors such as clinical medicine, pharmacy and nursing. During the 2020/2021 school year, new majors such as “medical laboratory technology”, “optometry” and “health and service management” were added. Since students have had a strong will to apply for admission to the school over two years of our running, its lowest admission mark for science was the highest among schools of the same type in Anhui Province, and its yield hit a new high for two consecutive years and was the highest among schools of the same type in Anhui Province.

In order to meet the increasing demand of students and speed up the conversion, the School of Clinical Medicine has purchased land for the new campus, which is located in the core area of Hefei Binhu Science City, with obvious regional advantages. This allows the effective utilization of rich and excellent scientific, educational and medical resources in Hefei, and creates an outstanding synergy with Hefei and colleges and universities of the Group in Hefei. The new campus construction project of the School of Clinical Medicine was evaluated as a key project in Anhui Province and Hefei City. Construction of the new campus has begun, and the main building of phase I project has been topped out. The new campus is expected to be put into operation before 1 September 2021. After the completion of the new campus, the capacity of the School of Clinical Medicine will be significantly improved.

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.

During the 2020/2021 school year, Hongshan College has a new enrollment plan of 830 students for top-up degree programs. At the same time, the construction of the new campus of Hongshan College commenced in May 2020. The new campus is located in Nanjing, the capital city of Jiangsu Province, with an excellent geographical location and convenient transportation, and the new campus construction project was evaluated as a major project of Jiangsu Province and Nanjing City. The new campus is expected to accommodate at least 25,000 students. The phase I project of the new campus is scheduled to be operational by 1 September 2021 and is expected to accommodate at least 10,000 students.

Xinhua School

As a secondary vocational school, Xinhua School, which was awarded as National Key Secondary Vocational School (國家級重點中等職業學校), Model School for School-Enterprise Cooperation in Hefei (合肥市校企合作示範校), and Experimental School for Moral Education Innovation in Hefei (合肥市德育創新實驗學校), provides career-oriented general secondary vocational program with deep integration of school and enterprise, undergraduate oriented secondary vocational education program and five-year junior college oriented secondary vocational education program. All students of Xinhua School take full-time courses. As of 30 June 2020, Xinhua School offered 16 majors. Xinhua School actively promotes the integration of industry and education, comprehensively promotes management innovation and connotation development, reforms the talent training model and curriculum system, and strengthens practical teaching and skills training. Xinhua School has successively launched a new model of cooperation with well-known enterprises inside and outside the province that includes the co-construction of training rooms, sharing of teachers, and shared management.

MANAGEMENT DISCUSSION AND ANALYSIS

Student Enrollment

	As at 30 June 2020	As at 30 June 2019
Xinhua University		
Full-time student enrollment	23,442	22,870
Continuing education	4,044	7,205
Subtotal	27,486	30,075
School of Clinical Medicine		
Full-time student enrollment	1,751	575
Hongshan College		
Full-time student enrollment	9,054	8,796
Xinhua School		
Full-time student enrollment	5,632	5,255
Total number of full-time students	39,879	37,496
Total number of students enrolled	43,923	44,701

Tuition fees and boarding fees

	Tuition fees (RMB)		Boarding fees (RMB)	
	2020/2021 school year	2019/2020 school year	2020/2021 school year	2019/2020 school year
Xinhua University				
Four-year undergraduate program	19,800-23,800	19,800-23,800	1,500-2,000	1,500-2,000
Three-year junior college program	10,700-12,000	10,700-12,000	1,500-2,000	1,500-2,000
Continuing education program	2,400-6,000	2,400-11,900	1,500-2,000	1,500-2,000
School of Clinical Medicine				
Four-year undergraduate program	13,200-15,900	13,200-15,900	1,000	1,000
Five-year undergraduate program	15,900	15,900	1,000	1,000
Hongshan College				
Four-year undergraduate program	14,000	14,000	800-1,500	800-1,500
Xinhua School				
General secondary vocational program	9,000-16,000	9,000-11,400	1,500-2,000	1,500
Undergraduate oriented secondary vocational program	11,400	11,400	1,500-2,000	1,500
Five-year secondary vocational program	11,400	11,400	1,500-2,000	1,500

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

1 New Development Opportunities for Private Colleges and Universities arising out of the Gradual Implementation of Favourable Policy

The Group has always been aiming to cultivate high-quality application-oriented talents with solid academic ability, innovative spirit, international vision and development potential. We noted that there have been positive changes in the management philosophy of the competent education authorities at all levels in respect of private colleges and universities since the implementation of the revised Law for Promoting Private Education published in 2018, such as the implementation of a filing system for tuition fee adjustment and the encouragement for the conversion of independent colleges. We believe that the implementation of the above policies and other related measures will help advantageous higher education groups expand their school size and improve their school quality through independent teaching and scientific research innovation as well as software and hardware construction, and effectively give full play to the advantages and features of private higher education.

In 2019, there were favorable policies and information, including the strategic plan of China Education Modernization 2035 issued by the State Council, the National Vocational Education Reform Implementation Plan, “Enrollment of One Million Students for Vocational Education” and all-around revitalization of undergraduate education. Subsequently, the competent departments at all levels published a number of policies to support colleges and universities in further increasing the enrollment, and encourage the healthy development of vocational education. In terms of implementation, measures including social enrollment of colleges and universities, the construction of “high-level higher vocational” schools and the “1+X” teaching service of colleges and universities have been actively planned and advanced, and have achieved good results. In the first half of 2020, the State Council and the Ministry of Education issued documents to further increase the enrollment for top-up degree programs and master degree programs, thus bringing new opportunities for universities to expand their size.

Benefiting from aforementioned policy, the enrollment plan of the Group’s top-up degree programs increased by more than 1,500 during the 2020/2021 school year, representing an increase of more than 290% over the 2019/2020 school year, which is higher than the average level of private higher colleges and universities nationwide. The Group will, based on its high-quality resources and rich experience in the education industry and its position to cultivate high-end application-oriented talents, seize the policy opportunities, strengthen the integration of industry and education and school-enterprise cooperation, and further expand its school network and student enrollment by acquiring high-quality schools.

2 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 2019 show that, at present, there are 757 private higher colleges and universities across China, including 257 independent colleges, and thus there is huge room for integration. At the same time, the Ministry of Education released a policy in May 2020, setting out more detailed requirements on the basic requirements, workflow and completion time for the conversion of independent colleges. The state has promoted the conversion of independent colleges. Based on the principle of “conversion as many as possible and as soon as possible”, high-quality private higher education institutions have many advantages in merger and acquisition of independent colleges and promotion of conversion, and may take the opportunity to expand their school size. In addition, since higher education in China is being popularized and the development of private colleges and universities varies, advantageous higher education institutions have more market opportunities to invest in, merge and acquire relevant colleges and universities. We believe that the policy changes will continue to bring more opportunities of merger and acquisition for the market, enabling high-quality private colleges and universities to expand their school network through investment, merger and acquisition, thus realizing cross-regional arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 highly attractive for talents or with a low gross enrollment rate in higher education. We believe that with our rich experience in running schools, abundant capital reserves and excellent brand reputation, we 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.

3 To meet the various service needs of students and continue to diversify the revenue of the Group

In addition to building high-quality specialty majors, the Group also actively supports the “1+X” training model advocated by the State by providing value-added services for students in professional qualification examinations, practical training and other areas with the orientation of employment. After years of exploration, the Group has formed a education and service system with a variety of classes, flexible hours and competitive prices in the areas of various professional qualification assessment and professional practice examinations, enabling students to enjoy additional high-quality education services conveniently without going to school. In 2020, the Group established a professional department to further integrate various resources, expand its service categories and promote additional education services in Anhui Province, which has made positive progress. At the same time, the Group has also actively communicated and collaborated with government and enterprises to tailor various professional courses and continuing education related services for its staff. We believe that by satisfying the various learning and living needs of students, we can also enhance the income level of the Group and realize the diversification, differentiation and personalization of our business.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 7.6% from RMB227.6 million for the six months ended 30 June 2019 to RMB244.8 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 full-time students.

Other Income

Other income increased by 15.6% from RMB41.7 million for the six months ended 30 June 2019 to RMB48.2 million for the Reporting Period, primarily due to the operating gain on the School of Clinical Medicine and Hongshan College during the Reporting Period.

Cost of Sales

Our cost of sales decreased by 12.8% from RMB81.3 million for the six months ended 30 June 2019 to RMB70.9 million for the Reporting Period, mainly due to the decrease in various operation costs as a result of the impact of the epidemic.

Gross Profit

Our gross profit increased by 18.9% from RMB146.3 million for the six months ended 30 June 2019 to RMB173.9 million for the Reporting Period, primarily due to the combined effect of the continuous improvement in our management level and the decrease in cost of sales as a result of the epidemic, which was in line with the growth of our business.

Selling and Distribution Costs

Selling and distribution costs decreased by 35.1% from RMB3.7 million for the six months ended 30 June 2019 to RMB2.4 million for the Reporting Period, primarily due to the restricted related promotion and enrollment activities in the first half of the year as a result of the impact of the epidemic and the decrease in enrollment promotion fees as we adopted a new enrollment model combining online and offline.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses increased by 98.4% from RMB31.5 million for the six months ended 30 June 2019 to RMB62.5 million for the Reporting Period, primarily due to the increase in share-based payment expenses and foreign exchange loss and the increase in costs for recruiting more management talents to adapt to the expansion of the school scale, and the increase in depreciation and amortization expenses.

Finance Costs

Finance costs increased from nil for the six months ended 30 June 2019 to RMB4.4 million for the Reporting Period, mainly due to the interest generated from the withdrawal of a loan of RMB366.0 million from the end of 2019 to the mid of 2020.

Profit before Taxation

The Group recognized a profit of RMB152.8 million before income tax for the Reporting Period, representing an increase of 0.1% as compared with a profit of RMB152.7 million before income tax for the six months ended 30 June 2019, due to the combined effect of gross profit growth and administrative expenses increase.

Income Tax

The Group's income tax decreased from RMB359,000 for the six months ended 30 June 2019 to RMB30,000 for the Reporting Period, representing a year-on-year decrease of 91.6%, primarily due to the decrease in taxable profit.

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 RMB152.7 million during the Reporting Period, representing an increase of 0.2% as compared with the RMB152.4 million for the six months ended 30 June 2019.

Adjusted net profit

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

	Six months ended 30 June (Unaudited)	
	2020 RMB'000	2019 RMB'000
Profit for the period	152,727	152,358
Add:		
Foreign exchange loss	11,226	862
Share-based payment expenses	16,332	1,026
Adjusted net profit	180,285	154,246

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”)

EBITDA is calculated by adding back financing costs to profit before taxation, depreciation of owned property, plant and equipment and right-of-use assets and amortization of intangible assets. EBITDA increased from RMB181.7 million for the six months ended 30 June 2019 to RMB188.6 million for the six months ended 30 June 2020. After adjusting for foreign exchange loss and share-based payment expenses, adjusted EBITDA increased by 17.7% from RMB183.6 million for the six months ended 30 June 2019 to RMB216.1 million for the six months ended 30 June 2020.

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 2020, the Group recorded cash and cash equivalents of RMB1,101.0 million (31 December 2019: RMB1,383.0 million).

Net Current Assets

As at 30 June 2020, the Group recorded net current assets of RMB1,625.6 million, representing an increase of 35.6% as compared with the RMB1,198.6 million as at 31 December 2019, which was primarily attributable to a decrease in the short term bank loan balance.

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 RMB25.6 million (30 June 2019: RMB21.5 million). The Group's capital expenditures for the Reporting Period are primarily related to the construction of buildings and school facilities and the purchase of equipment and software. The Group has funded these capital expenditures primarily with cash generated from operations.

Bank Loans and Other Borrowings

The bank loans of the Group amounted to RMB361.0 million carried interest at annual rates of 4.75% to 4.90% as at 30 June 2020.

Contingent Liabilities, Guarantees and Litigation

As at 30 June 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total liabilities divided by total equity, decreased from 25.8% as at 31 December 2019 to 20.4% as at 30 June 2020, primarily because the Group's contract liabilities generated from tuition fees and boarding fees of last year was basically amortized during the Reporting 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.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

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



MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment Held by the Group

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

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 30 June 2020, balances of several banks were denominated in USD or HKD. So far, the Group has not entered into any financial instruments used for hedging purpose, and the management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

Pledge of Assets

As at 30 June 2020, no assets of the Group were pledged.

Human Resources

As at 30 June 2020, the Group has approximately 1,694 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.

Events After the Reporting Period

There was no event which has occurred after the six months ended 30 June 2020 that would cause material impact on the Group.

TENANCY AGREEMENTS

On 30 July 2020, School of Clinical Medicine entered into (i) a tenancy agreement ("Tenancy Agreement I") with Anhui New East Culinary Institute* (安徽新東方烹飪專修學院) ("New East Culinary Institute") to renew the existing agreement dated 25 December 2018, pursuant to which New East Culinary Institute (as landlord) has agreed to lease a premise located at Guanqing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui Province, the PRC, to School of Clinical Medicine (as tenant) as campus for a one-year term from 1 August 2020 to 31 July 2021 at a monthly rental of RMB500,000; and (ii) a tenancy agreement ("Tenancy Agreement II") with Anhui Wontone Automobile Maintenance Institute* (安徽萬通汽車專修學院) ("Anhui Wontone"), pursuant to which Anhui Wontone (as landlord) has agreed to lease a premise located at 699 Xuelin Road, Xinzhan District, Hefei, Anhui Province, the PRC, to School of Clinical Medicine (as tenant) as dormitory for a one-year term from 1 August 2020 to 31 July 2021 at a monthly rental of no more than RMB174,000, subject to the number of rooms actually used by the tenant. The rental amount under each of the Tenancy Agreement I and Tenancy Agreement II was determined based on arm's length negotiations between parties with reference to the prevailing market price of comparable properties in the vicinity.

Each of New East Culinary Institute and Anhui Wontone, being a 30%-controlled company of Mr. Wu Junbao who is a non-executive Director and a controlling shareholder of the Company, is an associate of Mr. Wu Junbao and a connected person of the Company. As such, the transaction contemplated under each of the Tenancy Agreement I and Tenancy Agreement II constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details of each of the Tenancy Agreement I and Tenancy Agreement II and the transactions contemplated thereunder, please refer to announcement of the Company dated 30 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF COVID-19 EPIDEMIC ON THE GROUP

At the beginning of 2020, the global outbreak of the COVID-19 epidemic was emerging. The Group has set up a joint prevention and control working group as soon as possible, established a four-level prevention and control system of “Group-University-School-Class”, and comprehensively studied and deployed the epidemic prevention and control. The education and teaching was in effective operation and the schools were organized to carry out online courses to ensure the orderly progress of teaching. Most of the students of the Group successively returned to schools from April to June 2020.

In order to combat the COVID-19 epidemic, the Group has actively fulfilled its social responsibilities. The faculty members of the Group and its affiliated schools made donations of several millions of Renminbi in total. In accordance with the relevant guidelines issued by the local education authorities on the refund of student boarding fees under the influence of the COVID-19 epidemic, the schools under the Group refunded a total of approximately RMB20.0 million in boarding fees.

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.

As at 30 June 2020, a total amount of HK\$668.6 million (equivalent to approximately RMB609.2 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 2020:

Purpose	Percentage of total amount	Net proceeds (HK\$ million)	Utilized	Utilized	Unutilized	Expected
			amount during the six months ended 30 June 2020 (HK\$ million)	amount as at 30 June 2020 (HK\$ million)	amount as at 30 June 2020 (HK\$ million)	timeframe for full utilisation ⁽¹⁾
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%	657.1	169.2	515.9	141.2	2020-2021
Improve our school facilities and educational equipment	35%	433.9	13.2	58.9	375.0	2020-2022
Strengthen our market position and enhance our brand recognition	2%	24.8	-	-	24.8	2021-2022
Fund our working capital and general corporate purposes	10%	124.0	3.8	93.8	30.2	2020-2022
Total	100%	1,239.8	186.2	668.6	571.2	

(1) The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of our Directors since the publication of the annual report of the Company for the year ended 31 December 2019 are as below:

Independent non-executive Director, Mr. Jiang Min had the following changes in his information:

Mr. Jiang Min's term of office as an independent non-executive director of Tsingtao Brewery Co., Ltd.* (青島啤酒股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600600) and the Stock Exchange (stock code: 168) and Sunshine Power Co., Ltd.* (陽光電源股份有限公司), a company whose shares listed on the Shenzhen Stock Exchange (stock code: 300274), has been expired in June 2020 and May 2020, respectively.

Independent non-executive Director, Mr. Chau Kwok Keung had the following change in his information:

Mr. Chau Kwok Keung became a fellow member of Australia Institute of Public Accountants on 2 June 2020.

OTHER INFORMATION

Save for the information disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2020, 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 ⁽¹⁾	Interest in a controlled corporation	1,152,618,879	Long position	71.65

Note:

- (1) Mr. Wu Junbao is the sole shareholder of Wu Junbao Company Limited (吴俊保有限公司) ("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	RMB100,000,000	Long position	95.70%

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2020, 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	1,152,618,879	Long position	71.65

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

OTHER INFORMATION

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 160,000,000 Shares. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 92,100,000 Shares, representing approximately 5.73% of the total issued share capital of the Company.

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 7 years and 7 months.



OTHER INFORMATION

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

Category and name of participant	Date of grant	Exercise price per Share	Outstanding as at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 30 June 2020
Director							
Zhang Ming	30 April 2019 ⁽¹⁾	HK\$2.69	15,000,000	–	–	–	15,000,000
Lu Zhen	15 July 2019 ⁽²⁾	HK\$2.82	6,000,000	–	–	–	6,000,000
Wang Yongkai	15 July 2019 ⁽²⁾	HK\$2.82	6,000,000	–	–	–	6,000,000
Employees	15 July 2019 ⁽²⁾⁽³⁾	HK\$2.82	40,900,000	–	–	–	40,900,000

Notes:

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

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

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

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

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

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

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

OTHER INFORMATION

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

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

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

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. 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 2019 for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

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

Foreign Investment Law

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF INTERIM REPORT

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 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.

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 interim report for the Reporting Period) of the Group. The Audit Committee considered that the interim report is in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the CG Code 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 has complied with the Model Code during the Reporting Period.



AUDITOR'S INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS



INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 38 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 2020 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards 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 2020 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 2020



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 RMB' 000	2019 RMB' 000
Revenue	3	244,819	227,596
Cost of sales		(70,880)	(81,338)
Gross profit		173,939	146,258
Other income	4	48,170	41,669
Selling and distribution costs		(2,449)	(3,663)
Administrative expenses		(62,511)	(31,547)
Profit from operations		157,149	152,717
Finance costs	5(a)	(4,392)	–
Profit before taxation	5	152,757	152,717
Income tax	6	(30)	(359)
Profit for the period		152,727	152,358
Other comprehensive income for the period (after tax and reclassification adjustments)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		21,497	4,479
Other comprehensive income for the period		21,497	4,479
Total comprehensive income for the period		174,224	156,837
Earnings per share	7		
Basic and diluted (RMB cents)		9.5	9.5

The notes on pages 27 to 38 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 2020 – unaudited

	Note	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Non-current assets			
Property, plant and equipment		464,062	467,747
Right-of-use assets		84,043	85,323
Intangible assets		204,798	206,658
Other non-current assets	8	660,000	660,000
		1,412,903	1,419,728
Current assets			
Trade receivables	9	2,736	2,768
Prepayments, deposits and other receivables	10	613,919	488,198
Financial assets measured at fair value through profit or loss	11	154,286	–
Cash and cash equivalents	12	1,101,038	1,382,996
		1,871,979	1,873,962
Current liabilities			
Loans and borrowings	13	50,020	330,000
Contract liabilities	14	8,452	239,480
Other payables	15	185,547	102,058
Current taxation		2,383	3,872
		246,402	675,410
Net current assets		1,625,577	1,198,552
Total assets less current liabilities		3,038,480	2,618,280
Non-current liabilities			
Loans and borrowings	13	310,980	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

	<i>Note</i>	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
NET ASSETS		2,727,500	2,618,280
Equity			
Share capital		12,952	12,952
Reserves	16	2,714,548	2,605,328
TOTAL EQUITY		2,727,500	2,618,280

The notes on pages 27 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company							
	Note	Share	Share	Capital	Statutory	Exchange	Retained	Total
		capital	premium	reserves	reserves	reserves	earnings	equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	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 and 1 July 2019		12,952	945,910	111,926	284,192	95,105	1,013,201	2,463,286
Changes in equity for the six months ended 31 December 2019:								
Profit for the period		-	-	-	-	-	118,315	118,315
Other comprehensive income		-	-	-	-	21,025	-	21,025
Total comprehensive income		-	-	-	-	21,025	118,315	139,340
Equity settled share-based transactions		-	-	15,654	-	-	-	15,654
Appropriation to reserves		-	-	-	63,410	-	(63,410)	-
Balance at 31 December 2019		12,952	945,910	127,580	347,602	116,130	1,068,106	2,618,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited

	Note	Attributable to equity shareholders of the Company						Total equity RMB' 000
		Share capital RMB' 000	Share premium RMB' 000	Capital reserves RMB' 000	Statutory reserves RMB' 000	Exchange reserves RMB' 000	Retained earnings RMB' 000	
Balance at 1 January 2020		12,952	945,910	127,580	347,602	116,130	1,068,106	2,618,280
Changes in equity for the six months ended 30 June 2020:								
Profit for the period		-	-	-	-	-	152,727	152,727
Other comprehensive income		-	-	-	-	21,497	-	21,497
Total comprehensive income		-	-	-	-	21,497	152,727	174,224
Dividends approved in respect of the previous year	16(a)	-	(81,336)	-	-	-	-	(81,336)
Equity settled share-based transactions	16(b)	-	-	16,332	-	-	-	16,332
Balance at 30 June 2020		12,952	864,574	143,912	347,602	137,627	1,220,833	2,727,500

The notes on pages 27 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 RMB' 000	2019 RMB' 000
Operating activities			
Cash used in operations		(140,856)	(43,710)
Income tax paid		(1,519)	(2,042)
Net cash used in operating activities		(142,375)	(45,752)
Investing activities			
Payment for the purchase of property, plant and equipment		(25,605)	(21,509)
Payment for the purchase of intangible assets		(195)	(1,184)
Return of prepayment/(prepayment) for investments		1,000	(690,000)
Payment for purchase of financial assets measured at fair value through profit or loss		(154,286)	–
Proceeds from sale of financial assets measured at fair value through profit or loss		–	60,627
Net cash used in investing activities		(179,086)	(652,066)
Financing activities			
Proceeds from bank loans		336,000	–
Repayment of bank loans		(305,000)	–
Borrowing costs paid		(4,588)	–
Net cash generated from financing activities		26,412	–
Net decrease in cash and cash equivalents		(295,049)	(697,818)
Cash and cash equivalents at 1 January		1,382,996	1,861,671
Effect of foreign exchanges rates changes		13,091	4,457
Cash and cash equivalents at 30 June	12	1,101,038	1,168,310

The notes on pages 27 to 38 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 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 20.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated 25 March 2020.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Revenue from contracts with customers within the scope of IFRS15		
Tuition fees	234,818	203,623
Boarding fees	10,001	23,973
Total	244,819	227,596

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

4 OTHER INCOME

	Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Rental and property management income	8,212	14,266
Service income	2,205	6,360
Government grants (i)	173	8,082
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	-	385
Interest income on financial assets measured at amortised cost	12,970	18,506
Gain/(loss) on operation of the School of Clinical Medicine and Hongshan College (ii)	24,602	(6,622)
Others	8	692
	48,170	41,669

Notes:

- (i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities, scientific researches and expenditures on facilities.
- (ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group. According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter is responsible for the operation costs of the campus before the conversion.

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
(a) Finance costs		
Interest expense on bank loans	4,392	–
(b) Staff costs		
Salaries, wages and other benefits	56,223	57,058
Contributions to defined contribution retirement plan (i)	1,407	4,314
Equity settled share-based payment expenses	16,332	1,026
	73,962	62,398

Note:

- (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	
	2020 RMB' 000	2019 RMB' 000
(c) Other items		
Depreciation of owned property, plant and equipment	28,070	26,462
Amortisation of intangible assets	2,055	1,235
Depreciation of right-of-use assets	1,279	1,279
Auditors' remuneration	1,550	1,275
	32,954	30,251

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

	Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Current tax		
Provision for PRC income tax for the period	30	359

Notes:

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.
- (iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on its taxable income.
- (iv) According to the 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 the 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 2020.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2020 of RMB152,727,000 (30 June 2019: RMB152,358,000) and the weighted average number of ordinary shares of 1,608,583,000 in issue (30 June 2019: 1,608,583,000).

The share options granted on 30 April 2019 and 15 July 2019 (see Note 16(b)) do not give rise to any dilution effect on the Company's earnings per share and there were no dilutive potential ordinary shares throughout the six months ended 30 June 2020 and 30 June 2019, and therefore, the basic and diluted earnings per share are the same.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8 OTHER NON-CURRENT ASSETS

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Prepayment for investments	660,000	660,000

As at 30 June 2020 and 31 December 2019, the prepayment for investments represents the down-payment for the acquisition of Hongshan College.

9 TRADE RECEIVABLES

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

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Within 1 year	2,736	2,768

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

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Prepayments and deposits	208,767	207,723
Other receivables	405,152	280,475
	613,919	488,198

As at 30 June 2020, prepayment and deposits mainly comprise the balance due from Hongshan College with the amount of RMB200,000,000, and other receivables mainly comprise the balance due from the School of Clinical Medicine with the amount of RMB313,806,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Unlisted equity securities	154,286	–

On 12 March 2020, the Group entered into an investment agreement with an unlisted education group, pursuant to which the Group agreed to make an investment of RMB154 million as consideration to subscribe 5.714% equity interest in the unlisted education group.

As at 30 June 2020, the unlisted equity securities represent the fair value of the Group's investment in the unlisted education group.

12 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Cash at bank and on hand	1,101,038	1,382,996

13 LOANS AND BORROWINGS

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Unsecured bank loan:		
Within 1 year or on demand	50,020	330,000
After 1 year but within 2 years	50,020	–
After 2 years but within 5 years	150,060	–
After 5 years	110,900	–
	310,980	–
	361,000	330,000

As at 30 June 2020, the unsecured bank loans carried interest at annual rates of 4.75% and 4.90%.

14 CONTRACT LIABILITIES

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Tuition fees	4,286	211,289
Boarding fees	4,166	28,191
	8,452	239,480

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

15 OTHER PAYABLES

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Dividends payable	81,255	–
Payables to suppliers	15,467	19,716
Miscellaneous expenses received from students (Note (i))	21,904	27,318
Accrued staff costs	15,971	21,949
Accrued expenses	6,139	8,279
Interest payable	–	196
Others	44,811	24,600
	185,547	102,058

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 1 year.

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	
	2020 RMB' 000	2019 RMB' 000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$5.53 cents per ordinary share (2019: HK\$5.59 cents)	81,336	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, 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 to subscribe for the ordinary shares of HK\$0.01 each in the share capital of the Company were granted to certain employees, including two executive directors Lu Zhen and Wang Yongkai, with an exercise price of HK\$2.82 per share.

No share options were exercised during the six months ended 30 June 2020 (2019: nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2020 and 31 December 2019 were as follows:

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Total liabilities	557,382	675,410
Total assets	3,284,882	3,293,690
Debt-to-asset ratios	17%	21%

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 or engage 3rd party appraiser performing valuation for wealth management products and unlisted equity securities which are categorized into Level 3 of the fair value hierarchy. The team or 3rd party appraiser report directly to the head of finance department. A valuation report with analysis of changes in fair value measurement is prepared 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 2020 RMB' 000	At 31 December 2019 RMB' 000
Level 3 – bank's wealth management products	–	–
Level 3 – unlisted equity securities	154,286	–

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.

The fair value of unlisted equity securities is determined using the price/earnings ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 recognized 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 six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The movements during the period in the balance of these Level 3 fair value measurements was as follows:

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Bank's wealth management products:		
At beginning of the period/year	–	60,242
Payment for purchases	–	–
Changes in fair value recognised in profit or loss during the period	–	385
Redemption of investment	–	(60,627)
At ending of the period/year	–	–
Unlisted equity securities:		
At beginning of the period/year	–	–
Payment for purchases	154,286	–
Changes in fair value recognised in profit or loss during the period	–	–
At ending of the period/year	154,286	–

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement.

The gains arising from the remeasurement of the financial instrument is presented in the "Other income" line item in the consolidated statement of profit or loss.

(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 2020 and 31 December 2019 due to short-term maturity of these instruments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

18 COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment and land use rights outstanding at 30 June 2020 and 31 December 2019 not provided for in the consolidated financial statements were as follows:

	At 30 June 2020 RMB' 000	At 31 December 2019 RMB' 000
Contracted for	900,304	–
Authorised but not contracted for	481,146	966,090
	1,381,450	966,090

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	
	2020 RMB' 000	2019 RMB' 000
Rental fee charged by related parties	3,600	3,600
Service fee charged by related parties	395	520

As at 30 June 2020, the Group's interest-bearing bank loan with the amount of RMB361,000,000 was guaranteed by the controlling shareholder Mr. Wu Junbao.

20 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include formulating a response work plan scientifically, launching online education platforms and taking various infection control actions. As at the date of this report, the Group considered its impact on the Group's financial position and operating performance was immaterial.

DEFINITION

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	China Xinhua Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hongshan College”	Hongshan College of Nanjing University of Finance and Economics* (南京財經大學紅山學院), an independent college established in 1999 and currently jointly operated by the Group and Nanjing University of Finance and Economics* (南京財經大學)
“IFRSs”	the International Financial Reporting Standard(s)
“Listing”	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 2020

DEFINITION

“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 reports of the Company for the year ended 31 December 2018 and 2019
“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
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“Xinhua Group”	Anhui Xinhua Group Investment Co., Ltd* (安徽新華集團投資有限公司), (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of the Company
“Xinhua School”	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on 11 April 2002, of which the school sponsor’s interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company
“Xinhua University”	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College* (安徽新華職業學院) which obtained approval from The People’s Government of Anhui Province* (安徽省人民政府) for its establishment on 18 June 2020, of which school sponsor’s interest is wholly owned by Xinhua Group. It is a consolidated affiliated entity of the Company
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	percent

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

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