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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)

(Stock Code: 839)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

The Board is pleased to announce the annual results of the Group for the year ended 31 August 2021.

HIGHLIGHTS

- The Group has actively expanded market, improved education quality and achieved steadily-improved operating performance and solid growth. The scale of talent training hit a record high. New campuses have been put into use, further expanding the school networks of the Group and demonstrating the strength of vocational education in the new era
- 52,000 students graduated from our member schools during the period to strongly support the local real economic growth and development
- As of the date of this announcement, the number of enrolled students is approximately 280,000, growing into a new stage and further improving the ability of the Group to contribute to the establishment of a skill-based society
- With continuous focuses on high-quality development, the Group acquired the top-ranked independent private college and a private undergraduate school ranking fourth in China, further expanding its school networks with its nationwide presence covering 8 Province-Level administrative regions

- In response to the national calls for accelerating conversion of independent colleges, conversions of all the three independent colleges in Guangdong, Shandong and Chongqing were completed. In 2021/22, the new student enrollment in the three schools increased by more than 50% on average as compared to that prior to the conversion
- Two high-standard modern campuses meeting the needs of the application-oriented undergraduate teaching in the new era in the Guangdong-Hong Kong-Macao Greater Bay Area have been put into use, capable of serving more than 100,000 students in total in local area
- The Group launched and upgraded a number of new majors focusing on the new-generation information technology, high-end equipment manufacturing, new materials, biomedical healthcare, new energy, smart and new energy vehicles, energy conservation and environmental protection, and digital creativity, etc. to contribute to the strategic emerging industries and support the needs of regional economic development of China
- The Group received nationwide recognition for its education quality: two courses were newly recognized as “national-level first-class” courses and 26 courses were newly recognized as “provincial level first-class” courses, and several schools ranked first among national or regional private schools in terms of overall strength and teaching quality
- Operating results continued to improve. Net profit increased by 107.2% year-on-year. Adjusted net profit attributable to owners of the Company increased by 57.1% year-on-year to RMB1.55 billion
- Key financial indicators remained sound and fair. The return on equity increased from 13.0% to 15.9%, achieving a steady improvement in both education quality and operating efficiency
- As at 31 August 2021, the Group had total assets of RMB26.7 billion, representing a year-on-year increase of 48.8%. Cash reserve amounted to RMB5.0 billion
- A good start was made in 2021/22. With the continuing of universalization of higher education, the application-oriented programmes provided by the Group have been widely favoured by students, with unified new student enrollment in 2021/22 up by 34% year-on-year, hitting another record high

CO-CHAIRMEN'S STATEMENT

Since the 18th National Congress of the Communist Party of China (the “Party”), General Secretary Xi Jinping has planned for and promoted vocational education and made a series of important instructions on vocational education. In April 2021, General Secretary Xi Jinping gave a significant instruction on vocational education works at the National Vocational Education Conference (全國職業教育大會) underscoring that vocational education has a promising prospect and great potential; and it is important to adhere to the leadership of the Party in cultivating talents with integrity under the proper direction of school-running, optimize the positioning of vocational education, deepen production-education integration and school-enterprise cooperation, further promote the reform of education methods, school-running models, management systems and security mechanisms, steadily develop vocational undergraduate education, set up a number of high-level vocational colleges and majors, promote the integration of vocational education and general education and strengthen the adaptability of vocational education to accelerate the establishment of a modern vocational education system to cultivate more technical and skilled talents. He also made clear requirements to the party committees and governments at all levels.

Vocational education is the cradle that cultivates high-skilled talents and an important way for the youth to open up the door to success. It shoulders the important responsibilities of cultivating diversified talents, passing on skills and techniques and promoting employment and entrepreneurship. As China moves to a new stage of development, the industrial upgrading and economic restructuring constantly accelerate, therefore, there are increasingly urgent demand for technical and skilled talents from all walks of life. In particular, the in-depth application of artificial intelligence, Internet of Things, big data and other technologies in the new round of technological revolution and industrial transformation has put forward higher requirements for the quality of labours.

In 2020/21, in view of the anti-pandemic battle and the highly uncertain external environment, the Group focused on the implementation of and kept in mind the important instructions on vocational education given by General Secretary Xi Jinping to forge ahead with gratitude. Leveraging its unique advantages, such as school-running experience, teaching quality, social reputation, major features and school-enterprise cooperation, as well as the open platform of the Group, the Group endeavored to accelerate development and improve quality, and achieved steadily-improved operating performance and solid growth. New schools have been put into use, further expanding the school networks of the Group. The number of students graduated from our member schools hit another record-high, demonstrating the strength of vocational education.

Business Review

Adhering to High-Quality Development and Achieving Steadily-Improved Operating Performance

In 2020/21, the financial performance of the Group grew steadily. Operating profit increased by 42.9% year-on-year and net profit increased by 107.2% year-on-year. Adjusted net profit attributable to owners of the Company increased by 57.1% year-on-year to RMB1.55 billion. As at 31 August 2021, the Group had total assets of RMB26.7 billion, representing a year-on-year increase of 48.8%. Cash reserve amounted to RMB5.0 billion. The key financial indicators remained sound and fair. The return on equity increased from 13.0% to 15.9%, realising a synchronous stable improvement in both education quality and operating efficiency.

Sticking to Education Commitment and Improving Social Reputation

Established in 1989, China Education Group has been committed to serving the country with vocational education. As a pioneer of private vocational education in China, we have always insisted on and pursued the commitment.

In 2020/21, with the joint efforts of all the faculty who injected momentum into the development of vocational education with their original commitment, the member schools of the Group achieved fruitful educational results, as shown in various ranking lists published recently, and further improved its social reputation. Jiangxi University of Technology ranked first in the Private University and College Ranking (Overall Competitive Strengths) of China; Guangdong Baiyun University ranked first in the Best GBA Universities (Private) Ranking; Chengdu Jincheng College ranked first among independent private colleges in China; Haikou University of Economics became the first private university to be recognised as a Provincial-Level Demonstrating Application-Oriented Undergraduate University in China; Guangzhou College of Applied Science and Technology won a gold medal during the National Games; Yantai Institute of Science and Technology was recognised as the Most Influential Undergraduate College in Shandong; Chongqing Institute of Foreign Studies won the grand prize of the National Ideological and Political Teaching Contest (Foreign Language Programmes), Baiyun Technician College won a gold medal during the National Vocational Skills Competition; Xi'an Railway College won the first prize of China International "Internet +" College Students Innovation and Entrepreneurship Competition; and Richmond University (UK) was ranked top London five for student satisfaction.

In 2020/21, in response to the high-quality development of vocational education and the “14th Five-Year” Plan, the Group fulfilled its responsibility as an education enterprise, continued to increase its investments to improve its education quality and training scale, and promoted its member schools for quality enhancement and excellence, focused on building first-class majors and first-class programmes and expanding the scale of talent training, and achieved fruitful results. During the period, 2 programmes of member schools were newly recognised as national-level first-class undergraduate programmes, 26 programmes were newly recognised as provincial-level first-class programmes, 14 majors were newly recognised as provincial-level first-class majors, and the teaching quality gained the national recognition. As one of the few private universities with post-doctoral training qualification, the post-doctoral training base of Jiangxi University of Technology has been rated as “excellent” by the government.

Our member schools have won widespread praise from students for the outstanding education and teaching quality, as well as good social reputation. In 2020/21, the unified new student enrollment in the member schools of the Group saw large growth, while the college entrance examination scores increased significantly, demonstrating that the school-running ability of the member schools of the Group is gaining widespread popularity among, and recognition from, students, parents and the society.

Due to its industry-leading operating performance and results, sustainable development in a fast and health manner, top-notch global thinking, well-designed up-to-date strategic planning and people-oriented innovative development, the Company won the honor of the “Best Management Companies” by Deloitte China, Bank of Singapore, the Business School of HKUST and Harvard Business Review (China), being the only one in the industry with such prestigious award for the third consecutive year.

Serving the Real Economy and Expanding Talent-Training Scale to a Higher Level

The member schools of the Group graduated 52,000 students in 2020/21 to strongly support and serve the high-quality development of the local real economy.

During the “13th Five-Year Plan” period, the gross enrollment rate of China’s higher education sector increased from 40.0% to 54.4%, achieving a historic leap from a popular stage to a widespread stage. According to the “14th Five-Year Plan”, the gross enrollment rate of higher education is targeted to improve to 60% in 2025. Statistics show that the higher education entrance age population will grow to a higher level in China in the near future, and the enrollment is expected to continue to increase with continuous and further universalization of higher education.

In May 2020, the Ministry of Education issued the “Implementation Plan on Accelerating the Conversion of Independent Colleges” 《關於加快推進獨立學院轉設工作的實施方案》, which clarified that the conversion of independent colleges was the top priority of the establishment of universities, and further specified that the independent colleges will be entitled to preferential support in terms of enrollment plans, project declarations and professional settings upon completion of conversion. The Group has actively responded to national policies, and has completed conversion of its three independent colleges in Guangdong, Shandong and Chongqing in 2020/21. In September 2021, all of them have recruited students as private regular universities with both enrollment quotas and admissions reaching a record high, and the number of new students enrolled in 2021/22 increased by more than 50% on average as compared to that prior to the conversion.

A good start was made by the Group in 2021/22. Driven by the strong demand of students for high-quality education, the unified new student enrollment of the member schools of the Group in 2021/22 increased by 34% year-on-year, hitting another record high. As of the date of this announcement, the number of enrolled students of the member schools of the Group is nearly 280,000, moving the overall scale to a new stage and further improving the ability of the Group to contribute to the establishment of a skill-based society.

Developing Leading Majors to Support National Strategic Emerging Industries

Strategic emerging industries represent the direction of a new round of scientific and technological change and industrial transformation. They are key areas for gaining new momentum and new competitive edge in the future, and also the top priority of China in establishing a modern economic system. In September 2020, the National Development and Reform Commission, together with the Ministry of Science and Technology, the Ministry of Industry and Information Technology, and the Ministry of Finance, issued the “Guiding Opinions on Expanding Investment in Strategic Emerging Industries and Developing New Growth Points and Growth Poles” (《關於擴大戰略性新興產業投資培育壯大新增長點增長極的指導意見》), which points out 20 key directions and supporting policies in respect of expanding investment in strategic emerging industries and developing new growth points and growth poles in order to promote the high-quality development of strategic emerging industries.

According to the statistics from the Ministry of Education, during the “13th Five-Year Plan” period, more than 70% of new front-line employees in the sectors, such as modern manufacturing, strategic emerging industries and modern service industries, are graduates from vocational colleges. The “14th Five-Year Plan” asks to improve the adaptability of vocational and technical education with a focus on the new needs of industrial upgrading and national strategies to move towards a higher level of high-quality development.

As an ever-lasting philosophy of the Group, “leading education with excellence and innovation” represents the Group’s pursuit of serving industry needs and improving education. In 2020/21, focusing on major national strategies and upon considering the trend of industrial upgrading and technological change, the member schools of the Group strengthened the development of majors related to strategic emerging industries, and launched and upgraded a batch of majors in the fields of new-generation information technology, high-end equipment manufacturing, new materials, biomedical healthcare, new energy, smart and new energy vehicles, energy conservation and environmental protection, digital creativity, etc. to cultivate basic and scarce talents for strategic emerging industries of the country. During the reporting period, the member schools of the Group launched, at the higher vocational education level, an aggregate of 285 application-oriented undergraduate majors, an increase of 20 year-on-year; 109 junior college majors, an increase of 38 year-on-year; and 184 continuing education majors, an increase of 69 year-on-year.

In response to the challenges of the new round of scientific and technological revolution and industrial transformation in a proactive manner, the Ministry of Education has launched new engineering research and practice projects to support national strategic and regional development needs, explore the establishment of world-class engineering education systems with Chinese characteristics and develop a power of engineering education. In recognition of the urgency of engineering education reform and innovation at present, the Group seized the opportunity and made active planning. In 2020/21, the Group stood out among its peers and obtained 3 new engineering research and practice projects approved by the Ministry of Education.

Well-Selected Regional Presence to Support National Regional Development Strategy

General Secretary Xi Jinping made a clear statement on the implementation of a coordinated regional development strategy in the report of the 19th National Congress of the Party. Integrating regional vocational education resources and increasing investment in vocational education are of great significance to promoting the implementation of the regional development strategy and realizing the coordinated development of regional economy of the country.

In full compliance with the coordinated regional development strategy in China, the Group focuses on the presence in key regions, keeps up with the needs of regional economic and social development, gives play to the role of vocational education in supporting industry structure, and encourages our member schools to serve the key industries and key areas that meet the needs of coordinated regional development. In recent years, the Group has carried out fruitful works around the Guangdong-Hong Kong-Macao Greater Bay Area, the Western Development Region and Hainan Free Trade Zone, with investments in such regions over RMB10 billion.

High-standard, modern and meeting the application-oriented undergraduate teaching needs, the new campus constructed for Guangdong Baiyun University in Guangzhou and Guangzhou College of Applied Science and Technology in Zhaoqing, each a member school of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area, has been put into use currently. The campuses of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area are capable of serving more than 100,000 students and cultivating nearly 30,000 application-oriented talents for the local area every year. In recent years, Chengdu Jincheng College, the largest private undergraduate school in Sichuan Province, and Haikou University of Economics, the largest private undergraduate school in Hainan Free Trade Zone, also joined the member schools of the Group.

The WFOE of the Company in China enjoys preferential policies in accordance with “Several Opinions on Supporting the Revitalization and Development of Southern Jiangxi and Other Former Central Soviet Areas” (《關於支持贛南等原中央蘇區振興發展的若干意見》) issued by the State Council and has been accredited by the government as an encouraged foreign investment industry during the latest enterprise registration. It is entitled to tax incentives until 2030 pursuant to the “Announcement on Continuation of the Western Development Enterprise Income Tax Policy” (《關於延續西部大開發企業所得稅政策的公告》) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission.

The Group will focus on the significant opportunities of regional development in the country to further expand its nationwide presence while further developing existing portfolio in order to help boost local economy through the development of advantageous and characteristic industries, and facilitate the implementation of the national regional development strategy.

Deepening Industry-Education Integration and Innovating School-Enterprise Cooperation

Deepening the industry-education integration is of great significance to the comprehensive improvement of the quality of vocational education, expansion of employment and entrepreneurship, promotion of economic transformation and development, and gaining of new momentum for economic development. The “Opinions on Promoting High-Quality Development of Modern Vocational Education” (《關於推動現代職業教育高質量發展的意見》) issued by the General Office of the Central Committee of the Party and the General Office of the State Council clearly encourages vocational schools to establish practice and training bases in enterprises and enterprises to establish cultivation and training bases in vocational schools to expand the school-running space for vocational schools and diversify the form and contents of school-enterprise cooperation.

In 2020/21, following the principle of “major to industry” for talent cultivation in the new era, the member schools of the Group have actively promoted school-enterprise cooperation and industry-education integration to enable the seamless connection between major settings and industry needs, as well as programme settings and occupational needs. Currently, the Group has established cooperative relationships with more than 2,000 enterprises, with the aim to having all majors to be backed by school-enterprise cooperation.

In addition to improving the employability of the students, the school-enterprise cooperation carried out by the Group also delivered positive social value. The mining and metallurgical waste recycling project jointly conducted by Jiangxi University of Technology and China Academy of Building Research has reduced expenses of RMB112 million for related enterprises in the past three years and is of great significance to environmental protection, energy conservation and emission reduction. In 2020/21, the project won China Industry-University-Research Collaboration and Innovation Achievement Award.

The member schools of the Group have also been active in promoting the innovative industry college model. School-enterprise cooperation has been established in every part of talent training, including majors, teachers, teaching materials, programmes, internships and employment, integrating education, talents, industry and innovation in an effective manner. The School-Enterprise Cooperation College of Hotel Management of Jiangxi University of Technology was selected as a typical case of the “Double Hundred Plan for School-Enterprise Cooperation” at the Higher Education Expo China in 2020/21.

Strengthening Establishment of a Dual-Qualified Teaching Force and Deepening Vocational Education Reform

During the visit to the national political advisors from education, medical and health sectors attending the fourth session of the 13th National Committee of the Chinese People’s Political Consultative Conference, General Secretary Xi Jinping pointed out: “Teachers are the central pillar of education. Only with high-quality teachers can there be high-quality education.” Teachers are the first resource for the development of vocational education and the key force supporting the reform of national vocational education in the new era. The Central Committee of the Party and the State Council promulgated the “Opinions on Comprehensively Deepening the Reform of Teaching Force Development in the New Era” (《關於全面深化新時代教師隊伍建設改革的意見》), which asks to improve the quality of teachers in vocational colleges and build a high-quality “double-qualified” teaching force.

In 2020/21, the member schools of the Group strengthened the establishment of a “dual-qualified” teaching force by attracting high-skilled talents, craftsmen, masters and inheritors of intangible cultural heritage from enterprises in all industries to serve as technical instructor and engage in practice education. Trainings were provided for the improvement of teachers’ professional skills and their ability of practice teaching, information technology application and teaching research. And a series of criteria for the accreditation, employment and evaluation of “dual-qualified” teachers have been in place. The dual qualification reflecting the level of skill and the professional teaching ability has been incorporated into teacher evaluation systems, pursuant to which, a teacher is evaluated primarily based on his/her ethics and style, craftsmanship, technical skills, and education and teaching achievements. The Group has also relied on “839 Class”, a training platform, to improve the quality of teachers and strive to cultivate a group of teachers capable of providing trainings on vocational examinations for level certificates.

The Group organised teachers from its member schools to participate in various teaching skill contests, and promoted the sharing and exchange of teaching experience among member schools to reform and innovate the process, contents, and method of teaching. The Group continued to strengthen the management of education and teaching quality. Each of professional ethics, professional quality, level of technique and skill, employment quality and entrepreneurial ability is viewed as an important indicator of the quality of school teaching. During the process of teaching, teachers follow the discipline of vocational education and the physical and mental development of students, integrate the cultivation and practice of core socialist values into the whole process, focus on the needs of students for career and sustainable development, and promote the comprehensive improvement of students' morality, intelligence, physical fitness and beauty.

Performing Commission and Improving Social Responsibility Management System

There is natural public welfare value in education business, and the same is true for private education business. According to “Certain Opinions on Encouragement of Social Power to Operate Education and Promotion of Healthy Development of Private Education” (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) of the State Council, it is required that “whether non-profit privately-run schools or for-profit ones should always take social benefits as the priority”. As a leading enterprise in the vocational education sector, the Group has always put the social benefits to the first place, and required its member schools in China to uphold the direction of socialism for running schools, implement the fundamental task of developing morality of students, and implement the spirit of vital speech of the General Secretary Xi Jinping of “insisting on cultivating talents for the Party and the country”. As such, developing morality of talents can be integrated into various sections such as mental and morality education, culture and knowledge education, and social practice education, and represented in various establishment areas such as discipline system, education system, material system, and management system, leading a number of youths to take serving the country as their highest pursuit so as to think and do what the country needs.

The Group has actively performed its responsibility as a leading enterprise in vocational education sector, consciously integrated social responsibilities into its development strategy and operating and management activities, and continuously improved the corporate social responsibility management and performance level. The Group has implemented the general guidelines set out in the World Bank Group Environmental, Health, and Safety, the standards in International Finance Corporation's Environmental and Social Policies and the standards in IFC Performance Standards, and integrated ESG into the corporate operation and management. The Group firmly supports the sustainable development, and vigorously promotes structure energy saving, technology energy saving and management energy saving. Targeting to build an enterprise of green vocational education, the Group continues its efforts to realize the national goal of carbon neutrality and carbon peak.

Adhering to the principle of from the society and to the society, the Group has provided scholarship and assistance to students with merits and needs, and intensified the protection of interests of students and teachers. In the past three years, the member schools of the Group have provided assistance to cumulative 73,559 students with a cumulative amount of RMB84.91 million, including scholarship and assistance of RMB65.44 million, tuition fees concession of RMB9.46 million and on-campus work of RMB10.01 million. Due to its contribution to social equality, the Company has obtained the accreditation of “inclusive business” by International Finance Corporation of the World Bank Group.

General Secretary Xi Jinping pointed out that there would be no modernization of the whole country without modernization of agriculture and rural areas, and pointed out that rural revitalization is an overall and historical mission that is of vital importance to the comprehensive construction of a modern socialist country. The Group remained true to its original aspiration and kept its mission firmly in mind to resolutely implement the policies and decisions of the Party Central Committee on agricultural work, and strive to support the national strategy of rural revitalization through vocational education. The member schools of the Group have trained cumulative 41,974 migration workers for the latest three years with trained skills including electrical equipment maintenance, vehicle maintenance, online business operation, computer-aided design, Chinese and Western cooking, Cantonese dim sum, Li people’s paper cutting, sewing, efficient cultivation technics of crop planting, etc. In 2020/21, three commissioners of Guangdong Baiyun University on rural science and technology at the provincial level were praised by the Guangdong Provincial Government in public (being the only private university for undergraduate studies in Guangdong Province that was praised in public) for their renovation and activation of rural old buildings and their environment, rural breeding temperature control, development, promotion and application of alarm equipment, as well as the packaging design of agricultural products, the development and design of local tourism cultural and creative products, and new media live marketing (live commerce), which were well recognised by farmers.

The corporate governance of the Company is based on the principles of the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the Company has complied with all the code provisions.

In 2020/21, the Group conducted appraisal of internal control on education, teaching and operating management across various member schools and carried out rectification against the weakness found in the appraisal. In addition, the Group required the member schools to set up and improve the internal control system driven by risk management and focused on compliance management, form the work mechanism with specific duty and responsibility, clear workflow and orderly regulation, further improve the internal control system focusing on vital sections such as education and teaching, asset procurement, and engineering projects, effectively carry out internal control appraisal and supervision, actively integrate management and control measures of internal control system into various business information systems so as to further enhance management level and reinforce the capacity of member schools against risks.

Creating Chinese Vocational Education Brands in Cooperation with Overseas Member Schools

According to the “Opinions on Promoting High-Quality Development of Modern Vocational Education” (《關於推動現代職業教育高質量發展的意見》) issued by the Central Committee of the Party and the State Council, domestic schools should enhance the quality of Sino-foreign cooperation in operating schools, strengthen cooperation with internationally high-level vocational education institutions and organisations as well as conducting academic research, standard development and personnel exchanges.

Based on its two overseas schools, namely King’s Own Institute in Australia and Richmond University in London, UK, the Group has offered dual-degree programmes in 11 majors such as accounting, IT and finance, in our PRC member schools, which international programmes have enjoyed wide acceptance among students and parents. The integration and synergy among our PRC and overseas schools has also promoted the communication between teachers and students and their learning, thus reinforcing the competitiveness of our schools at home and abroad on discipline settings, syllabus, talent training plan and other aspects.

In 2020/21, the Group’s first batch of students from our PRC member schools completed the master’s degree programmes of our overseas schools and successfully obtained the master’s degree from our overseas schools, marking that the collaboration between the Group’s domestic and overseas schools has allowed students to substantially improve their academic qualifications and abilities internationally. Besides, there have been the Group’s member schools completing the institutional accreditation from the Quality Assurance Agency for Higher Education (QAA) in UK, signifying that the education quality and management level of our member schools is gaining international recognition.

In 2020/21, the Group realised segment results of RMB75.0 million in global education segment, representing an increase of 14.7% as compared to last year. It has been one of the few companies in industry that were still able to make profits and achieve growth despite the severe challenges such as the outbreak of pandemic overseas and the restrictions on international travel, demonstrating the Group’s operating capacity and business resilience. As the restrictions imposed overseas during the outbreak of pandemic gradually ease, in particular, the government of Australia has announced that it will reopen the borders for immigration of international students with effect from December 2021, the Group is preparing to continue to expand its global education segment to capitalize on the recovery of global education industry at a global scale. King’s Own Institute in Australia is making preparation for its first step out of Sydney since its establishment. It plans to launch a new campus in Newcastle, the seventh-largest city in Australia, in 2021/22, which will increase the capacity in King’s Own Institute by 35%.

Outlook

General Secretary Xi Jinping's important instructions on vocational education are regarded as mission of the age assigned by the CPC Central Committee to vocational educators. It does not only represent complete confidence in vocational educators, but also serves as significant momentum for vocational educators. General Secretary Xi Jinping's important instructions on vocational education fully reflect that the CPC Central Committee with General Secretary Xi Jinping at its core attaches great importance to, gives full confidence in and extends warm care and ardent hope for vocational education works.

In the new era, the CPC Central Committee has provided huge opportunities and business space available for the development of vocational education. We believe that in terms of vocational education, its channels connecting to other types of education are increasingly more integrated, the journey to a higher school and to success of its students is increasingly more extensive, and its competitiveness and attractiveness will get greater than ever before.

As a leading player in vocational education, China Education Group possesses comparative advantages and favorable conditions, that's where the Group's confidence of playing a greater role in serving for and integrating into the new development pattern of China lies in. By thoroughly studying and understanding the important instructions proposed by General Secretary Xi Jinping and proactively responding to the calls of the CPC Central Committee, China Education Group will strengthen the fulfillment of its missions and respond in a rapid manner. China Education Group strives to play its leading and driving role in industry and gathers strength to construct high-quality vocational education in the new era, in order to provide strong support for realizing national strategic goals such as regional human resource building, industrial transformation and upgrade, technical innovation, and the promotion of employment and business startups.

Lastly, on behalf of the Board, we would like to express our heartfelt thanks to all sectors of society for their supports to the Company, and extend our sincere thanks to all the staff for their efforts!

Yu Guo Xie Ketao
Co-Chairmen

Hong Kong, 24 November 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the years ended 31 August 2021 and 31 August 2020 are as follows:

	Year ended	
	31 August 2021 RMB'000	31 August 2020 RMB'000
Revenue	3,682,440	2,678,088
Cost of revenue	<u>(1,507,348)</u>	<u>(1,077,101)</u>
Gross profit	2,175,092	1,600,987
Other income	192,222	113,276
Selling expenses	(168,188)	(134,918)
Administrative expenses	<u>(474,420)</u>	<u>(372,273)</u>
Operating profit	1,724,706	1,207,072
Investment income	43,426	18,356
Other expense, other gains and losses	(240,372)	(33,978)
Fair value change on convertible bonds	145,264	(369,260)
Finance costs	<u>(162,056)</u>	<u>(92,609)</u>
Profit before taxation	1,510,968	729,581
Taxation	<u>(39,206)</u>	<u>(19,230)</u>
Net profit	<u>1,471,762</u>	<u>710,351</u>
Net profit attributable to owners of the Company	<u>1,443,799</u>	<u>633,202</u>
Adjusted net profit attributable to owners of the Company	<u>1,546,383</u>	<u>984,127</u>

The calculations of adjusted net profit and adjusted net profit attributable to owners of the Company are as follows:

Calculation of Adjusted Net Profit

		Year ended	
		31 August 2021 RMB'000	31 August 2020 RMB'000
Net profit		1,471,762	710,351
Adjustments for:	Foreign exchange gain/loss	(33,063)	(42,964)
	Share-based payments	(25,072)	6,320
	Imputed interest on deferred cash considerations	11,703	18,309
	Fair value change on convertible bonds	(145,264)	369,260
	One-off and other current period expenses related to conversion of independent colleges into private universities	259,742	–
	Fair value change on construction cost payables for school premises	34,538	–
Adjusted net profit		<u>1,574,346</u>	<u>1,061,276</u>

Calculation of Adjusted Net Profit attributable to owners of the Company

		Year ended	
		31 August 2021 RMB'000	31 August 2020 RMB'000
Net profit attributable to owners of the Company		1,443,799	633,202
Adjustments for:	Foreign exchange gain/loss	(33,063)	(42,964)
	Share-based payments	(25,072)	6,320
	Imputed interest on deferred cash considerations	11,703	18,309
	Fair value change on convertible bonds	(145,264)	369,260
	One-off and other current period expenses related to conversion of independent colleges into private universities	259,742	–
	Fair value change on construction cost payables for school premises	34,538	–
Adjusted net profit attributable to owners of the Company		<u>1,546,383</u>	<u>984,127</u>

Revenue

The Group's revenue reached RMB3,682.4 million for the year ended 31 August 2021, up 37.5% as compared to RMB2,678.1 million for the year ended 31 August 2020. The increase reflected students' strong demand for quality education offered by the Group and the effective execution of the Group's expansion strategy.

Higher Vocational Education Segment

Revenue from higher vocational education segment increased from RMB1,744.4 million for the year ended 31 August 2020 to RMB2,759.6 million for the year ended 31 August 2021, representing a 58.2% increase. The significant increase in revenue of higher vocational education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher vocational education institutions and the inclusion of one new institution, namely Haikou University of Economics (which became a consolidated affiliated entity of the Group in September 2020), to the Group.

Secondary Vocational Education Segment

Revenue from secondary vocational education segment decreased from RMB736.3 million for the year ended 31 August 2020 to RMB702.8 million for the year ended 31 August 2021, representing a 4.5% slight decrease. The slight decrease in revenue of secondary vocational education institutions was mainly due to the drop of the student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 outbreak which temporarily disrupted student enrollment in certain regions such as Henan Province. As these restrictions have since been relieved, the new student enrollment for the academic year 2021/22 is expected to resume.

Global Education Segment

Revenue from global education segment increased from RMB197.4 million for the year ended 31 August 2020 to RMB220.0 million for the year ended 31 August 2021 representing a 11.4% increase. The increase in revenue of global education segment was mainly driven by the inclusion of KOI (which became a subsidiary of the Group in October 2019) to the Group and the organic growth in the tuition fees.

Cost of Revenue

The cost of revenue increased from RMB1,077.1 million for the year ended 31 August 2020 to RMB1,507.3 million for the year ended 31 August 2021, representing a 39.9% increase. The increase was due to the expansion of the Group and the growth of student number.

The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality paid a partnership fee to their public school co-sponsors. The partnership fee of RMB68.5 million (for the year ended 31 August 2020: RMB70.2 million) was recognised as cost of revenue for the year ended 31 August 2021. Such partnership costs cease to exist after the independent colleges are converted into full private higher education schools or after all students enrolled by the independent colleges are graduated. The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality have been successfully converted during the reporting period.

Gross Profit, Gross Profit Margin and Return on Equity

The Group's gross profit was RMB2,175.1 million for the year ended 31 August 2021, up 35.9% as compared to RMB1,601.0 million for the year ended 31 August 2020. The gross profit margin was 59.1% for the year ended 31 August 2021 as compared to 59.8% for the year ended 31 August 2020. On a like-for-like basis for institutions (excluding the schools newly joined the Group after the comparative period), the gross profit margin after adjusting for the current period expenses related to conversion of independent colleges into private universities was 60.8% for the year ended 31 August 2021, up 100 basis points as compared to last year, which demonstrated the improvement in the schools' operations. The return on equity (which is calculated on the basis of adjusted net profit attributable to owners of the Company to the average of the beginning and ending balance of equity attributable to owners of the Company) of the Group was increased from 13.0% for the year ended 31 August 2020 to 15.9% for the year ended 31 August 2021 and remained sound and fair.

Other Income

Other income primarily included management fee income, academic administration income and government grants. The management fee income was increased from RMB36.9 million during the year ended 31 August 2020 to RMB69.2 million during the year ended 31 August 2021. The academic administration income and government grants were RMB49.8 million and RMB45.3 million, respectively, for the year ended 31 August 2021.

Selling Expenses

The Group's selling expenses was RMB168.2 million for the year ended 31 August 2021 as compared to RMB134.9 million for the year ended 31 August 2020. The selling expenses represented about 4.6% of revenue for the year ended 31 August 2021 and was decreased as compared to that of 5.0% for the year ended 31 August 2020.

Administrative Expenses

The Group's administrative expenses was RMB474.4 million for the year ended 31 August 2021 as compared to RMB372.3 million for the year ended 31 August 2020. It represented about 12.9% of the revenue for the year ended 31 August 2021 and was decreased as compared to that of 13.9% for the year ended 31 August 2020 which was mainly attributable to the implementation of cost saving measures, improvement in synergies effect and the net reversal of share-based payments under share option schemes. For the year ended 31 August 2021, the Group recognised net reversal of share-based payments of RMB25.1 million as compared to expenses of RMB6.3 million for the year ended 31 August 2020.

Operating Profit

The operating profit amounted to RMB1,724.7 million for the year ended 31 August 2021, increased by 42.9% as compared to RMB1,207.1 million for the year ended 31 August 2020. The increase was mainly due to the organic growth of the existing schools and the inclusion of new schools.

Other Expense, Other Gains and Losses

The other expense, other gains and losses were recorded at net losses of RMB240.4 million for the year ended 31 August 2021 which was mainly attributable to the one-off expenses for conversion of independent colleges into private universities of RMB227.5 million and the net foreign exchange gain of RMB33.1 million.

Fair Value Change on Convertible Bonds

The fair value change on convertible bonds of RMB145.3 million was recognised in profit or loss as a result of the decrease in fair value of convertible bonds during the year ended 31 August 2021. The convertible bonds are classified as financial liabilities and are measured at fair values, which are determined based on certain inputs, including share price of the Company, using valuation technique.

Finance Costs

The finance costs mainly represented the interest expenses on bank and other financial institutions borrowings and imputed interest on deferred cash considerations. The finance costs was increased from RMB92.6 million for the year ended 31 August 2020 to RMB162.1 million for the year ended 31 August 2021.

Net Profit and Net Profit Margin

The adjusted net profit was increased by 48.3% to RMB1,574.3 million for the year ended 31 August 2021 from RMB1,061.3 million for the year ended 31 August 2020, after adjusting for the foreign exchange gain, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises. The adjusted net profit attributable to owners of the Company was increased by 57.1% to RMB1,546.4 million for the year ended 31 August 2021.

The Group's net profit before any adjustment for the above one-off and non-cash items was increased by 107.2% to RMB1,471.8 million for the year ended 31 August 2021 from RMB710.4 million for the year ended 31 August 2020.

The adjusted net profit margin increased from 39.6% for the year ended 31 August 2020 to 42.8% for the year ended 31 August 2021. On a like-for-like basis for institutions (excluding the schools newly joined the Group after the comparative period), the net profit margin after adjusting for the one-off and other current period expenses related to conversion of independent colleges into private universities was 47.1% for the year ended 31 August 2021 as compared to 43.3% for the year ended 31 August 2020, up 380 basis points as compared to last year.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”)

EBITDA is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets. EBITDA was increased to RMB2,094.4 million for the year ended 31 August 2021 from RMB1,144.2 million for the year ended 31 August 2020. Adjusting for the foreign exchange gain, share-based payments, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises, the adjusted EBITDA was increased by 48.0% from RMB1,476.9 million for the year ended 31 August 2020 to RMB2,185.3 million for the year ended 31 August 2021.

Property, Plant and Equipment

Property, plant and equipment as at 31 August 2021 increased by 77.1% to RMB12,126.3 million from RMB6,846.6 million as at 31 August 2020. Increase in property, plant and equipment was mainly due to the construction of new campuses in Guangdong Province and the inclusion of a new university in Hainan Province.

Capital Expenditures

Our capital expenditures for the year ended 31 August 2021 were RMB3,206.1 million and were primarily related to construction of new campus of Guangdong Baiyun University and Guangzhou College of Applied Science and Technology and new buildings at existing schools.

Cash Reserve

Including bank balances and cash, restricted bank deposits and structured deposits and money market funds recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,048.4 million as at 31 August 2021 (31 August 2020: RMB4,366.6 million). The Group placed 122,000,000 Shares and received total net proceeds of HK\$2,012.6 million (equivalent to RMB1,681.4 million) in January 2021. The net proceeds are designated to be used for the potential acquisitions and expansion and development of the Group's new campuses in the Greater Bay Area.

Liquidity, Financial Resources and Gearing Ratio

As at 31 August 2021, the Group had cash reserves of RMB5,048.4 million (31 August 2020: RMB4,366.6 million).

As at 31 August 2021, the Group had bank and other borrowings of RMB6,091.2 million (31 August 2020: RMB2,678.5 million) and convertible bonds of RMB2,243.6 million (31 August 2020: RMB2,428.2 million). Certain bank and other borrowings and proceeds from placement were not yet fully 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 2021. 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 2021, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds, net of cash reserve, to total equity of the Group) was 28.0% (31 August 2020: 8.3%). As at 31 August 2021, the debt to asset ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds to total assets of the Group) was 31.2% (31 August 2020: 28.4%).

For the year ended 31 August 2021, the return on assets (which is calculated on the basis of adjusted net profit to the average of the beginning and ending balance of total assets of the Group) was 7.0% (for the year ended 31 August 2020: 6.4%).

Foreign Exchange Risk Management

During the year ended 31 August 2021, the Group mainly operated in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and Australian dollars, the functional currencies of the relevant territories, 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.

Contingent Liabilities

As at 31 August 2021, the Group had no significant contingent liability.

BUSINESS OVERVIEW

The Group is a leading global vocational education group with footprints in China, Australia, and the United Kingdom (“UK”), visioning to provide quality education through innovation. As at 31 August 2021, the Group’s school network consists of eleven schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and secondary vocational education provider in China in terms of student enrollment.

Schools Newly-included in the Group’s School Network During the Reporting Period

Haikou University of Economics AND Affiliated Art School of Haikou University of Economics

In September 2020, Haikou University of Economics and Affiliated Art School of Haikou University of Economics joined the Group.

Haikou University of Economics is approved to provide Bachelor’s degree programmes by the Ministry of Education of the PRC in 2008 and had a student enrollment of approximately 43,000 in August 2021. Occupying a total campus area of more than 1,400 mu, the university enjoys one of the largest capacities and the most advanced facilities among private universities in China.

Haikou University of Economics has been highly successful in operating high-quality collaboration programmes especially for arts and film-related programmes. It is designated by Hainan government as a model private university of application-oriented education. In “China’s Private University Rankings” published by the Chinese Academy of Management Science, the university ranks first in Hainan and fourth in China in terms of education quality, respectively.

Affiliated Art School of Haikou University of Economics is a vocational school in the Hainan province, the PRC. The school has a student enrollment of approximately 2,400 as in August 2021. Students graduating from the school may choose to continue their Bachelor’s and Junior College programmes in Haikou University of Economics.

Student Enrollment

As at 31 August 2021, the Group operated in three business segments and its school network includes eleven universities and professional schools in China, an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK, with a total enrollment of approximately 240,000 students, up 33.2% from the enrollment as at 31 August 2020. The rapid increase in student enrollment of higher vocational education segment was attributable to the organic growth in students enrolled in our existing schools and new campuses, as well as those from the Haikou University of Economics included in the Group's school network during the year ended 31 August 2021. The slight decrease in student enrollment of secondary vocational segment and global education segment was mainly due to the drop of the new student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 ("COVID-19") outbreak disrupting enrollment in certain regions. As these restrictions have gradually been relieved, the new student enrollment for the academic year 2021/2022 is expected to resume.

Business Segment	As at	
	31 August 2021	31 August 2020
Higher Vocational Education Segment	177,455 ⁽¹⁾	110,467 ⁽²⁾
Secondary Vocational Education Segment	59,533	65,924
Global Education Segment	<u>3,016</u>	<u>3,788</u>
Total	<u><u>240,004</u></u>	<u><u>180,179</u></u>

After the reporting period, the Group has further expanded its business to the Sichuan Province, PRC. As at the date of this announcement, the Group had 14 schools in its school network and its student enrollment has increased to approximately 280,000 students. For more details please refer to the Company's announcement date 1 November 2021.

Notes:

- (1) Included 50,385 students enrolled in the continuing education programmes as at 31 August 2021. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools and those from the new member school — Haikou University of Economics.
- (2) Included 22,158 students enrolled in the continuing education programmes as at 31 August 2020.

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. As at 31 August 2021, China Education Fund completed registration with relevant authorities and the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

EVENT AFTER THE REPORTING PERIOD

School Included in the Group's School Network After the Reporting Period

After the reporting period, the Group has further expanded its business to the Sichuan Province, PRC. In September 2021, Chengdu Jincheng College (成都錦城學院) joined the Group.

Chengdu Jincheng College

Chengdu Jincheng College was founded in 2005. As an independent college co-sponsored with a "985 Project" university, the school has an outstanding reputation. On the recent list of "Top 100 Guangzhou Daily Data & Digital Institute Applied University (Independent College)", Chengdu Jincheng College ranks first among private independent colleges in China. The admission scores of the school for the undergraduate liberal arts, undergraduate science, junior liberal arts and junior science in the college entrance exam 2020 was the highest among independent colleges in Sichuan Province, and the school admitted students from the first batch of undergraduate enrollment with national key universities for some majors. In August 2021, the school enrolled approximately 26,000 students.

USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS DUE 2024

The Company issued convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK\$2,355 million at initial conversion price of HK\$14.69 per ordinary Share in March 2019 to enhance its working capital for the Group's continual business development. During the year ended 31 August 2021, the conversion price was adjusted from HK\$14.33 per ordinary Share to HK\$14.18 per ordinary Share and from HK\$14.18 per ordinary Share to HK\$13.99 per ordinary Share. Following such adjustments, the conversion shares to be issued upon full conversion of the convertible bonds were increased to 168,334,524 Shares. The net proceeds (after deducting the issuing expenses) from the subscription amounted to approximately RMB2,105.6 million and have been utilised as the intentions previously disclosed in the Company's announcements. As at 31 August 2021, the Company has fully utilised the net proceeds.

The following sets forth a summary of the utilisation of the net proceeds from the issue of convertible bonds due 2024 as at 31 August 2021:

Purpose	Percentage to total amount	Net proceeds amount	Unutilised amount as at 1 September 2020	Utilised amount during the year	Unutilised amount as at 31 August 2021
		<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Construction and development of the Group's schools in the PRC	30%	631.7	–	–	–
Acquisitions of schools in the PRC	45%	947.5	147.1	147.1	–
Group's overseas development	25%	526.4	–	–	–
	<u>100%</u>	<u>2,105.6</u>	<u>147.1</u>	<u>147.1</u>	<u>–</u>

As at 31 August 2021, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption of the convertible bonds was made by the Company.

Further details of the convertible bonds are set out in the announcements of the Company dated 22 March 2019 and 28 March 2019.

TOP-UP PLACING AND SUBSCRIPTION

August 2020

As at 31 August 2021, the net proceeds of approximately HK\$2,002.5 million (net of related costs, professional fees and out-of-pocket expenses) brought forward from the subscription completed on 20 August 2020 have been fully utilised for 1) potential as well as announced acquisitions; and 2) expansion and development of the Group's existing and new campuses, which is consistent with the intentions previously disclosed in the Company's announcements.

The following sets forth a summary of the utilisation of the net proceeds from the subscription in August 2020 during the year ended 31 August 2021:

Purpose	Percentage to total amount	Net proceeds amount	Unutilised amount as at 1 September 2020	Utilised amount during the year	Unutilised amount as at 31 August 2021
		<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Potential as well as announced acquisitions	65%	1,168.9	1,168.9	1,168.9	–
Expansion and development of the Group’s existing and new campuses	35%	629.4	629.4	629.4	–
	100%	1,798.3	1,798.3	1,798.3	–

Further details of the top-up placing and the subscription are set out in the Company’s announcements dated 10 August 2020 and 20 August 2020.

January 2021

On 26 January 2021, Blue Sky BVI, White Clouds BVI and the Company entered into a placing agreement (the “January Placing Agreement”) with UBS AG Hong Kong Branch (the “Placing Agent”) pursuant to which Blue Sky BVI and White Clouds BVI have agreed to appoint the Placing Agent, and the Placing Agent has agreed to procure independent placees (or failing which itself as principal) to purchase a total of 122,000,000 Shares at the placing price of HK\$16.60 per Share (the “January Placing”).

On the same day, Blue Sky BVI, White Clouds BVI and the Company entered into a subscription agreement (the “January Subscription Agreement”), pursuant to which Blue Sky BVI and White Clouds BVI agree to subscribe for, and the Company agrees to issue to Blue Sky BVI and White Clouds BVI the subscription shares equivalent to the number of placing shares at HK\$16.60 per Share upon the terms and conditions set out in the January Subscription Agreement (the “January Subscription”).

The January Placing and the January Subscription were completed on 29 January 2021 and 3 February 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK\$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) and have been and will be fully utilised in next twelve months for (1) potential acquisitions; and (2) expansion and development of the Group’s new campuses in the Greater Bay Area, which is consistent with the intentions previously disclosed in the Company’s announcements.

The Directors consider that the January Placing and the January Subscription will strengthen the capital base of the Company for (amongst others) its potential acquisitions as well as expansion and development of new campuses.

The aggregate nominal value of the subscription shares is HK\$1,220 and the net subscription price is approximately HK\$16.50 per share. The subscription shares have a market value of approximately HK\$2,205.76 million based on the closing price of HK\$18.08 of the Shares on 26 January 2021, being the date of the January Subscription Agreement.

Purpose	Percentage to total amount	Net proceeds amount	Utilised amount during the year	Unutilised amount as at 31 August 2021
		<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Expansion and development of the Group’s new campuses in the Greater Bay Area	70%	1,177.0	1,116.1	60.9
Potential acquisitions	30%	504.4	411.1	93.3
	<u>100%</u>	<u>1,681.4</u>	<u>1,527.2</u>	<u>154.2</u>

Further details of the January Placing and the January Subscription are set out in the Company’s announcements dated 26 January 2021 and 3 February 2021.

October 2021

On 19 October 2021, Blue Sky BVI, White Clouds BVI and the Company entered into a placing agreement (the “October Placing Agreement”) with the Placing Agent pursuant to which Blue Sky BVI and White Clouds BVI have agreed to appoint the Placing Agent, and the Placing Agent has agreed to procure independent placees (or failing which itself as principal) to purchase a total of 78,000,000 Shares at the placing price of HK\$15.10 per Share (the “October Placing”).

On the same day, Blue Sky BVI, White Clouds BVI and the Company entered into a subscription agreement (the “October Subscription Agreement”), pursuant to which Blue Sky BVI and White Clouds BVI agree to subscribe for, and the Company agrees to issue to Blue Sky BVI and White Clouds BVI the subscription shares equivalent to the number of placing shares at HK\$15.10 per Share upon the terms and conditions set out in the October Subscription Agreement (the “October Subscription”).

The October Placing and the October Subscription were completed on 22 October 2021 and 27 October 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK\$1,170.0 million (net of related costs, professional fees and out-of pocket expenses) and will be fully utilised in next eighteen months for potential acquisitions in the modern-vocational education space as previously disclosed in the Company’s announcements.

The Directors consider that the October Placing and the October Subscription will further strengthen the capital base of the Company to continue executing its industry consolidation strategy.

The aggregate nominal value of the subscription shares is HK\$780 and the net subscription price is approximately HK\$15.0 per Share. The subscription shares have a market value of approximately HK\$1,299.5 million based on the closing price of HK\$16.66 of the Shares on 19 October 2021, being the date of the October Subscription Agreement.

Further details of the October Placing and the October Subscription are set out in the Company’s announcements dated 19 October 2021 and 27 October 2021.

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 31 August 2021, the Group had 11,034 employees (31 August 2020: 8,833), a 24.9% increase from 2020’s mainly due to inclusion of employees of the two new schools acquired during the year ended 31 August 2021. 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 relevant laws and regulations of the local jurisdictions of our member schools 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. Schools participate in social insurance (pension, housing provident fund, 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.

Our employees are members of retirement benefits schemes administrated by their respective jurisdictions. Employers and employees are required to contribute to the retirement benefits scheme in accordance with the respective local laws and regulations.

Recruitment

The Group and its member schools follow the Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as other relevant laws and regulations of their respective local jurisdictions in the 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 HK20.2 cents per ordinary Share for the year ended 31 August 2021 (for the year ended 31 August 2020: HK13.9 cents per ordinary Share) by cash to Shareholders whose names appear on the register of members of the Company on Thursday, 3 March 2022. The distribution equals to 50% of the adjusted net profit attributable to owners of the Company. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid on Monday, 14 March 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Tuesday, 22 February 2022. Notice convening the forthcoming annual general meeting will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the Forthcoming Annual General Meeting

The register of members of the Company will be closed from Thursday, 17 February 2022 to Tuesday, 22 February 2022, 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 Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 February 2022.

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 Monday, 28 February 2022 to Thursday, 3 March 2022, 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 Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address for registration not later than 4:30 p.m. on Friday, 25 February 2022.

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 2021.

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 2021, 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. 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 2021.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and its main duties 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 2021.

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 2021 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 2021 will be dispatched 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 2021

	<i>NOTES</i>	Year ended 31 August	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	3,682,440	2,678,088
Cost of revenue		<u>(1,507,348)</u>	<u>(1,077,101)</u>
Gross profit		2,175,092	1,600,987
Other income		192,222	113,276
Investment income		43,426	18,356
Other expense, other gains and losses		(240,372)	(33,978)
Fair value change on convertible bonds		145,264	(369,260)
Selling expenses		(168,188)	(134,918)
Administrative expenses		(474,420)	(372,273)
Finance costs		<u>(162,056)</u>	<u>(92,609)</u>
Profit before taxation		1,510,968	729,581
Taxation	4	<u>(39,206)</u>	<u>(19,230)</u>
Profit for the year	5	<u>1,471,762</u>	<u>710,351</u>
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		<u>(76,609)</u>	<u>32,688</u>
Total comprehensive income for the year		<u>1,395,153</u>	<u>743,039</u>
Profit for the year attributable to:			
— owners of the Company		1,443,799	633,202
— non-controlling interests		<u>27,963</u>	<u>77,149</u>
		<u>1,471,762</u>	<u>710,351</u>
Total comprehensive income for the year			
— owners of the Company		1,367,190	665,890
— non-controlling interests		<u>27,963</u>	<u>77,149</u>
		<u>1,395,153</u>	<u>743,039</u>
Earnings per share	7		
Basic (RMB cents)		<u>65.02</u>	<u>31.28</u>
Diluted (RMB cents)		<u>54.02</u>	<u>31.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2021

		At 31 August	
		2021	2020
	NOTES	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,126,263	6,846,583
Right-of-use assets		1,492,957	1,510,859
Goodwill		3,211,079	1,792,266
Intangible assets		3,221,187	2,298,834
Contract costs		94,965	108,910
Prepayments for investments		474,200	262,800
Deposits paid for right-of-use assets		114,261	1,181
Deposits paid for acquisition of property, plant and equipment		71,214	63,129
Other prepayment and deposits		51,503	31,303
Deferred tax asset		13,117	18,158
Investment in an associate		478	–
		<u>20,871,224</u>	<u>12,934,023</u>
CURRENT ASSETS			
Inventories		1,362	1,183
Trade receivables, deposits, prepayments and other receivables	8	751,878	593,655
Financial assets at fair value through profit or loss		1,620,129	823,270
Contract costs		74,108	79,289
Restricted bank deposits		101,062	100,300
Bank balances and cash		3,327,191	3,443,070
		<u>5,875,730</u>	<u>5,040,767</u>
CURRENT LIABILITIES			
Deferred income		57,271	56,579
Trade payables	9	26,956	33,374
Other payables and accrued expenses		1,935,185	1,446,899
Provisions		378,282	262,205
Lease liabilities		23,670	29,969
Income tax payable		88,543	19,130
Contract liabilities		2,265,855	1,238,857
Bank and other borrowings		1,473,129	291,662
		<u>6,248,891</u>	<u>3,378,675</u>

	At 31 August	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT (LIABILITIES) ASSETS	(373,161)	1,662,092
TOTAL ASSETS LESS CURRENT LIABILITIES	20,498,063	14,596,115
NON-CURRENT LIABILITIES		
Deferred income	16,113	24,911
Other payables	813,266	23,100
Bank and other borrowings	4,618,114	2,386,847
Lease liabilities	82,768	85,965
Deferred tax liability	967,406	739,685
Convertible bonds	2,243,571	2,428,247
	8,741,238	5,688,755
	11,756,825	8,907,360
CAPITAL AND RESERVES		
Share capital	19	18
Reserves	10,919,385	8,573,449
Equity attributable to owners of the Company	10,919,404	8,573,467
Non-controlling interests	837,421	333,893
	11,756,825	8,907,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2021

1. GENERAL INFORMATION

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 had been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 December 2017. The address of the registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 6703-04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements, include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets of RMB373,161,000 as at 31 August 2021. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors of the Company consider that after taking into account the internal fund resources and placing subsequent to the end of the reporting period, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied “Amendments to References to the Conceptual Framework in IFRS Standards” and the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 September 2020 for the preparation of the consolidated financial statements:

Amendment to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the “Amendments to References to the Conceptual Framework in IFRS Standards” and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

In the current year, the names of reportable segments of “Higher Education” and “Vocational Education” were changed to “Higher Vocational Education” and “Secondary Vocational Education” respectively to reflect the substance of the businesses carried out. Prior year segment disclosures have been represented to conform with the current year’s presentation.

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 vocational education, secondary vocational education and global education. Higher vocational education institutions mainly deliver bachelor’s degree programmes, junior college diploma programmes and continuing education programmes in the People’s Republic of China (the “PRC”). Secondary vocational education institutions mainly deliver secondary vocational

diploma programmes, post-secondary vocational diploma programmes and technician diploma programmes in the PRC. Global education institutions mainly deliver master's degree programmes, graduate certificate programmes, graduate diploma programmes, bachelor's degree programmes and undergraduate diploma programmes in the overseas. Each category of institution constitutes an operating segment and reportable segment.

Segment revenues and results

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

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the year ended 31 August 2021</i>				
Revenue	<u>2,759,594</u>	<u>702,815</u>	<u>220,031</u>	<u>3,682,440</u>
Segment results	<u><u>1,364,667</u></u>	<u><u>342,786</u></u>	<u><u>74,975</u></u>	<u>1,782,428</u>
Investment income				43,426
Other expense, other gains and losses				(240,372)
Fair value change on convertible bonds				145,264
Finance costs				(162,056)
Unallocated corporate income and expenses				<u>(57,722)</u>
Profit before taxation				<u><u>1,510,968</u></u>
	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the year ended 31 August 2020</i>				
Revenue	<u>1,744,427</u>	<u>736,254</u>	<u>197,407</u>	<u>2,678,088</u>
Segment results	<u><u>825,788</u></u>	<u><u>392,755</u></u>	<u><u>65,364</u></u>	<u>1,283,907</u>
Investment income				18,356
Other gains and losses				(33,978)
Fair value change on convertible bonds				(369,260)
Finance costs				(92,609)
Unallocated corporate income and expenses				<u>(76,835)</u>
Profit before taxation				<u><u>729,581</u></u>

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Unallocated RMB'000	Total RMB'000
<i>For the year ended 31 August 2021</i>					
Depreciation of property, plant and equipment	<u>303,398</u>	<u>48,365</u>	<u>1,879</u>	<u>1,927</u>	<u>355,569</u>
Amortisation of intangible assets	<u>–</u>	<u>14,089</u>	<u>–</u>	<u>–</u>	<u>14,089</u>
Depreciation of right-of-use assets	<u>32,724</u>	<u>6,357</u>	<u>8,433</u>	<u>4,233</u>	<u>51,747</u>
Impairment losses on goodwill recognised in profit or loss	<u>–</u>	<u>59,259</u>	<u>–</u>	<u>–</u>	<u>59,259</u>
	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Unallocated RMB'000	Total RMB'000
<i>For the year ended 31 August 2020</i>					
Depreciation of property, plant and equipment	<u>204,144</u>	<u>47,977</u>	<u>2,639</u>	<u>1,623</u>	<u>256,383</u>
Amortisation of intangible assets	<u>–</u>	<u>16,277</u>	<u>–</u>	<u>–</u>	<u>16,277</u>
Depreciation of right-of-use assets	<u>35,471</u>	<u>2,050</u>	<u>11,868</u>	<u>–</u>	<u>49,389</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of investment income, other expense, other gains and losses, fair value change on convertible bonds, finance costs and central administrative expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

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

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>Year ended 31 August 2021</i>				
Tuition fees recognised over time	2,522,505	632,662	220,031	3,375,198
Boarding fees recognised over time	209,710	54,238	–	263,948
Ancillary services recognised over time	27,379	15,915	–	43,294
	<u>2,759,594</u>	<u>702,815</u>	<u>220,031</u>	<u>3,682,440</u>
	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>Year ended 31 August 2020</i>				
Tuition fees recognised over time	1,600,722	654,661	197,407	2,452,790
Boarding fees recognised over time	119,651	60,459	–	180,110
Ancillary services recognised over time	24,054	21,134	–	45,188
	<u>1,744,427</u>	<u>736,254</u>	<u>197,407</u>	<u>2,678,088</u>

The Group's contracts with students for higher vocational education and secondary vocational education programmes in the PRC are normally with duration of 1 year and renewed up to total duration of 3 — 5 years depending on the education programmes while for higher education programmes in Australia are normally with duration of 4 months and renewed up to total duration of 1 — 3 years. Contract period for boarding fees are normally with duration of 1 year. Tuition and boarding fees are fixed, determined and paid by the students before the start of each school year or trimester, while the ancillary services are charged based on students' usage at a fixed rate.

Geographical information

The Group operates in the PRC and Australia.

Information about the Group's revenue from customers is presented based on the location of operations and the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from customers		Non-current assets (<i>Note</i>)	
	Year ended 31 August		At 31 August	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	3,462,409	2,480,681	20,008,296	12,004,320
Australia	220,031	197,407	846,366	909,412
Hong Kong	—	—	3,445	2,133
	3,682,440	2,678,088	20,858,107	12,915,865

Note: Non-current assets excluded deferred tax assets.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 August 2021 and 2020.

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
— Enterprise Income Tax (“EIT”)	(21,800)	(4,064)
— Australian Corporate Income Tax	(21,674)	(20,410)
Overprovision in prior years — EIT	1,907	6,568
Deferred tax	2,361	(1,324)
	(39,206)	(19,230)

5. PROFIT FOR THE YEAR

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	870,665	664,204
— retirement benefit scheme contributions	141,132	89,807
— share-based payments	(25,072)	6,320
Total staff costs	<u>986,725</u>	<u>760,331</u>
Depreciation of property, plant and equipment	355,569	256,383
Depreciation of right-of-use assets	51,747	49,389
Amortisation of intangible assets (included in cost of revenue)	14,089	16,277
Impairment loss under expected credit loss model of trade receivables, net of reversal (included in other expense, other gains and losses)	5,939	6,287
Auditor's remuneration	<u>5,250</u>	<u>4,950</u>

6. DIVIDENDS

During the year, the Company recognised the following dividend as distribution:

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Final dividend for the year ended 31 August 2020 of HK13.9 cents (2020: HK9.0 cents final dividend for the year ended 31 August 2019) per ordinary share	263,644	161,080
Interim dividend for the six months ended 28 February 2021 of HK19.7 cents (2020: HK13.4 cents interim dividend for six months ended 29 February 2020) per ordinary share	<u>373,015</u>	<u>249,658</u>
	<u>636,659</u>	<u>410,738</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2021 of HK20.2 cents per ordinary share (2020: HK13.9 cents per ordinary share), in an aggregate amount of HK\$482,631,000 (2020: HK\$298,881,000), 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	
	2021	2020
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	1,443,799	633,202
Effect of dilutive potential ordinary shares:		
Fair value change on convertible bonds	<u>(145,264)</u>	—
Profit for the year attributable to owners of the Company for the purpose of calculating dilutive earnings per share	<u>1,298,535</u>	<u>633,202</u>
	Year ended 31 August	
	2021	2020
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,220,433	2,024,125
Effect of dilutive potential ordinary shares:		
Share options granted under pre initial public offering share option scheme	17,576	15,394
Share options granted under post initial public offering share option scheme	111	—
Convertible bonds	<u>165,555</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,403,675</u>	<u>2,039,519</u>

The computation of diluted earnings per share for the year ended 31 August 2020 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as the exercise price of these options was higher than the market price for shares for the year 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	
	2021	2020
	RMB'000	RMB'000
0 — 90 days	—	147
91 — 120 days	13,339	13,125
121 — 365 days	53,785	31,203
Over 365 days	<u>3,320</u>	<u>15,055</u>
	<u>70,444</u>	<u>59,530</u>

9. TRADE PAYABLES

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

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

	At 31 August	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 — 30 days	4,792	17,313
31 — 90 days	12,319	7,222
91 — 365 days	9,779	2,318
Over 365 days	66	6,521
	<hr/>	<hr/>
	26,956	33,374
	<hr/> <hr/>	<hr/> <hr/>

10. ACQUISITIONS OF BUSINESSES

Acquisition of Hainan Education Group

On 7 August 2020, the Company, China Education Group Holdings (BVI) Limited, a direct wholly owned subsidiary of the Company and Shuzhi Education Consulting (Ganzhou) Co., Ltd, an indirect wholly owned consolidated affiliated entity of the Company (together referred to as the “Purchasers”), entered into Hainan Acquisition Agreements with certain independent third parties (the “Hainan Vendors”), pursuant to which the Hainan Vendors agreed to transfer an aggregate 60% equity interest in Hainan Cyber Education Group Company Limited (“Hainan Cyber Education”), to the Purchasers at a consideration of RMB1,356,000,000 (the “Hainan Acquisition”). Upon the completion of Hainan Acquisition on 16 September 2020, the Group acquired 45% equity interest in Hainan Cyber Education and the entire equity interest of Hainan Hualian Investment Co., Ltd., a limited liability company established in the PRC, which held 15% equity interests in Hainan Cyber Education, Hainan Education Group became non-wholly owned consolidated affiliated entities of the Company. Furthermore, as part of the Hainan Acquisition, the Group entered into a management agreement with one of the Hainan Vendors which provided for the Group’s entitlement to 100% of the operating results of Hainan Education Group till the end of February 2023.

Details of the acquisition were set out in the announcements of the Company dated 10 August 2020, 13 August 2020 and 17 September 2020, respectively.

11. COMMITMENTS

	At 31 August	
	2021	2020
	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	1,058,056	2,953,481
— right-of-use assets	117,500	22,150
— acquisition of additional interest in an associate	5,760	—
	<u>1,181,316</u>	<u>2,975,631</u>

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 惠理華教(深圳)股權投資合夥企業(有限合夥) (the “China Education Fund”). The Group will make an initial contribution of RMB250,000,000 to the China Education Fund. As at 31 August 2021, the Group made capital contribution amounting to RMB31,303,000 to China Education Fund.

As at 31 August 2021, the Group committed an undrawn loan commitment of RMB35,461,000 (2020: RMB55,800,000).

12. EVENTS AFTER REPORTING PERIOD

On 14 September 2021, the Group has completed the acquisition of Long Link Investment Limited and Long Link Investment Limited became a subsidiary of the Group. The initial accounting of financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date, for example, valuation of assets acquired and liabilities assumed, is in progress at the time when these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 26 July 2021, 10 August 2021 and 14 September 2021, respectively.

On 19 October 2021, the Company entered into a placing agreement (“2021 Second Placing Agreement”) with Blue Sky Education International Limited and White Clouds Education International Limited (the “Vendors”) and UBS AG Hong Kong Branch (the “Placing Agent”) and a subscription agreement (“2021 Second Subscription Agreement”) with the Vendors, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 78,000,000 existing shares to certain placees at HK\$15.10 per share (the “2021 Second Placing”), and the Vendors agreed to subscribe for 78,000,000 new shares of the Company at HK\$15.10 per share (the “2021 Second Subscription”), respectively. The 2021 Second Placing and the 2021 Second Subscription were completed on 22 October 2021 and 27 October 2021 respectively, in accordance with the terms and conditions of the 2021 Second Placing Agreement and the 2021 Second Subscription Agreement. The proceeds, net of related fees and expenses, from the 2021 Second Subscription amounted to HK\$1,170 million. The new shares rank pari passu with the existing shares in all respects.

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
“AUD”	Australian dollars, the lawful currency of Australia
“Baiyun Technician College”	Guangzhou Baiyun Technician College of Business (廣州市白雲工商技師學院), one of our PRC member schools
“Blue Sky BVI”	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company
“Board”	the board of directors of the Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Chengdu Jincheng College”	Chengdu Jincheng College (成都錦城學院), one of our PRC member schools
“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 Institute of Foreign Studies”	Chongqing Institute of Foreign Studies (重慶外語外事學院), one of our PRC member schools
“Company”	China Education Group Holdings Limited (中國教育集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GBP”	Great Britain Pound, the lawful currency of UK

“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 member schools
“Guangzhou College of Applied Science and Technology”	Guangzhou College of Applied Science and Technology (廣州應用科技學院), one of our PRC member 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
“Huafang Education”	Huafang Education Investment Group (Ganzhou) Company Limited (華方教育投資集團(贛州)有限公司), one of our consolidated affiliated entities
“Huajiao Education” or “WFOE”	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 persons 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 member 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 and our member school in Australia
“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

“Mr. Xie”	Mr. Xie Ketao (謝可滔), an executive director, co-chairman and a controlling shareholder of the Company
“Mr. Yu”	Mr. Yu Guo (于果), an executive director, co-chairman and a controlling shareholder of the Company
“Richmond University”	Richmond, The American International University in London, a university accredited to award both UK and US degrees
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of our Share(s)
“Shares”	ordinary shares in our Company of par value HK\$0.00001 each
“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)
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”	United States dollars, the lawful currency of the United States
“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
“White Clouds BVI”	White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder of the Company
“Xi’an Railway College”	Xi’an Railway Technician College (西安鐵道技師學院), one of our PRC member schools
“Yantai Institute of Science and Technology”	Yantai Institute of Science and Technology (烟台科技學院), one of our PRC member schools

“Zhengzhou Transit School” Zhengzhou Urban Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC member schools

“%” per cent

The English names of the PRC entities, PRC laws or regulations, PRC awards/accreditations, 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, 24 November 2021

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.