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中教控股
CHINA EDUCATION GROUP

# China Education Group Holdings Limited
# 中國教育集團控股有限公司

*(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu中教常春藤")*

**(Stock Code: 839)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

The Board is pleased to announce the annual results of the Group for the year ended 31 August 2019.

**HIGHLIGHTS**

| | **At 31 August 2019** | At 31 August 2018 | **Change** | **Change *(Percentage)*** |
|---|---|---|---|---|
| Student enrollment | **170,098** | 121,315 | **48,783** | **+40.2%** |
| Schools | **9** | 5 | **4** | **+80.0%** |

| | **Year ended 31 August 2019 *(RMB million)*** | Year ended 31 August 2018 *(RMB million)* (Pro Forma) | **Change *(RMB million)*** | **Change *(Percentage)*** |
|---|---|---|---|---|
| Revenue | **1,954.9** | 1,295.4 | **659.5** | **+50.9%** |
| Gross profit | **1,121.5** | 785.6 | **335.9** | **+42.8%** |
| Operating profit | **796.2** | 621.8 | **174.4** | **+28.0%** |
| Net profit | **687.2** | 553.4 | **133.8** | **+24.2%** |
| **Adjusted net profit** | **841.1** | 679.0 | **162.1** | **+23.9%** |
| **— attributable to owners of the Company** | **746.5** | 635.5 | **111.0** | **+17.5%** |
| **— attributable to non-controlling interest** | **94.6** | 43.5 | **51.1** | **+117.5%** |
| Adjusted earnings before interest, tax, depreciation and amortisation | **1,121.8** | 850.5 | **271.3** | **+31.9%** |

Total bank balances and cash was recorded RMB4,254.4 million as at 31 August 2019.

The Board recommends the payment of a final dividend of HK9.0 cents per ordinary share for the year ended 31 August 2019 (for the eight months ended 31 August 2018: HK7.4 cents) by cash to Shareholders whose names appear on the register of members of the Company on Monday, 24 February 2020. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on Friday, 6 March 2020.

*Notes:*

1. *Please refer to the Financial Review section for methods preparing the Operating profit, Adjusted net profit, Adjusted earnings before interest, tax, depreciation and amortisation and Pro Forma figures.*

2. *The figures for the reporting period do not include King's Own Institute, the acquisition of which is completed in October 2019 and the financial results of which will be included in the next reporting period.*

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The financial results for the year ended 31 August 2019 and the Pro Forma Period (as defined below) are as follows:

| | **Year ended** | |
|---|---|---|
| | **31 August 2019** *RMB'000* | 31 August 2018 *RMB'000* (Pro Forma) |
| **Revenue** | **1,954,874** | 1,295,441 |
| Cost of revenue | **(833,401)** | (509,798) |
| **Gross profit** | **1,121,473** | 785,643 |
| Other income | **80,554** | 78,654 |
| Selling expenses | **(52,796)** | (24,300) |
| Administrative expenses | **(352,985)** | (218,150) |
| **Operating profit** | **796,246** | 621,847 |
| Investment income | **33,519** | 18,433 |
| Other gains and losses | **(57,694)** | (45,909) |
| Listing expenses | **–** | (23,568) |
| Finance costs | **(103,771)** | (30,022) |
| **Profit before taxation** | **668,300** | 540,781 |
| Taxation | **18,938** | 12,603 |
| **Net profit** | **687,238** | 553,384 |
| **Gross profit margin** | **57.4%** | 60.6% |
| **Adjusted net profit attributable to:** | | |
| **– owners of the Company** | **746,502** | 635,529 |
| **– non-controlling interest** | **94,621** | 43,494 |
| | **841,123** | 679,023 |

*Note: On 3 August 2018, the Company announced to change its financial year end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC. Accordingly, the current accounting period covers a period of twelve months from 1 September 2018 to 31 August 2019. The corresponding comparative amounts shown in consolidated statement of profit or loss and other comprehensive income covered a period of eight months from 1 January 2018 to 31 August 2018, and therefore are not entirely comparable with amounts shown for the current accounting period.*

*To provide meaningful comparative information, the Group prepared pro forma financial information covering the twelve-month ended 31 August 2018 (the "Pro Forma Period"). The pro forma figures have not been audited. The pro forma financial information is comprised of the figures of (1) four months derived on a proportion basis from the financial results of the period from 1 July 2017 to 31 December 2017 and (2) eight months derived from the audited financial results for the eight months ended 31 August 2018.*

For the year ended 31 August 2019, the Group recorded revenue increase by 50.9% to RMB1,954.9 million compared to RMB1,295.4 million for the Pro Forma Period. Operating profit increased by 28.0% to RMB796.2 million compared to RMB621.8 million for the Pro Forma Period. Adjusted net profit increased by 23.9% to RMB841.1 million compared to RMB679.0 million for the Pro Forma Period.

**Revenue**

The Group's revenue reached RMB1,954.9 million for the year ended 31 August 2019, up 50.9% as compared to RMB1,295.4 million for the Pro Forma Period. The increase reflected students' strong demand for quality higher and vocational eduction offered by the Group and the effective execution of the Group's acquisition strategy.

*Higher Education Segment*

Revenue from higher education segment increased from RMB925.6 million for the Pro Forma Period to RMB1,277.8 million for the year ended 31 August 2019, representing a 38.1% increase.

The significant increase in revenue of higher education institutions was mainly driven by the inclusion of Guangzhou Songtian University, Songtian Polytechnic College, Chongqing Translators University and Shandong Quancheng University during the reporting period and organic growth in student enrollment and tuition fees of existing higher education institutions, namely Jiangxi University of Technology and Guangdong Baiyun University.

*Vocational Education Segment*

Revenue from vocational education segment increased from RMB369.8 million for the Pro Forma Period to RMB677.1 million for the year ended 31 August 2019, representing a 83.1% increase.

The significant increase in revenue of vocational education institutions was mainly driven by the inclusion of Zhengzhou Transit School and Xi'an Railway College (which both became consolidated affiliated entities of the Group in March 2018) and organic growth in student enrollment and tuition fees of three vocational education institutions, including Baiyun Technician College.

### Cost of Revenue

The cost of revenue increased from approximately RMB509.8 million for the Pro Forma Period to approximately RMB833.4 million for the year ended 31 August 2019, representing a 63.5% increase. The increase was due to the expansion of the Group, the growth of student number and the higher cost structure, which includes partnership costs paid to public schools, of the newly acquired independent colleges, namely Guangzhou Songtian University, Shandong Quancheng University and Chongqing Translators University. The partnership costs in such independent colleges will cease to exist after the independent colleges are converted to full private higher education schools.

### Gross Profit and Gross Profit Margin

The Group's gross profit was RMB1,121.5 million for the year ended 31 August 2019 as compared to RMB785.6 million for the Pro Forma Period. The gross profit margin was 57.4% for the year ended 31 August 2019 as compared to 60.6% for the Pro Forma Period. The slight drop in gross profit margin was mainly due to the inclusion of newly acquired schools which had lower gross profit margins as compared to the existing and more mature schools of the Group. As explained in the section "Schools Consolidated into the Group During the Reporting Period", the management's plan is to improve the operations and enhance the profit margins of the newly acquired schools and the whole Group to levels that are comparable to the Group's existing mature schools through the Group's operational expertise.

### Other Income

Other income primarily included academic administration income, management fee income and government grants.

### Selling Expenses

The Group's selling expenses was RMB52.8 million for the year ended 31 August 2019 as compared to RMB24.3 million for the Pro Forma Period. The significant increase in selling expenses incurred for the year ended 31 August 2019 was mainly due to the inclusion of certain vocational schools which had higher selling expenses.

### Administrative Expenses

The Group's administrative expenses was RMB353.0 million for the year ended 31 August 2019 as compared to RMB218.2 million for the Pro Forma Period. It represented about 18.1% of the revenue for the year ended 31 August 2019 and was increased as compared to that of 16.8% for the Pro Forma Period. The increase in administrative expenses was mainly due to the inclusion of administrative expenses of the newly acquired schools and the increase in expenses associated with central management operations and merger and acquisition ("M&A") activities of the Group.

## Operating Profit

The operating profit amounted to RMB796.2 million for the year ended 31 August 2019, increased by 28.0% as compared to RMB621.8 million for the Pro Forma Period.

## Other Gains and Losses

The other gains and losses were recorded at net loss of RMB57.7 million for the year ended 31 August 2019 which was mainly attributable to the foreign exchange loss of RMB65.9 million, as a result of depreciation of Renminbi against United States Dollars and Hong Kong dollars.

## Finance Costs

The finance costs of RMB103.8 million for the year ended 31 August 2019 represented the interest expenses on bank and other borrowings and convertible bonds and imputed interest on deferred cash considerations.

## Net Profit and Net Profit Margin

| | Year ended 31 August 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Adjustments | | | | | |
| | As reported | Foreign exchange loss | Share-based payments | Imputed interest on deferred cash considerations | Fair value gain on convertible bonds | Listing expenses | Adjusted |
| | *(RMB'000, unless specified)* | | | | | | |
| Net profit for the period | **687,238** | **65,887** | **48,863** | **40,619** | **(1,484)** | **–** | **841,123** |
| Net profit attributable to owners of the Company | **592,617** | **65,887** | **48,863** | **40,619** | **(1,484)** | **–** | **746,502** |
| Earnings per share (RMB cents) | | | | | | | |
| — basic | **29.33** | | | | | | **36.95** |
| — diluted | **29.16** | | | | | | **36.74** |
| Net profit margin | **35.2%** | | | | | | **43.0%** |

| | Year ended 31 August 2018 (Pro Forma) | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Adjustments | | | | | |
| | As reported | Foreign exchange loss | Share-based payments | Imputed interest on deferred cash considerations | Fair value gain on convertible bonds | Listing expenses | Adjusted |
| | | | *(RMB'000, unless specified)* | | | | |
| Net profit for the period | 553,383 | 43,394 | 42,731 | 15,947 | – | 23,568 | 679,023 |
| Net profit attributable to owners of the Company | 509,889 | 43,394 | 42,731 | 15,947 | – | 23,568 | 635,529 |
| Earnings per share (RMB cents) | | | | | | | |
| — basic | 27.57 | | | | | | 34.25 |
| — diluted | 27.49 | | | | | | 34.15 |
| Net profit margin | 42.7% | | | | | | 52.4% |

Adjusting for the foreign exchange loss, share-based payments, imputed interest on deferred cash considerations, fair value gain on convertible bonds and listing expenses, adjusted net profit was increased by 23.9% from RMB679.0 million for the Pro Forma Period to RMB841.1 million for the year ended 31 August 2019. The adjusted net profit attributable to owners of the Company was increased by 17.5% to RMB746.5 million for the year ended 31 August 2019. The adjusted net profit margin was decreased from 52.4% for the Pro Forma Period to 43.0% for the year ended 31 August 2019.

The Group's net profit was RMB687.2 million for the year ended 31 August 2019, representing an increase of 24.2% compared to RMB553.4 million for the Pro Forma Period. The net profit margin was decreased from 42.7% for the Pro Forma Period to 35.2% for the year ended 31 August 2019.

The decrease in adjusted net profit margin and net profit margin was mainly due to the inclusion of newly acquired schools which had lower adjusted net profit margins and net profit margins as compared to the existing and more mature schools of the Group and the finance costs, central management operations expenses and M&A expenses.

**Earnings before interest, tax, depreciation and amortisation**

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and amortisation of intangible assets and prepaid lease payments. EBITDA was increased by 36.1% to RMB1,008.5 million for the year ended 31 August 2019 from RMB740.8 million for the Pro Forma Period. Adjusting for the foreign exchange loss, share-based payments, fair value gain on convertible bonds and listing expenses, adjusted EBITDA was increased by 31.9% from RMB850.5 million for the Pro Forma Period to RMB1,121.8 million for the year ended 31 August 2019.

**Property, Plant and Equipment**

Property, plant and equipment as at 31 August 2019 increased by 79.5% to approximately RMB5,850.8 million from approximately RMB3,258.7 million as at 31 August 2018. Increase in property, plant and equipment was mainly due to the inclusion of Guangzhou Songtian University, Songtian Polytechnic College, Chongqing Translators University and Shandong Quancheng University and the construction of Guangdong Baiyun University's new campus.

**Prepayments for Investments**

The prepayments mainly represent the amounts made for the acquisition of Yantai Haijun Property Limited (煙台海郡置業有限公司), which primarily owns land and properties adjacent to Shandong Quancheng University. The land and properties are expected to be used for Shandong Quancheng University's campus expansion.

**Total Bank Balances and Cash**

Including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash was increased from approximately RMB1,907.1 million as at 31 August 2018 to approximately RMB4,254.4 million as at 31 August 2019. The Group issued HK$2,355.0 million (equivalent to RMB2,007.2 million) convertible bonds in March 2019 and drew down a loan of US$133.8 million (equivalent to RMB900.6 million) from International Finance Corporation in April 2019.

**Capital Expenditures**

Our capital expenditures for the year ended 31 August 2019 were approximately RMB808.0 million and were primarily related to maintaining and upgrading the existing school premises, and construction of new campus of Guangdong Baiyun University and new buildings of Jiangxi University of Technology.

**Liquidity, Financial Resources and Gearing Ratio**

As at 31 August 2019, the Group had total bank balances and cash (including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits) of approximately RMB4,254.4 million (2018: RMB1,907.1 million) and bank and other borrowings and convertible bonds of approximately RMB4,266.6 million (2018: RMB237.0 million).

As at 31 August 2019, certain bank and other borrowings and proceeds from convertible bonds were not yet utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the year ended 31 August 2019. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

As at 31 August 2019, the gearing ratio (which is calculated on the basis of total borrowings and total equity of the Group) and the net gearing ratio (which is calculated on the basis of total borrowings, net of total bank balances and cash, and total equity of the Group) were 60.9% (2018: 3.7%) and 0.2% (2018: -25.8%), respectively.

**Foreign Exchange Risk Management**

During the year ended 31 August 2019, the majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

**Charges on the Group's Assets**

As at 31 August 2019 and 2018, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group.

Save as above, there was no other material charge on the Group's assets as at 31 August 2019 and 2018.

**Contingent Liabilities**

As at 31 August 2019 and 2018, the Group had no significant contingent liability.

## BUSINESS OVERVIEW

The Group had approximately 170,000 students as at 31 August 2019; it is the largest listed higher and vocational education provider in China in terms of student enrollment. As at 31 August 2019, the Group operated six higher education institutions and three vocational education institutions located in six provinces/municipality, namely Jiangxi, Guangdong, Henan, Shaanxi, Shandong and Chongqing, and recruited students from all provinces in the mainland China.

The Group offers a broad range of programmes and curricula. As at 31 August 2019, the Group offered 210 bachelor's degree programmes, 68 junior college diploma programmes, 150 vocational education programmes and 132 continuing education programmes. The disciplines provided by us covered around 98% of undergraduate students' choices and 93% of junior college students' choices in China in 2018/2019 academic year.

### Growth Strategy

We have formulated our M&A strategy to achieve our growth target taking into account the high entry barrier of the higher education sector. Thus far, our M&A team, strong and with high execution capability, has already reviewed over 300 potential M&A targets since our Listing at the Stock Exchange in December 2017 and some of them are presently in due diligence process. We plan to explore more acquisition opportunities with attractive growth potential and expect more schools to join the Group in the future.

We have a track record of successfully integrating newly acquired schools into our Group. The increasing student enrollment and the newly acquired schools coming with potential for quality improvement are proof of our capability to integrate and identify new schools with promising growth prospects. We believe China's private higher and vocational education sector is on a strong growth trend with attractive potential and opportunities. Going forward, building on our industry leadership and 30 years' education excellence and in fulfilling our mission of 'To Pioneer Excellence and Innovation in Education', we will adhere to our business strategies, endeavor to provide excellent quality education to more students, and striving for long-term sustainable growth of the Group and lucrative returns for shareholders.

### Schools Consolidated into the Group During the Reporting Period

During the year ended 31 August 2019, the Group acquired four schools (namely, Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University, and Chongqing Translators University) which all became consolidated affiliated entities of the Group during the reporting period. Through welcoming four new schools on board, we have expanded our school portfolio from five schools (as at 31 August 2018) to nine schools.

The Directors believe that the transactions mark the Group's continuous efforts to expand its school network and increase market penetration. The Directors consider that with the acquisitions, the Group will further benefit from the economic development of Guangdong-Hong Kong-Macao Greater Bay Area, and be able to penetrate Shandong Province — the second most populated province in China, and Chongqing municipality — the most populated municipality in China. The Board sees good potential in the four new schools to increase student enrollment and the Group will be able to leverage on its competitive advantages to streamline the operation of new member schools and to enhance their operation and financial performance. The Group intends to efficiently integrate new member schools into the Group's school network to accomplish the resource sharing and synergetic development to enhance their quality of education provided, improve their operational efficiencies, increase their school sizes, optimise their pricing strategies and as a result improve the profitability of the Group as a whole.

*Guangzhou Songtian University and Songtian Polytechnic College*
The Company announced the acquisition of Guangzhou Songtian University and Songtian Polytechnic College on 14 June 2018, and the two schools became consolidated affiliated entities of the Group in September 2018. Transfer of 100% equity interest and change in the board of directors and legal representatives of Songtian Company (which is the 100% co-sponsor of Guangzhou Songtian University and 100% sponsor of Songtian Polytechnic College) have been completed and duly registered with the relevant government departments in the PRC.

Founded in 2000 and located in Guangzhou, Guangdong Province, the economically vibrant Pearl River Delta Economic Zone, Guangzhou Songtian University is an independent college approved by the MOE and operated by Songtian Company in collaboration with Guangzhou University (廣州大學). Guangzhou Songtian University has nine academic departments and nine research institutes, offers 34 full-time undergraduate programmes and conducts unified student recruitment on a national scale. As at 31 August 2019, Guangzhou Songtian University had more than 9,200 students. Guangzhou Songtian University earned the Award for Guangdong's Most Competitive Independent College in the 30 Years of Reform and Opening-Up (改革開放30週年廣東最具競爭力獨立學院獎) by Guangzhou Daily and also won the Guangzhou's Garden Organisation (廣州市花園式單位) title from Guangzhou government for its beautiful landscape.

Songtian Polytechnic College was founded in 2000 and located in Guangzhou, Guangdong Province, it is registered as a full-time higher vocational college with the MOE and is established with the approval from People's Government of Guangdong Province. Songtian Polytechnic College has seven academic departments, offers 21 junior college diploma programmes, and commenced recruiting students in 2007. As at 31 August 2019, Songtian Polytechnic College had approximately 3,500 full-time students. The initial employment rate of Songtian Polytechnic College's graduates in 2018/2019 academic year was approximately 97.4% while Guangdong Province's overall initial employment rate for junior college graduates in 2018 was approximately 94.6% according to Education Department of Guangdong Province. Songtian Polytechnic College also has one of the highest freshmen registration rates among higher vocational colleges in Guangdong Province.

*Shandong Quancheng University*

The Company announced the acquisition of Shandong Quancheng University on 14 January 2019, and the school became a consolidated affiliated entity of the Group in March 2019. Relevant approvals from the regulatory authorities, registration with regulatory authorities of the Group as the owner of 100% equity interest in the Shandong Dazhong Cultural (which primarily owns 100% of the co-sponsor interest in Shandong Quancheng University), and the change in board composition and legal representative have all been obtained and completed.

Founded in 2005 and located in Penglai city, Shandong Province, Shandong Quancheng University is an independent college approved by the MOE and operated by Shandong Dazhong Cultural in collaboration with Jinan University (濟南大學). Shandong Quancheng University offers 40 bachelor's degree programmes and nine junior college diploma programmes in six disciplines, namely economics, management, literatures, sciences, engineerings and arts, with approximately 8,500 students as at 31 August 2019. Shandong Quancheng University's admission is highly competitive; its undergraduate admission mark has been the highest among independent colleges in Shandong Province for two consecutive years from 2018 to 2019.

*Chongqing Translators University*

The Company announced the acquisition of all the sponsorship interest held by Chongqing Nanfang Group Limited (重慶南方集團有限公司) and 100% capital contributor's interest in Chongqing Translators University on 25 June 2019, and the school became a consolidated affiliated entity of the Group in July 2019.

Chongqing Translators University, an independent college sponsored by our consolidated affiliated entity and Sichuan International Studies University (四川外國語大學), is founded and approved by the MOE in 2003. The university offers 30 bachelor's degree programmes in foreign languages (with 11 kinds of Eastern and Western foreign languages), management, literatures, communication studies, music and arts, and has close partnership with 24 overseas universities. As at 31 August 2019, Chongqing Translators University has approximately 13,000 students across two campuses in Yubei district and Qijiang district, Chongqing municipality, the PRC, with a total area of 1,572 mu. A highly academically reputable institution, Chongqing Translators University is ranked 18th among 253 independent colleges that offer arts programmes in China in 2019, according to Wu Shu Lian Rankings of Arts Programmes in Independent College of China (武書連中國獨立學院社會科學排行榜).

## Student Enrollment

As at 31 August 2019, we operated nine schools - six higher education institutions and three vocational education institutions, with a total enrollment of 170,098 students, up 40.2% from enrollment as at 31 August 2018. The rapid increase in student enrollment is attributable to the organic growth in students enrolled in our existing schools as well as the four new schools joining the Group during the year ended 31 August 2019.

| | As at | |
|---|---|---|
| | **31 August 2019** | 31 August 2018 |
| **Higher Education Institution** | | |
| Jiangxi University of Technology[(1)] | **41,360** | 36,368 |
| Guangdong Baiyun University[(2)] | **26,911** | 26,416 |
| Chongqing Translators University[(3)] | **13,238** | N/A |
| Guangzhou Songtian University[(3)] | **9,256** | N/A |
| Shandong Quancheng University[(3)] | **8,488** | N/A |
| Songtian Polytechnic College[(3)] | **3,453** | N/A |
| **Vocational Education Institution** | | |
| Xi'an Railway College | **27,221** | 20,635 |
| Zhengzhou Transit School | **27,046** | 24,476 |
| Baiyun Technician College | **13,125** | 13,420 |
| **Total** | **170,098** | 121,315 |

*Notes:*

*(1) Includes 11,952 and 2,948 students enrolled in the continuing education programmes as at 31 August 2019 and 2018 respectively.*

*(2) Includes 8,056 and 8,411 students enrolled in the continuing education programmes as at 31 August 2019 and 2018 respectively.*

*(3) These schools were not yet our operating schools as at 31 August 2018.*

## Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 25% among various programmes on an annual basis. The tuition fee adjustment is determined by our school management teams taken in consideration of operating costs and market conditions.

| | Listed tuition fees in academic year | | Boarding fees in academic year | |
|---|---|---|---|---|
| | **2018/2019** | 2017/2018 | **2018/2019** | 2017/2018 |
| | ***RMB*** | *RMB* | ***RMB*** | *RMB* |
| **Higher Education Institution** | | | | |
| Jiangxi University of Technology | | | | |
| Bachelor's degree programmes | **16,000–23,000** | 15,000–20,000 | **1,600–2,300** | 1,600–2,000 |
| Junior college diploma programmes | **13,500–16,000** | 12,500–14,000 | **1,600–2,300** | 1,600–2,000 |
| Continuing education programmes | **2,500–5,000** | 5,000 | **N/A** | N/A |
| Guangdong Baiyun University | | | | |
| Bachelor's degree programmes | **19,000–30,000** | 19,000–28,000 | **1,500** | 1,500 |
| Junior college diploma programmes | **30,000** | 30,000 | **1,500** | 1,500 |
| Continuing education programmes | **3,000–6,000** | 3,000–6,000 | **N/A** | N/A |
| Chongqing Translators University (1) | | | | |
| Bachelor's degree programmes | **13,000–17,000** | 12,000–17,000 | **900–1,300** | 900–1,300 |
| Guangzhou Songtian University (1) | | | | |
| Bachelor's degree programmes | **23,000–25,000** | 19,500–21,500 | **1,500** | 1,500 |
| Shandong Quancheng University (1) | | | | |
| Bachelor's degree programmes | **11,000–14,800** | 11,000–14,000 | **800–1,200** | 800–1,200 |
| Junior college diploma programmes | **8,000** | 8,000 | **800–1,200** | 800–1,200 |
| Songtian Polytechnic College (1) | | | | |
| Junior college diploma programmes | **13,500–16,500** | 13,500–16,500 | **1,500** | 1,500 |
| **Vocational Education Institution** | | | | |
| Xi'an Railway College | | | | |
| Technician diploma programmes | **9,800–10,800** | 9,800–16,000 | **1,500** | 1,000 |
| Zhengzhou Transit School | | | | |
| Secondary vocational diploma programmes | **7,900–8,600** (2) | 7,300 | **1,000** | 1,000 |
| Baiyun Technician College | | | | |
| Post-secondary vocational diploma programmes | **12,500–15,000** | 11,500–14,000 | **1,500** | 1,500 |
| Secondary vocational diploma programmes | **12,000–14,500** | 11,000–13,500 | **1,500** | 1,500 |
| Technician diploma programmes | **13,500–15,500** | 12,500 | **1,500** | 1,500 |

*Notes:*

*(1) These schools were not yet our operating schools in the academic year 2017/2018.*
*(2) Effective from 2019 Spring Semester.*

### Awards and Recognitions Received During the Reporting Period

The Company and its nine schools have received numerous awards and recognitions during the reporting period in recognition of the quality of education we provide and the outstanding achievements of our operation. The following table sets forth some of the awards and recognitions we have received:

| | Award/Accreditation | Awarding Organisation(s) |
|---|---|---|
| **Corporate** | | |
| The Company/Group | Best Managed Companies 2019 | Deloitte China, Bank of Singapore, the Business School of HKUST, Harvard Business Review (China) and the Federation of Shenzhen Commerce |
| The Company/Group | HKIRA 5th Investor Relations Awards 2019 (Best IR Company (Mid Cap), Best IR by Chairman/CEO (Mid Cap) and Best IR Team (Mid Cap)) | Hong Kong Investor Relations Association |
| **Higher Education Institution** | | |
| Jiangxi University of Technology | Outstanding University in Higher Education Graduate Employment in Jiangxi Province in 2016-2018 (2016–2018年度全省普通高校畢業生就業工作先進單位) | Education Department of Jiangxi Province |
| Guangdong Baiyun University | Outstanding Private School in Guangdong Province (廣東省優秀民辦學校) | Education Department of Guangdong Province, Private Education Association of Guangdong Province |
| | Second Prize of the 9th Guangdong Provincial Education and Teaching Achievement Award (Higher Education) (第九屆廣東省教育教學成果獎(高等教育)二等獎) | Education Department of Guangdong Province |
| Chongqing Translators University | Private Education Innovation Demonstration Institute of PRC (中國民辦教育創新示範單位) | Institute of Educational Sciences - China Academy of Management Science |

| | Award/Accreditation | Awarding Organisation(s) |
|---|---|---|
| **Higher Education Institution (Cont.)** | | |
| Guangzhou Songtian University | First Prize (of University in Guangdong Province) in 2018 National Undergraduate Mathematical Modeling Competition (全國大學生數學建模競賽 — 廣東省本科組一等獎) | China Society for Industrial and Applied Mathematics |
| **Vocational Education Institution** | | |
| Xi'an Railway College | Outstanding Organization Award of the 1st Professional Competence Competition for Teachers of Technician Colleges in Shaanxi Province (陝西省第一屆技工院校教師職業能力大賽優秀組織獎) | Human Resources and Social Security Bureau of Shaanxi Province |
| Zhengzhou Transit School | Outstanding Secondary Vocational Education Institute in Zhengzhou (鄭州市中等職業教育先進單位) | Zhengzhou Education Bureau |
| Baiyun Technician College | The 6th (2018) Huang Yan Pei Vocational Education Award – Outstanding School Award (第六屆(2018年)黃炎培職業教育獎－優秀學校獎) | China Vocational Education Society |
| | Fashion Technology Training Base of the 44th and 45th WorldSkills Competition (第44、45屆世界技能大賽時裝技術項目集訓基地) | Ministry of Human Resources and Social Security of the PRC |

## OUTLOOK

We believe that China's private higher and vocational education sector is on a secular growth trend and there is significant potential with opportunities. In China today, there are over 700 private higher education institutions (including private universities, private junior colleges and independent colleges) and thousands of private vocational schools. Most of these private higher education institutions and private vocational schools are owned and operated independently. Hence, the ownership and operation of these institutions and schools are scattered. This translates into huge potential for M&A opportunities as well as significant room for enhancing the quality of education at the schools.

On 10 August 2018, the Ministry of Justice of the PRC issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher and vocational education sector.

As an industry leader and drawing on the strategic advantages of our scale and history of operations in the education business, brand reputation, education quality, preparation of students for employment and resources for school-enterprise collaboration, we will strive to integrate private education resources and enlarge our market share as we enhance the quality of education in our schools, and ultimately to provide excellent education services to more students.

### Entering Into A Framework Agreement For The Establishment of China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. The Group did not make any contribution to the China Education Fund during the reporting period. It is expected that Huajiao Education (or its nominee) and VP Shenzhen are to be the co-general partners of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited. Subsequent to the end of the reporting period, the Group made capital contribution amounting to RMB30,303,000 to the China Education Fund.

**Development of New Campuses**

*Guangdong Baiyun University's New Campus*
Guangdong Baiyun University's new campus commenced operation in September 2019. The remaining construction work of Guangdong Baiyun University's new campus in Zhongluotan, Guangzhou, Guangdong Province, the PRC, has been proceeding as planned. With a site area of approximately 750 mu, the development is divided into two phases — the first phase with a capacity of 8,000 students has been completed while the second phase with a capacity of 18,000 students is expected to be completed in 2021.

*Guangzhou Songtian University's New Campus*
In response to the increasing demand for admissions, the Group signed an agreement with Zhaoqing New District Government which will supply the Group with 1,500 mu of land for the establishment of a new university campus with a capacity of approximately 30,000 students. The Company believes that the establishment of the new campus in Guangdong-Hong Kong-Macao Greater Bay Area will benefit from the economic development of Greater Bay Area and the rapid and continuous population growth in the Guangdong Province.

## SIGNIFICANT EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into an acquisition agreement with independent third parties for acquisition of Aspen Higher Education Pty Ltd ("Aspen") at a consideration of Australian Dollar 128,000,000 (equivalent to RMB614,157,000). Aspen holds a call option to acquire all the issued shares in Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute) ("KOI"). The acquisition was completed on 16 October 2019. Aspen and KOI have become wholly-owned subsidiaries of the Company. The financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date are being estimated as the preparation of initial accounting for this business combination, for example, valuation of assets acquired and liabilities assumed, is in progress at the time these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 23 September 2019 and 16 October 2019.

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group issued 520,202,000 new Shares (after partially exercising the over-allotment option in January 2018) at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 31 August 2019, the Company has utilised the net proceeds of approximately RMB2,696.9 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 31 August 2019:

| **Purpose** | **Percentage to total amount** | **Net proceeds amount**[1] *(RMB million)* | **Utilised amount** *(RMB million)* | **Unutilised amount** *(RMB million)* |
|---|---|---|---|---|
| Acquisition of or cooperation with other universities both domestically and abroad | 59.50% | 1,621.8 | 1,621.8 | – |
| New campus development | 26.90% | 733.2 | 733.2 | – |
| Repayment of certain portion of bank loans | 8.00% | 218.1 | 218.1 | – |
| Working capital supplement | 2.40% | 65.4 | 65.4 | – |
| Establishing teacher and staff training centre | 1.10% | 30.0 | 10.1 | 19.9 |
| Research and development | 1.10% | 30.0 | 21.1 | 8.9 |
| Provision of scholarships | 0.50% | 13.6 | 13.6 | – |
| Maintenance, renovation and upgrading of existing schools | 0.50% | 13.6 | 13.6 | – |
| | 100% | 2,725.7 | 2,696.9 | 28.8 |

*Note:*

(1) *Net proceeds (including those from partial exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing.*

## EMPLOYEES AND REMUNERATION POLICIES

### Remuneration

As at 31 August 2019, the Group had 8,718 employees (31 August 2018: 6,307), a 38.2% increase mainly due to acquisition of four schools. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Schools participate in social insurance (pension, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees.

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. Relevant employers are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

**Recruitment**

We follow the PRC Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as provincial and local labour laws and regulations (of where the operating schools locate and operate) in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and smoother transitions and integrations.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK9.0 cents per ordinary share for the year ended 31 August 2019 (for the eight months ended 31 August 2018: HK7.4 cents) by cash to Shareholders whose names appear on the register of members of the Company on Monday, 24 February 2020. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on Friday, 6 March 2020.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Friday, 14 February 2020. Notice convening the annual general meeting will be published and despatched to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

### For the Annual General Meeting

The register of members of the Company will be closed from Tuesday, 11 February 2020 to Friday, 14 February 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 February 2020.

**For the Proposed Final Dividend**

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting. The register of members of the Company will be closed from Thursday, 20 February 2020 to Monday, 24 February 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the aforementioned address for registration not later than 4:30 p.m. on Wednesday, 19 February 2020.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2019.

## PUBLIC FLOAT

Based on the information publicly available to the Company, the Company continues to meet the prescribed public float under the Listing Rules.

## CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the CG Code. During the year ended 31 August 2019, the Company had complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that the Company complies with statutory and professional standards and align with the latest development.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 August 2019.

## AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Dr. Rui Meng (Chairman), Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 August 2019, including the accounting principles and practices adopted by the Group.

## SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The annual report of the Company for the year ended 31 August 2019 will be despatched to the Shareholders and made available on the same websites in due course.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 August 2019*

| | *Notes* | **Year ended 31 August 2019** *RMB'000* | Eight months ended 31 August 2018 *RMB'000* |
|---|---|---|---|
| Revenue | *3* | **1,954,874** | 932,910 |
| Cost of revenue | | **(833,401)** | (360,238) |
| Gross profit | | **1,121,473** | 572,672 |
| Other income | | **80,554** | 54,085 |
| Investment income | | **33,519** | 14,923 |
| Other gains and losses | | **(57,694)** | (43,616) |
| Selling expenses | | **(52,796)** | (18,235) |
| Administrative expenses | | **(352,985)** | (167,520) |
| Finance costs | | **(103,771)** | (24,381) |
| Profit before taxation | | **668,300** | 387,928 |
| Taxation | *4* | **18,938** | 13,154 |
| Profit and total comprehensive income for the year/ period | *5* | **687,238** | 401,082 |
| Profit and total comprehensive income for the year/ period attributable to: | | | |
| — owners of the Company | | **592,617** | 357,588 |
| — non-controlling interests | | **94,621** | 43,494 |
| | | **687,238** | 401,082 |
| Earnings per share | *7* | | |
| Basic (RMB cents) | | **29.33** | 17.70 |
| Diluted (RMB cents) | | **29.16** | 17.62 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 August 2019*

| | | At 31 August | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **5,850,771** | 3,258,673 |
| Prepaid lease payments | | **1,051,059** | 63,292 |
| Goodwill | | **1,565,905** | 916,553 |
| Intangible assets | | **1,708,157** | 994,162 |
| Contract costs | | **98,972** | 42,699 |
| Prepayments for investments | | **73,837** | 1,246,815 |
| Deposits paid for prepaid lease payments | | **1,181** | 113,486 |
| Deposits paid for acquisition of property, plant and equipment | | **55,586** | 27,895 |
| Deferred tax asset | | **27,342** | 11,010 |
| | | **10,432,810** | 6,674,585 |
| **CURRENT ASSETS** | | | |
| Inventories | | **540** | 381 |
| Trade receivables, deposits, prepayments and other receivables | *8* | **570,868** | 130,226 |
| Financial assets at fair value through profit or loss | | **660,283** | 61,805 |
| Contract costs | | **52,675** | 16,269 |
| Prepaid lease payments | | **24,998** | 1,506 |
| Restricted bank deposits | | **100,300** | 110,000 |
| Bank balances and cash | | **3,496,587** | 1,738,455 |
| | | **4,906,251** | 2,058,642 |
| **CURRENT LIABILITIES** | | | |
| Deferred income | | **38,364** | 23,651 |
| Trade and bills payables | *9* | **23,465** | 30,925 |
| Other payables and accrued expenses | | **1,506,243** | 515,502 |
| Provisions | | **238,292** | 19,578 |
| Income tax payable | | **20,546** | 12,717 |
| Contract liabilities | | **1,617,328** | 1,037,964 |
| Bank and other borrowings | | **284,700** | 107,000 |
| | | **3,728,938** | 1,747,337 |
| **NET CURRENT ASSETS** | | **1,177,313** | 311,305 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **11,610,123** | 6,985,890 |

| | At 31 August | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | |
| Deferred income | **31,573** | 34,237 |
| Other payables | **22,943** | 100,265 |
| Bank and other borrowings | **1,838,127** | 130,000 |
| Deferred tax liability | **565,460** | 259,218 |
| Convertible bonds | **2,143,783** | – |
| | **4,601,886** | 523,720 |
| | **7,008,237** | 6,462,170 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **17** | 17 |
| Reserves | **6,594,526** | 6,143,080 |
| Equity attributable to owners of the Company | **6,594,543** | 6,143,097 |
| Non-controlling interests | **413,694** | 319,073 |
| | **7,008,237** | 6,462,170 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 August 2019*

## 1. GENERAL

China Education Group Holdings Limited (the "Company") was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie, who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 December 2017. The address of the registered office of the Company is the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 1504, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the operation of private higher and vocational education institutions.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 3 August 2018, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income and related notes covered a period of eight months from 1 January 2018 to 31 August 2018 are therefore not entirely comparable with those of the current accounting period.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

## 3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services in the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligation.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher education and vocational education. Higher education institutions mainly deliver bachelor's degree programmes, junior college diploma programmes and continuing education programmes. Vocational education institutions mainly deliver vocational diploma programmes and technician diploma programmes. Each category of institution constitutes an operating segment and reportable segment.

In prior years, each category of institution constituted an operating segment. The services provided and type of customers were similar in each operating segment, and each operating segment was subject to similar regulatory environment. Accordingly, the segment information was aggregated as a single reportable segment.

In the current year, upon acquisitions of certain higher education institutions during the year ended 31 August 2019, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments to two reportable segments, namely, higher education institutions segment and vocational education institutions segment.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable and operating segments:

| | **Higher education institutions** *RMB'000* | **Vocational education institutions** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| **Year ended 31 August 2019** | | | |
| Revenue | **1,277,755** | **677,119** | **1,954,874** |
| Segment result | **600,546** | **334,819** | **935,365** |
| Investment income | | | **33,519** |
| Other gains and losses | | | **(57,694)** |
| Finance costs | | | **(103,771)** |
| Unallocated corporate income and expenses | | | **(139,119)** |
| Profit before taxation | | | **668,300** |

| | Higher education institutions *RMB'000* | Vocational education institutions *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Eight months ended 31 August 2018** *(Note)* | | | |
| Revenue | 607,994 | 324,916 | 932,910 |
| Segment result | 298,987 | 182,645 | 481,632 |
| Investment income | | | 14,923 |
| Other gains and losses | | | (43,616) |
| Finance costs | | | (24,381) |
| Unallocated corporate income and expenses | | | (40,630) |
| Profit before taxation | | | 387,928 |

**Other segment information**

| | Higher education institutions *RMB'000* | Vocational education institutions *RMB'000* | Unallocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 August 2019** | | | | |
| Depreciation of property, plant and equipment | **141,422** | **44,883** | **1,593** | **187,898** |
| Amortisation of intangible assets | **–** | **32,465** | **–** | **32,465** |
| Amortisation of prepaid lease payments | **14,058** | **1,998** | **–** | **16,056** |

| | Higher education institutions *RMB'000* | Vocational education institutions *RMB'000* | Unallocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Eight months ended 31 August 2018** *(Note)* | | | | |
| Depreciation of property, plant and equipment | 77,262 | 22,350 | 424 | 100,036 |
| Amortisation of intangible assets | – | 17,700 | – | 17,700 |
| Amortisation of prepaid lease payments | 881 | 915 | – | 1,796 |

The accounting policies of the reportable segment are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of investment income, other gains and losses, finance costs and central administrative expenses. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

*Note:* Prior year segment disclosure has been represented to conform with the current year's presentation.

**Revenue from major services**

The following is an analysis of the Group's revenue by types of services:

| | Higher education institutions *RMB'000* | Vocational education institutions *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Year ended 31 August 2019** | | | |
| Tuition fees recognised over time | **1,169,670** | **604,376** | **1,774,046** |
| Boarding fees recognised over time | **88,455** | **65,026** | **153,481** |
| Ancillary services fees recognised over time | **19,630** | **7,717** | **27,347** |
| | **1,277,755** | **677,119** | **1,954,874** |

| | Higher education institutions *RMB'000* | Vocational education institutions *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Eight months ended 31 August 2018** | | | |
| Tuition fees recognised over time | 553,884 | 290,818 | 844,702 |
| Boarding fees recognised over time | 43,164 | 32,867 | 76,031 |
| Ancillary services fees recognised over time | 10,946 | 1,231 | 12,177 |
| | 607,994 | 324,916 | 932,910 |

The Group's contracts with students for higher education and vocational education programmes are normally with duration of 1 year renewed up to total duration of 3 – 5 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition and boarding fees are determined and paid by the students before the start of the school year, while the ancillary services fees are charged based on students' usage at a fixed rate.

*Geographical information*

During the reporting period, the Group operates in the PRC. All of the Group's revenue and the non-current assets of the Group are located in the PRC.

*Information about major customers*

No single customer contributes over 10% or more of total revenue of the Group during the year ended 31 August 2019 and the eight months ended 31 August 2018.

*Transaction price allocated to the remaining performance obligation for contracts with customers*

The contracts for tuition fees, boarding fees and fees for ancillary services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 4. TAXATION

| | **Year ended 31 August 2019** ***RMB'000*** | Eight months ended 31 August 2018 *RMB'000* |
|---|---|---|
| Current tax — Enterprise Income Tax ("EIT") | **(9,467)** | (5,065) |
| Overprovision in prior years/periods — EIT | **1,042** | 2,659 |
| Deferred tax | **27,363** | 15,560 |
| | **18,938** | 13,154 |

## 5. PROFIT FOR THE YEAR/PERIOD

| | **Year ended 31 August 2019** *RMB'000* | Eight months ended 31 August 2018 *RMB'000* |
|---|---|---|
| Profit for the year/period has been arrived at after charging: | | |
| Staff costs, including directors' remuneration | | |
| — salaries and other allowances | **492,054** | 244,003 |
| — retirement benefit scheme contributions | **87,350** | 39,482 |
| — share-based payments | **48,863** | 40,679 |
| Total staff costs | **628,267** | 324,164 |
| Depreciation of property, plant and equipment | **187,898** | 100,036 |
| Amortisation of prepaid lease payments | **16,056** | 1,796 |
| Amortisation of intangible assets | **32,465** | 17,700 |
| Auditor's remuneration | **4,800** | 4,260 |
| Minimum operating lease rental expense in respect of rented premises | **32,104** | 11,066 |

## 6. DIVIDENDS

During the year ended 31 August 2019, final dividends of HK7.4 cents per ordinary share in respect of the eight months ended 31 August 2018 and interim dividends of HK3.5 cents per ordinary share in respect of the year ended 31 August 2019 was declared to the owners of the Company (for the eight months ended 31 August 2018: nil). The aggregate amount of the dividends declared, during the year ended 31 August 2019 amounted to HK$220,202,000 in aggregate (approximately RMB190,034,000) (for the eight months ended 31 August 2018: nil), which was paid on 15 March and 6 June 2019, respectively.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2019 of HK9.0 cents per ordinary share (for the eight months ended 31 August 2018: HK7.4 cents per ordinary share), in an aggregate amount of HK$181,818,000 (for the eight months ended 31 August 2018: HK$149,495,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | **Year ended 31 August 2019** *RMB'000* | Eight months ended 31 August 2018 *RMB'000* |
|---|---|---|
| Profit for the purpose of calculating basic and diluted earnings per share | **592,617** | 357,588 |

| | Year ended 31 August 2019 '000 | Eight months ended 31 August 2018 '000 |
|---|---|---|
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,020,202** | 2,019,870 |
| *Effect of dilutive potential ordinary shares:* | | |
| Over-allotment options | **–** | 814 |
| Share options granted under Pre-IPO Share Option Scheme | **11,817** | 8,249 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,032,019** | 2,028,933 |

The computation of diluted earnings per share for the year ended 31 August 2019 does not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme and the conversion of convertible bonds as the potential ordinary shares are anti-dilutive.

## 8. TRADE RECEIVABLES AND RECEIVABLES FROM EDUCATION BUREAUS

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

| | At 31 August 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| 0–90 days | **561** | 271 |
| 91–120 days | **–** | 442 |
| 121–365 days | **19,667** | 25,271 |
| Over 365 days | **7,705** | 572 |
| | **27,933** | 26,556 |

## 9. TRADE AND BILLS PAYABLES

The credit period granted by suppliers and bills payables on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of each reporting period.

| | At 31 August 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| 0–30 days | **6,540** | 25,347 |
| 31–90 days | **6,082** | 756 |
| 91–365 days | **6,808** | 2,548 |
| Over 365 days | **4,035** | 2,274 |
| | **23,465** | 30,925 |

## 10. ACQUISITIONS OF BUSINESSES

### (a) Acquisitions during year ended 31 August 2019

#### *(i) Guangzhou Songtian University and Songtian Polytechnic College acquisition*

On 14 June 2018, Youxin Education Consulting (Guangzhou) Company Limited (有信教育諮詢(廣州)有限公司) ("Youxin Education"), a consolidated affiliated entity of the Company, entered into a series of agreements (collectively referred to as the "Songtian Acquisition Agreements") with an independent third party ("Songtian Vendor") for the acquisition of 100% equity interest in Guangzhou Bangrui Education Investment Company Limited (廣州邦瑞教育投資有限公司) ("Guangzhou Bangrui"), a limited liability company established under the laws of the PRC, which indirectly owned the co-sponsor interest of Guangzhou Songtian University and the sponsor interest of Songtian Polytechnic College (Guangzhou Bangrui and its subsidiaries together as "Songtian Target Group") at a total cash consideration of RMB1,704,401,000, of which RMB537,900,000 is paid/payable to Songtian Vendor and RMB1,166,501,000 is for the purposes of settling liabilities, mainly representing debts, of Songtian Target Group. The acquisition was completed on 21 September 2018.

#### *(ii) Shandong Quancheng University acquisition*

On 14 January 2019, Renjing Education Consulting (Ganzhou) Company Limited (仁敬教育諮詢(贛州)有限公司) ("Renjing Education"), a consolidated affiliated entity, entered into a series of agreements (collectively referred to as the "Quancheng Acquisition Agreements") with independent third parties for the acquisitions of aggregate 50.91% equity interest of Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司) ("Shandong Dazhong Cultural"), a limited liability company established under the laws of the PRC, for the purpose of acquiring co-sponsor interest of Shandong Quancheng University, an independent college in Penglai city, and sponsor interest of Shandong Cultural Industry Vocational College (山東文化產業職業學院), a higher education school licensed by the Ministry of Education of the PRC, and equity interest of Shandong Fangyuan Property Management Limited (山東方圓物業管理有限公司) ("Shandong Fangyuan"), a wholly-owned subsidiary of Shandong Dazhong Cultural, which provides property management for Shandong Quancheng University (Shandong Dazhong Cultural, Shandong Quancheng University, Shandong Cultural Industry Vocational College and Shandong Fangyuan collectively referred to the "Shandong Target Group"), the aggregate cash consideration of the aforementioned acquisition is RMB231,386,000 and the Group would further contribute additional contribution of RMB21,027,000 to the Shandong Target Group primarily for settling an amount due from Shandong Target Group to one of the vendors. On 20 March 2019, Renjing Education and an independent third party entered into a series of agreements, pursuant to which the Renjing Education agreed to acquire the remaining 49.09% state-owned equity interest of Shandong Dazhong Cultural at a cash consideration of approximately RMB223,114,000. The Group has obtained control over Shandong Target Group on 20 March 2019, upon satisfaction of criteria set out in respective acquisition agreements.

#### *(iii) Chongqing Translators University acquisition*

On 25 June 2019, Lexian Education Consulting (Ganzhou) Company Limited (樂賢教育諮詢(贛州)有限公司) ("Lexian Education"), a consolidated affiliated entity, entered into an acquisition agreement with an independent third party ("Chongqing Vendor") for the purpose of acquiring 100% sponsorship interest in Chongqing Translators University at cash consideration of RMB1,010,000,000. The Group has obtained control over Chongqing Translators University on 24 July 2019 as effected by a series of contractual arrangement agreements entered into among the Group, Chongqing Vendor and Chongqing Translators University that substantially transferred the control and beneficial interest of Chongqing Translators University to the Group.

**(b) Acquisitions during the eight month ended 31 August 2018**

### *(i) Zhengzhou acquisition*

On 13 March 2018, Junshi Education Consulting (Ganzhou) Company Ltd. (君時教育諮詢(贛州)有限公司) ("Junshi Education"), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Zhengzhou Acquisition Agreements") with an individual (the "Zhengzhou Vendor") for the acquisition of 80% equity interest in 樹仁教育管理有限公司 (Shu Ren Education Management Company Limited) ("Shu Ren Education"), a limited liability company established under the laws of the PRC and owned the sponsor interest of Zhengzhou Transit School (Shu Ren Education and its subsidiary together as "Zhengzhou Target Group"), at the consideration of RMB855,000,000 (the "Zhengzhou Consideration"). Zhengzhou Consideration comprises RMB120,000,000 ("Zhengzhou Equity Consideration") payable to Zhengzhou Vendor for the transfer of the 80% equity interest in Shu Ren Education and RMB735,000,000 for injection into Shu Ren Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Zhengzhou Acquisition Agreements, the Zhengzhou Equity Consideration shall be paid by the Group to Zhengzhou Vendor by four installments and Zhengzhou Vendor had agreed to provide a profit guarantee in relation to the financial performance of Zhengzhou Transit School for each of the three calendar years ending 31 December 2020. The payment of the second, the third and the fourth installments of the Zhengzhou Equity Consideration of RMB20,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Zhengzhou Transit School ("Zhengzhou Actual PBT") for each of the three calendar years ending 31 December 2020 is less than RMB45,000,000, RMB80,000,000 and RMB90,000,000 ("Zhengzhou Guaranteed PBT") for each of the calendar year ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively:

RMB20,000,000 x (1 – (Zhengzhou Actual PBT/Zhengzhou Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Zhengzhou Equity Consideration is not expected to be reduced.

### *(ii) Xi'an acquisition*

On 13 March 2018, Shangzhi Education Consulting (Ganzhou) Company Ltd. (上智教育諮詢(贛州)有限公司) ("Shangzhi Education"), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Xi'an Acquisition Agreements") with all the shareholders (the "Xi'an Vendors") of Xitie Education for the acquisition of 62% equity interest in Xitie Education, a limited liability company established under the laws of the PRC and indirectly owns the sponsor interest of Xi'an Railway College (Xitie Education and its subsidiaries together as "Xi'an Target Group"), at the consideration of RMB576,600,000 (the "Xi'an Consideration"). Xi'an Consideration comprises RMB472,170,000 ("Xi'an Equity Consideration") payable to Xi'an Vendors for the transfer of the 62% equity interest in Xitie Education and RMB104,430,000 for injection into Xitie Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Xi'an Acquisition Agreements, the Xi'an Equity Consideration shall be paid by the Group to Xi'an Vendors by four installments and Xi'an Vendors had agreed to provide guarantee in relation to the future student enrollment or the financial performance of Xi'an Railway College. The payment of the second installment of the Xi'an Equity Consideration of RMB42,480,000 shall be made on the condition that the number of new students of Xi'an Railway College at the end of 30 October 2018 (the spring and fall semesters of the academic year) has attained the agreed target. The payment of the third and the fourth installments of the Xi'an Equity Consideration of RMB100,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Xi'an Railway College ("Xi'an Actual PBT") for each of the calendar year ending 31 December 2018 and 31 December 2019 is less than RMB74,000,000 and RMB100,000,000 ("Xi'an Guaranteed PBT") for the calendar year ending 31 December 2018 and 31 December 2019 respectively:

RMB100,000,000 x (1 – (Xi'an Actual PBT/Xi'an Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Xi'an Equity Consideration is not expected to be reduced.

## 11. CAPITAL COMMITMENTS

| | At 31 August | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of | | |
| — property, plant and equipment | **341,784** | 296,376 |
| — prepaid lease payments | **28,550** | 29,150 |
| | **370,334** | 325,526 |

The Group has entered into agreements with independent third parties for the acquisition of 96.7% equity interest in Yantai Haijun at a consideration of RMB246,000,000 during the current reporting period. Yantai Haijun primarily owns land and properties adjacent to Shandong Quancheng University. The land and properties are expected to be used for Shandong Quancheng University's campus expansion. As at 31 August 2019 and up to the date of this report, RMB73,838,000 has been paid by the Group as prepayment for investments, with the remaining RMB172,162,000 to be settled following the progress of the acquisition.

In addition, on 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理中教(深圳)教育產業投資(有限合伙) (the "China Education Fund"). The Group will make an initial contribution of RMB250,000,000 to the China Education Fund. No contribution has been made up to 31 August 2019. Subsequent to the end of the reporting period, the Group made capital contribution amounting to RMB30,303,000 to China Education Fund.

**12. EVENT AFTER REPORTING PERIOD**

Subsequent to the end of the reporting period, the Group entered into an acquisition agreement with independent third parties for acquisition of Aspen Higher Education Pty Ltd ("Aspen") at a consideration of Australian Dollar 128,000,000 (equivalent to RMB614,157,000). Aspen holds a call option to acquire all the issued shares in Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute) ("KOI"). The acquisition was completed on 16 October 2019. Aspen and KOI have become wholly-owned subsidiaries of the Company. The financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date are being estimated as the preparation of initial accounting for this business combination, for example, valuation of assets acquired and liabilities assumed, is in progress at the time these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 23 September 2019 and 16 October 2019.

## DEFINITIONS

| | |
|---|---|
| "affiliate" | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| "Baiyun Technician College" | Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC operating schools |
| "Board" | the board of directors of the Company |
| "CG Code" | Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| "China" or "PRC" | the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan |
| "Chongqing Translators University" | Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院), one of our PRC operating schools |
| "Company" | China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |

| | |
|---|---|
| "consolidated affiliated entities" or "consolidated affiliated entity" | the entities we control through the Contractual Arrangements |
| "Contractual Arrangements" | the series of contractual arrangements entered into by, among others, Huajiao Education, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities |
| "Director(s)" | the director(s) of the Company |
| "Group", "we", "us", or "our" | the Company, its subsidiaries and its consolidated affiliated entities from time to time |
| "Guangdong Baiyun University" | Guangdong Baiyun University (廣東白雲學院), one of our PRC operating schools |
| "Guangzhou Songtian University" | Guangzhou University Songtian College (廣州大學松田學院), one of our PRC operating schools |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Hong Kong dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Huajiao Education" | Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "independent third party(ies)" | any entity(ies) or person(s) who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules |
| "Jiangxi University of Technology" | Jiangxi University of Technology (江西科技學院), one of our PRC operating schools |
| "King's Own Institute" or "KOI" | Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute), a company incorporated in New South Wales, Australia |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date |

| | |
|---|---|
| "Listing Date" | 15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange |
| "Listing Rules" | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| "MOE" | the Ministry of Education of the PRC (中華人民共和國教育部) |
| "Mr. Xie" | Mr. Xie Ketao (謝可滔), an executive director, co-chairman of the Company and a controlling shareholder of the Company |
| "Mr. Yu" | Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of China |
| "Shandong Dazhong Cultural" | Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司), a limited liability company established under the laws of the PRC and one of our consolidated affiliated entities |
| "Shandong Quancheng University" | University of Jinan Quancheng College (濟南大學泉城學院), one of our PRC operating schools |
| "Shareholder(s)" | holder(s) of our Share(s) |
| "Shares" | ordinary shares in our Company of par value HK$0.00001 each |
| "Songtian Polytechnic College" | Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC operating schools |
| "Songtian Company" | Zengcheng Songtian Enterprise Company Limited (增城市松田實業有限公司), a limited liability company established in the PRC and one of our consolidated affiliated entities |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

| | |
|---|---|
| "subsidiary(ies)" | has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) |
| "VP Shenzhen" | Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited |
| "US dollars" | United States dollars, the lawful currency of the United States |
| "Xi'an Railway College" | Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC operating schools |
| "Zhengzhou Transit School" | Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC operating schools |
| "%" | per cent |

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this announcement are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

By order of the Board
**China Education Group Holdings Limited**
**Yu Guo　　Xie Ketao**
*Co-Chairmen*

Hong Kong, 26 November 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.*