

Xiaoxiao Education Limited
Suite 801, Level 8, 5 Elizabeth Street
Sydney NSW 2000 Australia



31 August 2012

Company Announcements Office
 ASX Limited
 Level 5, 20 Bridge Street
 SYDNEY NSW 2000

Dear Sir or Madam

Xiaoxiao Education Ltd

In accordance with the Listing Rules, below is the Appendix 4D - Half-Yearly Report for the half-year ended 30 June 2012 for immediate release:

1. Details of the reporting period and the previous corresponding period	30 June 2012 \$	30 June 2011 \$	% change
2. Results for announcement to the market			
2.1 <i>Revenue from ordinary activities</i>	3,489,957	3,315,490	5.26%
2.2 <i>(Loss) from ordinary activities after tax attributable to members</i>	(184,856)	(1,837,243)	(89.94%)
2.3 <i>Net (loss) for the period attributable to members</i>	(184,856)	(1,837,243)	(89.94%)
2.4 <i>Dividend distributions</i>	No dividends have been proposed		
2.5 <i>Record date for determining entitlements to the dividend</i>	Not applicable		
2.6 <i>Explanation of any figures in 2.1 to 2.5 that may be required</i>	Not applicable		
3. Net tangible assets per security	2.34 cent	2.69 cents	(12.88%)
4. Control gained or lost over entities	Not applicable		
5. Dividend payments	No dividends have been paid to shareholders		
6. Dividend reinvestment plan details	No dividend reinvestment plans are in operation		



7. Associates and joint venture entities	30 June 2012			30 June 2011		
	Holding %	Aggregate share of profits /(losses)	Contributions to net profit	Holding %	Aggregate share of profits /(losses)	Contributions to net profit
	There are no associated or joint venture entities					
8. Foreign entities accounting standards	Not applicable					
9. Audit/review of accounts upon which this report is based	Independent Audit/Review Report will be lodged with the ASX as part of the half- year financial report for the period ended 30 June 2012					

**XIAOXIAO EDUCATION LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 26 140 573 762



**HALF-YEAR FINANCIAL REPORT
ENDED 30 JUNE 2012**



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CORPORATE INFORMATION

ABN 26 140 573762

Directors

Yongrong Tong (Executive Chair)
Roger Smeed (Deputy Chair)
Ernest Kwok Wong
Yinong Ye (resigned 31 May 2012)
Xuhua Li (resigned 31 May 2012)
Hongxia Lu (resigned 31 May 2012)
Hao Zhang

Company Secretary

Rita Wang

Registered Office

Level 14, 96-100 King William Street
Adelaide, SA, 5000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnstone Street
Abbotsford, Victoria 3067, Australia
Phone: 1300 850 505

Xiaoxiao Education Limited Shares are listed on the Australian Securities Exchange (ASX)

ASX Code: XXL

Banker

Commonwealth Bank
Cnr London Circuit and Ainslie Avenue
Canberra, ACT 2601

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville, South Australia 5034

Legal Advisor

Norton Rose
RACV Tower,
485 Bourke Street
Melbourne, Victoria 3000

Website Address

www.xiaoxiao.com.au

All monetary amounts in this Report are in Australian dollars unless stated otherwise
The financial year begins on 1 January and ends on 31 December each year



Directors' Report

Your directors present this interim report on the consolidated entity (referred hereafter as "the XXL Group"), consisting of Xiaoxiao Education Limited and its controlled entities for the half-year ended 30 June 2012.

Directors

The following persons were directors of Xiaoxiao Education Limited ("the Company") during the financial period and up to the date of this report unless otherwise stated:

Roger Smeed	- appointed on 16 November 2009
Yongrong Tong	- appointed on 16 November 2009
Ernest Kwok Wong	- appointed on 16 November 2009
Hao Zhang	- appointed on 13 August 2010
Xuhua Li	- appointed on 16 November 2009, resigned on 31 May 2012
Hongxia Lu	- appointed on 16 November 2009, resigned on 31 May 2012
Yinong Ye	- appointed on 16 November 2009, resigned on 31 May 2012

Company Secretary

The company secretary is Rita, Wang, who was appointed on 3 June 2010.

Principal Activities

The consolidated entity's principal continuing activities during the period is the provision of premium pre-school educational services in the Zhejiang Province.

Besides, Xiaoxiao Education Limited has started operating the pre-school education services in Australia by acquiring a kindergarten called Breakfast Point Childcare Centre on 14 March 2011.

There were no significant changes in the nature of the consolidated group's principal activities during this financial period.

Dividends

The directors of the XXL Group recommend that no dividend be paid in respect of the half-year ended 30 June 2012 (2011: nil).

Review of Operations

Established and highly successful for over 16 years, Xiaoxiao was the first China-based private sector pre-school education group to list in Australia. This occurred with the incorporation of Xiaoxiao Education Limited (XXL) and the successful acquisition of the structure, contracts and control of the existing Xiaoxiao businesses by XXL on 16 November 2009 and the subsequent fundraising completed by XXL on 2 February 2010.

Operating Results

The net loss after tax of the XXL Group for the half-year ended 30 June 2012 was \$184,856 (2011: \$1,837,243 loss).



Significant Changes in the State of Affairs

With continuously growth, Xiaoxiao has successfully maintained a steady operating performance and profitability, a product of excellent management, vigilant quality control and its highly trained and experienced staff.

Matters Subsequent to the End of the Half-year

Xiaoxiao made an ASX announcement on 16 May 2012 regarding an approach by Mr Xu Zi to acquire a majority of the ordinary shares in Xiaoxiao Education Limited (XXL). Specially, Mr Xu wishes to purchase all of the issued ordinary shares in capital of Xiaoxiao Education Ltd held by Madam Yongrong Tong.

Mr Xu will be the Managing Director and owner of Australia China Mining Limited, which through a subsidiary, controls Qijiang Pingdong Ming Company Limited (PRC), a China based company intending to enter into iron ore mining production in the Chongqing province of the Peoples Republic of China (PRC).

In consideration for the above metioned, Mr Xu offers an asset being the Datong Daluo iron ore mine ("Datong") situated in the Chongqing Province, PRC.

Mr Xu intends to change the business nature of XXL to involvement in the Chinese mining sector, delivering assets in that sector to the Company, and to consequently dispose of the existing education assets.

Other than the above, there were no material events subsequent to reporting date impacting upon the parent or controlled entity.

Likely Developments and Expected Results of Operations

In China today there are approximately 180 million children under the age of 6 years with an estimated 14% of those children attending kindergartens. Since 2000 there has been a significant growth in demand for private pre-school education in urban centres due largely to the formalisation of government policy in favour of private sector pre-school education and the rapid rise of incomes and life expectations.

Xiaoxiao continues to maintain its strong reputation as the industry leader. The Company has excellent relationships with local government throughout China and envied brand recognition in the market. The Board of Xiaoxiao Education Limited is confident of continuing the Company's growth and profitability.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the director's report for the half-year ended 30 June 2012.

This report is signed in accordance with a resolution of the Board of Directors.

Madam Tong Yongrong
Chairman of the Board
Dated this 31 August 2012

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XIAOXIAO EDUCATION LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Xiaoxiao Education Limited for the half-year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Director – Audit & Assurance

Adelaide, 31 August 2012



Xiaoxiao Education Limited
Consolidated Statement of Comprehensive Income
For the Half-Year Ended 30 June 2012

	Note	Consolidated June 2012 \$	Consolidated June 2011 \$
Revenue from school fees	2	3,489,957	3,315,490
Other income	2	3,321	60
School catering and consumables		(548,314)	(516,771)
Depreciation and amortisation		(413,129)	(391,238)
Employee benefits		(1,921,219)	(1,795,208)
Finance costs		(28,682)	(29,600)
Other expenses		(766,790)	(714,047)
Impairment		-	(1,705,929)
Profit/(Loss) for the period	2	(184,856)	(1,837,243)
Other comprehensive income			
Exchange differences on translation of foreign operations		(50,056)	(474,993)
TOTAL COMPREHENSIVE INCOME		(234,912)	(2,312,236)
Loss attributable to:			
- Owner of Xiaoxiao Education Ltd	2	(184,856)	(1,837,243)
- Non-controlling interest		-	-
	2	(184,856)	(1,837,243)
Earnings per share			
Basic (cents)		(0.12)	(1.24)
Diluted (cents)		(0.12)	(1.24)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2012

	Notes	Consolidated 30 June 2012 \$	Consolidated 31 December 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		284,551	136,784
Other receivable	3	2,151,409	2,235,363
Total current assets		2,435,960	2,372,147
Non-current Assets			
Property, plant and equipment		2,954,977	3,053,389
Intangible assets	4	3,301,955	3,572,381
Total non-current assets		6,256,932	6,625,770
Total Assets	2	8,692,892	8,997,917
LIABILITIES			
Current Liabilities			
Other payables	5	665,820	344,233
Unearned income		9,034	511,246
Borrowings		1,245,600	1,235,200
Total current liabilities		1,920,454	2,090,679
Total Liabilities		1,920,454	2,090,679
Net Assets		6,772,438	6,907,238
EQUITY			
Issue capital	6	15,801,789	15,801,789
Retained earnings		(10,405,407)	(10,220,551)
Foreign exchange reserve		(1,173,651)	(1,223,707)
Capital and reserves attributable to members		4,222,731	4,357,531
Non-controlling interest		2,549,707	2,549,707
Total Equity		6,772,438	6,907,238

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited
Consolidated Statement of Changes in Equity
For the Half-Year Ended 30 June 2012

Consolidated

	Share Capital \$	Retained Profits \$	Foreign Currency Translation Reserve \$	Non- Controlling Interest \$	Total Equity \$
Balance at 1 January 2011	15,801,789	(2,797,183)	(1,121,999)	2,549,707	14,432,314
Total comprehensive income	-	(1,837,243)	(474,993)	-	(2,311,236)
Balance as at 30 June 2011	15,801,789	(4,634,426)	(1,596,992)	2,549,707	12,120,078
Balance at 1 January 2012	15,801,789	(10,220,551)	(1,223,707)	2,549,707	6,907,238
Total comprehensive income	-	(184,856)	50,056	-	(134,800)
Balance as at 30 June 2012	15,801,789	(10,405,407)	(1,173,651)	2,549,707	6,772,438

The above Consolidated Statement of Equity should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited
Consolidated Cash Flow Statement
For the Half-Year Ended 30 June 2012

	Consolidated June 2012 \$	Consolidated June 2011 \$
Cash Flows From Operating Activities		
Receipts from customers	3,004,142	2,878,820
Payments to suppliers and employees	(3,186,753)	(1,908,838)
Others	3,321	60
Net cash outflow from operating activities	(179,290)	970,042
Cash Flows from Investing Activities		
Payment for acquisition of business, net of cash acquired	-	(262,224)
Payment for acquisition of property, plant and equipment	-	(27,776)
Loans to related party	357,035	(1,878,061)
Loans repaid by other entities	-	1,738,870
Net cash outflow/ inflow from investing activities	357,035	(429,191)
Cash Flows From Financing Activities		
Proceeds from issues of shares	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	(69,168)
Net cash inflow from financing activities	-	(69,168)
Net decrease/increase in cash and cash equivalents	177,745	471,683
Cash and cash equivalents brought forward	136,784	156,973
Effects of exchange rate changes	(29,978)	(321,802)
Cash and cash equivalents at balance date	284,551	306,854

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

1. Summary of Significant Accounting Policies

Xiaoxiao Education Limited ("XXL" or "the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate Company in the XXL Group. The consolidated interim financial report for the half-year ended 30 June 2012 comprises the Company and its controlled entities ("the XXL Group").

The nature of operations and principal activities of the XXL Group are described in the Directors' Report.

(a) Statement of compliance

The consolidated interim financial report for the half-year ended 30 June 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the XXL Group as at and for the year ended 31 December 2011.

The consolidated interim financial report of Xiaoxiao Education Limited was approved by the Board of Directors.

(b) Significant accounting policies

The accounting policies applied by the XXL Group in this consolidated interim financial report are the same as those applied by the XXL Group in the 2011 Annual Report

(c) Basis of preparation

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

Estimates

The preparation of interim financial report requires management to make judgements, estimates and assumption that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the XXL Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2011 Annual Report.



2. Segment Information

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on a country level since each country has notably different risk profiles. Operating segments are therefore determined on the same basis. The reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics. The reportable segments are China and Australia.

(i) Segment performance

	China \$	Australia \$	Consolidated \$
For the half-year ended 30 June 2012			
Revenue			
External Sales	3,258,892	231,065	3,489,957
Other Income	-	3,321	3,321
Total Revenue	3,258,892	234,386	3,493,278
Segment net profit before tax			
Segment result	399,388	(584,246)	(184,856)
For the half-year ended 30 June 2011			
Revenue			
External Sales	3,211,400	104,090	3,315,490
Interest	59	1	60
Total Revenue	3,211,459	104,091	3,315,550
Segment net profit before tax			
Segment result	42,799	(1,880,042)	(1,837,243)

(ii) Segment assets

	China \$	Australia \$	Consolidated \$
For the half-year ended 30 June 2012			
Opening balance 1 January 2012	5,597,144	3,400,773	8,997,917
Closing balance 30 June 2012	5,549,532	3,143,360	8,692,892

3. Other Receivables

	Consolidated Group 30 June 2012 \$	Consolidated Group 31 December 2011 \$
GST payable	(187)	-
GST receivable	15,158	31,368
Rental deposit	34,488	34,391
Deposits paid for purchase of kindergartens	2,101,950	2,084,400
Loan to a director (Madam Tong)	-	85,204
	2,151,409	2,235,363



4. Intangible Assets – Structure Contracts

	Consolidated 30 June 2012 \$	Consolidated 31 December 2011 \$
Fair value of structure contracts	10,434,120	10,434,120
Less: Impairment	(6,026,529)	(6,026,529)
Less: Accumulated amortisation	(1,368,264)	(1,059,110)
Less: Foreign exchange difference	20,214	(18,514)
	3,059,541	3,329,967
Goodwill – acquisition of Breakfast Point	242,414	242,414
	206,052	242,414
Net carrying amount	3,301,955	3,572,381

5. Trade Creditors and Other Payables

	Consolidated Group 30 June 2012 \$	Consolidated Group 31 December 2011 \$
Trade creditors	53,188	73,987
Other payables	340,801	270,246
Loan from Director (Madam Tong)	271,831	-
	665,820	344,233

6. Share Capital

	Company 30 June 2012 \$	Company 31 December 2011 \$
Ordinary shares issued and fully paid	15,801,789	15,801,789
	Number of Shares	Number of Shares
	148,096,037	148,096,037

7. Contingencies

There are no contingent liabilities as at 30 June 2012.

8. Commitments

The XXL Group had no significant commitments for capital expenditure that were authorised and contracted as at 30 June 2012. Operating and finance lease arrangements continue to be in place and have not changed significantly to those disclosed in the December 2011 Annual Report.



9. Subsequent Events

There were no material events subsequent to reporting date impacting upon the parent or controlled entity.

10. Dividends

No dividend was declared for the half-year ended 30 June 2012.



Xiaoxiao Education Limited and its Controlled Entities Directors' Declaration

- 1 In the opinion of the directors of Xiaoxiao Education Limited ("XXL or "the Company"):
- (a) the financial statements and notes that are set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Madam Tong Yongrong
Chairman of the Board

Dated this 31 August 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF XIAOXIAO EDUCATION LIMITED

We have reviewed the accompanying half-year financial report of Xiaoxiao Education Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Xiaoxiao Education Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year 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 Australian Auditing Standards 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.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Xiaoxiao Education Limited for the half-year ended 30 June 2012 included on Xiaoxiao Education Limited's web site. The Company's directors are responsible for the integrity of Xiaoxiao Education Limited's web site. We have not been engaged to report on the integrity of Xiaoxiao Education Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Xiaoxiao Education Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Director – Audit & Assurance

Adelaide, 31 August 2012