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中教控股
CHINA EDUCATION GROUP

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 839)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

The Board is pleased to announce the interim results of the Group for the six months ended 28 February 2022.

HIGHLIGHTS

- During the reporting period, China has issued various favourable policies on vocational education, and the participation rate in higher education has continued to grow. The application-oriented programmes provided by the Group have been widely favoured by students and the Group has received approval from the Ministry of Education to start 21 new Bachelor's programmes. Total student enrollment increased by 23.4% year-on-year, hitting another record high and further improving the ability of the Group to contribute to the establishment of a skill-based society

- Operating results increased stably, among which, revenue increased by 28.9% year-on-year, net profit increased by 41.5% year-on-year and adjusted net profit attributable to owners of the Company increased by 20.1% year-on-year

- Education quality has been widely recognized. One of our member schools was ranked first among China's private undergraduate universities; two students were awarded the title of "National Technical Expert"; and the number of students from three of our secondary vocational schools receiving national scholarships ranked among top five in the country

- School network has been further expanded, the number one ranked private independent college in the country has joined the Group and successfully completed conversion to private university

- School capacity has been further increased with two new campuses in the Guangdong-Hong Kong-Macao Greater Bay Area and the fourth campus in Australia put into use

- Key financial indicators were within a reasonable range, with an adjusted return on equity (ROE) of 15.0%, achieving a balance between education quality and operational efficiency

- Financing channels have been further expanded. Guaranteed by the Asian Development Bank, the Company successfully issued investment-grade offshore RMB bonds, being the first in China's education industry. The funds will be used mainly for the development of higher education in China

- Along with Australia's removal of all entry restrictions, the global education segment is expected to recover vigorously after the reporting period and the number of new students is expected to reach a record high

- As at 28 February 2022, the Group had total assets of RMB32.2 billion, representing a year-on-year increase of 29.2%. Cash reserve amounted to RMB5.0 billion

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the six months ended 28 February 2022 and 28 February 2021 are as follows:

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
Revenue	**2,350,612**	1,823,438
Cost of revenue	**(957,378)**	(745,949)
Gross profit	**1,393,234**	1,077,489
Other income	**94,553**	97,462
Selling expenses	**(73,177)**	(85,683)
Administrative expenses	**(372,670)**	(208,337)
Operating profit	**1,041,940**	880,931
Investment income	**23,471**	28,989
Other expense, other gains and losses	**(20,259)**	32,240
Fair value change on convertible bonds	**317,741**	33,726
Finance costs	**(134,700)**	(93,346)
Profit before taxation	**1,228,193**	882,540
Taxation	**(21,850)**	(30,301)
Net profit	**1,206,343**	852,239
Net profit attributable to owners of the Company	**1,168,461**	831,444
Adjusted net profit attributable to owners of the Company	**908,564**	756,681

Non-IFRS Measures

To supplement our condensed consolidated financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRS"), we also use adjusted net profit, adjusted net profit attributable to owners of the Company and adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") as additional financial measures.

We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. The use of non-IFRS measures has limitations as an analytical tool, as they do not include all items that impact our results for the relevant periods. In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, readers should not view the non-IFRS measures in isolation or as a substitute for our profit for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

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

Calculation of Adjusted Net Profit

		Six months ended	
		28 February 2022	28 February 2021
		RMB'000	*RMB'000*
Net profit		**1,206,343**	852,239
Adjustments for:	Foreign exchange gain/loss	**(1,087)**	(164,099)
	Share-based payments(i)	**18,446**	(30,456)
	Imputed interest on deferred cash considerations(ii)	**2,326**	6,731
	Fair value change on convertible bonds(iii)	**(317,741)**	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities(iv)	**16,852**	127,764
	Fair value change on construction cost payables for school premises(v)	**21,307**	19,023
Adjusted net profit		**946,446**	777,476

Calculation of Adjusted Net Profit attributable to owners of the Company

		Six months ended	
		28 February 2022	28 February 2021
		RMB'000	*RMB'000*
Net profit attributable to owners of the Company		**1,168,461**	831,444
Adjustments for:	Foreign exchange gain/loss	**(1,087)**	(164,099)
	Share-based payments(i)	**18,446**	(30,456)
	Imputed interest on deferred cash considerations(ii)	**2,326**	6,731
	Fair value change on convertible bonds(iii)	**(317,741)**	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities(iv)	**16,852**	127,764
	Fair value change on construction cost payables for school premises(v)	**21,307**	19,023
Adjusted net profit attributable to owners of the Company		**908,564**	756,681

Calculation of Adjusted EBITDA

		Six months ended	
		28 February	28 February
		2022	2021
		RMB'000	*RMB'000*
Profit for the period		**1,206,343**	852,239
Add:	Finance costs	**134,700**	93,346
	Taxation	**21,850**	30,301
	Depreciation of property, plant and equipment	**272,270**	173,553
	Depreciation of right-of-use assets	**29,278**	25,602
	Amortisation of intangible assets	**4,708**	7,307
EBITDA		**1,669,149**	1,182,348
Adjustments for:	Foreign exchange gain	**(1,087)**	(164,099)
	Share-based payments(i)	**18,446**	(30,456)
	Fair value change on convertible bonds(iii)	**(317,741)**	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities(iv)	**16,852**	127,764
	Fair value change on construction cost payables for school premises(v)	**21,307**	19,023
Adjusted EBITDA		**1,406,926**	1,100,854

Notes:

i. Share options granted to directors and employees of the Group.

ii. Non-cash imputed interest accrued because of consideration payments due over one year for the acquisitions.

iii. Non-cash fair value change on convertible bonds, which are measured at fair value through profit or loss.

iv. The Group's independent colleges had to pay partnership fees to their public school co-sponsors. One-off fees were recognised for conversion of independent colleges into private universities during the six months ended 28 February 2021. The partnership fees recognised during the current period will cease to exist after all students enrolled by the independent college are graduated.

v. Non-cash fair value change on long-term construction cost payables for school premises, which are measured at fair value through profit or loss.

Revenue

The Group's revenue reached RMB2,350.6 million for the six months ended 28 February 2022, up 28.9% as compared to RMB1,823.4 million for the six months ended 28 February 2021. 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 RMB1,349.7 million for the six months ended 28 February 2021 to RMB1,946.3 million for the six months ended 28 February 2022, representing a 44.2% 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 higher vocational education institution which became a member of the Group in September 2021.

Secondary Vocational Education Segment

Revenue from secondary vocational education segment decreased from RMB358.6 million for the six months ended 28 February 2021 to RMB330.3 million for the six months ended 28 February 2022, representing a 7.9% 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. The new student enrollment for secondary vocational segment is expected to resume as soon as these restrictions in relevant regions are relieved.

Global Education Segment

Revenue from global education segment decreased from RMB115.1 million for the six months ended 28 February 2021 to RMB74.0 million for the six months ended 28 February 2022. The decrease in revenue of global education segment was primarily due to the decrease in student enrollments affected by the coronavirus disease 2019 and the resulting travel bans in Australia and the depreciation of Australian Dollar against Renminbi. As the travel bans have been lifted in February 2022, strong increase of new student is expected for the forthcoming reporting period.

Cost of Revenue

The cost of revenue increased from RMB745.9 million for the six months ended 28 February 2021 to RMB957.4 million for the six months ended 28 February 2022, representing a 28.4% 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 have been successfully converted into private universities during the six months ended 28 February 2021. The partnership fees to their public school co-sponsors of RMB16.9 million (for the six months ended 28 February 2021: RMB39.2 million) was recognised as cost of revenue for the six months ended 28 February 2022. Such partnership fees will cease to exist after all students enrolled by the independent colleges prior to the conversion are graduated.

Gross Profit and Return on Equity

The Group's gross profit was RMB1,393.2 million for the six months ended 28 February 2022, up 29.3% as compared to RMB1,077.5 million for the six months ended 28 February 2021. The gross profit margin was 59.3% for the six months ended 28 February 2022 as compared to 59.1% for the six months ended 28 February 2021. On a like-for-like basis (excluding the member 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 60.0% for the six months ended 28 February 2022, up about 30 basis points as compared to 59.7% for the same period of last year which demonstrated the improvement in the operations. The adjusted return on equity (which is calculated on the basis of annualised 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 15.0% for the six months ended 28 February 2022 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 RMB33.6 million for the six months ended 28 February 2021 to RMB47.6 million for the six months ended 28 February 2022. The academic administration income and government grants were RMB12.6 million and RMB16.2 million, respectively, for the six months ended 28 February 2022.

Selling Expenses

The Group's selling expenses was RMB73.2 million for the six months ended 28 February 2022 as compared to RMB85.7 million for the six months ended 28 February 2021. The selling expenses represented about 3.1% of revenue for the six months ended 28 February 2022 and was decreased as compared to that of 4.7% for the six months ended 28 February 2021.

Administrative Expenses

The Group's administrative expenses was RMB372.7 million for the six months ended 28 February 2022 as compared to RMB208.3 million for the six months ended 28 February 2021. The increase was mainly attributable to the increase of student enrollment, the inclusion of a new school, and the recognition of share-based payments under share option schemes. For the six months ended 28 February 2022, the Group recognised share-based payment expenses of RMB18.4 million as compared to net reversal of RMB30.5 million for the six months ended 28 February 2021.

Operating Profit

The operating profit amounted to RMB1,041.9 million for the six months ended 28 February 2022, increased by 18.3% as compared to RMB880.9 million for the six months ended 28 February 2021. The increase was mainly due to the organic growth of the existing schools and the inclusion of new school.

Other Expense, Other Gains and Losses

The other expense, other gains and losses were recorded at net losses of RMB20.3 million for the six months ended 28 February 2022 which was mainly attributable to fair value loss on construction cost payables for school premises of RMB21.3 million. The one-off expenses for conversion of independent colleges into private universities of RMB118.9 million were recognised for the six months ended 28 February 2021. No such expenses were recognised during the current reporting period.

Fair Value Change on Convertible Bonds

The fair value gain on convertible bonds of RMB317.7 million was recognised in profit or loss as a result of the decrease in fair value of convertible bonds during the six months ended 28 February 2022. 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 institution borrowings. The finance costs were increased from RMB93.3 million for the six months ended 28 February 2021 to RMB134.7 million for the six months ended 28 February 2022.

Net Profit

The Group's net profit was increased by 41.5% to RMB1,206.3 million for the six months ended 28 February 2022 from RMB852.2 million for the six months ended 28 February 2021. The adjusted net profit was increased by 21.7% to RMB946.4 million for the six months ended 28 February 2022 from RMB777.5 million for the six months ended 28 February 2021, 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 20.1% to RMB908.6 million for the six months ended 28 February 2022.

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 RMB1,669.1 million for the six months ended 28 February 2022 from RMB1,182.3 million for the six months ended 28 February 2021. 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 27.8% from RMB1,100.9 million for the six months ended 28 February 2021 to RMB1,406.9 million for the six months ended 28 February 2022.

Property, Plant and Equipment

Property, plant and equipment as at 28 February 2022 increased by 22.6% to RMB14,864.2 million from RMB12,126.3 million as at 31 August 2021. Increase in property, plant and equipment was mainly due to the construction of new campuses in Guangdong Province and the inclusion of a new higher vocational education institution.

Capital Expenditures

Our capital expenditures for the six months ended 28 February 2022 were RMB1,047.0 million and were primarily related to construction of new campuses in Guangdong Province.

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 RMB5,047.1 million as at 28 February 2022 (31 August 2021: RMB5,048.4 million). The Group placed 78,000,000 Shares and received total net proceeds of HK$1,170.0 million (equivalent to RMB974.7 million) in October 2021. The net proceeds are designated to be used for the potential acquisitions in the modern-vocational education space.

Liquidity, Financial Resources and Gearing Ratio

As at 28 February 2022, the Group had cash reserve of RMB5,047.1 million (31 August 2021: RMB5,048.4 million).

As at 28 February 2022, the Group had bank and other borrowings of RMB7,537.9 million (31 August 2021: RMB6,091.2 million) and convertible bonds of RMB1,344.1 million (31 August 2021: RMB2,243.6 million).

As at 28 February 2022, 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 24.2% (31 August 2021: 28.0%). 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 27.6% (31 August 2021: 31.2%). 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 placed certain structured deposits and money market funds during the six months ended 28 February 2022. 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.

Treasury Policy

During the six months ended 28 February 2022, the Group has adopted a prudent treasury policy and maintained a robust liquidity structure. In the management of the liquidity risk, the Group monitors and maintains appropriate levels of financial resources to meet its funding needs.

Foreign Exchange Risk Management

During the six months ended 28 February 2022, the Group operated schools in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and some in 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 28 February 2022, the Group had no significant contingent liability.

Charges on the Group's Assets

As at 28 February 2022, the bank and other borrowings of the Group amounting to RMB4,669.4 million were secured by tolling right of tuition fee, boarding fee and ancillary income, deposits, plant and equipment under sale and leaseback arrangements and equity interest of certain subsidiaries of the Group.

Saved as disclosed above, there was no other material charge on the Group's assets as at 28 February 2022.

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 28 February 2022, the Group's school network consists of 12 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.

Overview of Recent Policies

Roadmap to Achieve Common Prosperity

In October 2021, General Secretary Xi Jinping announced "Making Solid Progress Toward Common Prosperity" (《紮實推動共同富裕》), outlining the roadmap towards achieving common prosperity. The roadmap made vocational education a keystone to the long-term strategy, pledging improved vocational training and higher income for a greater number of graduates and skilled workers. The Group believes that the nation's efforts to improve the popularity of vocational education and to increase the income of college graduates will make the Group's program offerings more appealing to prospective students.

Opinion on Promoting Vocational Education

In October 2021, the Central Committee of the Communist Party of China and the State Council of the People's Republic of China issued 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》) (the "Policy") and gave a notice requiring the implementation thereof by all government units across China. Pursuant to the Policy, vocational education has a promising future and great potential as China journeys toward socialist modernization. The Policy also sets a goal that China's vocational education should be ranked among the best globally by 2035.

The specific measures under the Policy include but not limited to:

- Accelerating the construction of a modern vocational education system
- Cultivating more high-quality technical and skilled talents
- Encouraging listed companies and other social capitals to deeply participate in and run vocational education

- Encouraging vocational universities to attract more graduates from secondary and higher vocational schools

- Encouraging vocational schools and enterprises to conduct co-developing and comanaging of industrial colleges and corporate colleges

- Encouraging vocational schools to cooperate with social capitals to build vocational education infrastructure

- Providing “finance + governmental funding + land + credit” incentives to industry education-integrated enterprises

The New Vocational Education Law

On 20 April 2022, the Standing Committee of the National People’s Congress approved the newly amended Vocational Education Law, which is the first amendment to the Vocational Education Law in its 26 years of existence. The new Vocational Education Law was promulgated by President Xi Jinping on the same day and will take effect from 1 May 2022. The new Vocational Education Law specifies that the State encourages, guides and supports enterprises and other social forces to run vocational schools, and encourages financial institutions to support the development of vocational education by providing financial services. In order to deepen the participation of enterprises in vocational education, the newly amended Vocational Education Law further specifies that the State promotes enterprises’ vital role in running vocational education, advances the in-depth participation of enterprises in vocational education, encourages enterprises to run high-quality vocational education, and provides incentives such as rewards and tax concessions to enterprises that deeply participate in the integration of industry and education and school-enterprise cooperation. The new Vocational Education Law also specifies that regular higher education schools at the junior college, undergraduate and higher levels may provide higher vocational school education.

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

Chengdu Jincheng College

In September 2021, Chengdu Jincheng College joined the Group. Chengdu Jincheng College (成都錦城學院) was founded in 2005 and has an outstanding reputation. It was an independent college co-sponsored with a "985 Project" university. On the recent list of "Top 100 Guangzhou Daily Data & Digital Institute Applied University (Independent College)", the school 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.

Student Enrollment

As at 28 February 2022, the Group operated in three business segments and its school network includes 12 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 309,000 students, up 23.4% from the enrollment as at 28 February 2021.

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 newly included university to the Group. The 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 relevant regions. The new student enrollment for the secondary vocational segment is also expected to resume as soon as the restrictions in the respective regions are relieved. As international travel restrictions in Australia have been lifted in February 2022, strong recovery of enrollment is expected for the forthcoming reporting period for the global education segment.

Business Segment	As at **28 February 2022**	 28 February 2021
Higher Vocational Education	**250,385**[(1)]	183,409[(2)]
Secondary Vocational Education	**55,855**	63,686
Global Education	**2,782**	3,244
Total	**309,022**	250,339

Notes:

(1) Included 78,247 students enrolled in the continuing education programmes as at 28 February 2022. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools.

(2) Included 55,935 students enrolled in the continuing education programmes as at 28 February 2021.

China Education Fund

On 29 June 2018, the Group entered into agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of 惠理華教（深圳）股權投資合夥企業（有限合夥）(the "China Education Fund"). As at 28 February 2022, the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund. The China Education Fund has not made any investment and is in the process of winding up. The capital contribution will be returned after the process.

OUTLOOK

The Company believes that the Group's business is conducive to the realization of the country's strategic objectives in education. The Group will continue to create and provide high-quality vocational education opportunities for more students, and make positive contributions to the economic and social development of the country in order to fulfill the mission and social responsibility of the Group in an effectively manner.

Development of New Campuses

The Group's capacity has been further increased with two new campuses in the Guangdong-Hong Kong-Macao Greater Bay Area and the fourth campus in Australia put into use.

Guangzhou College of Applied Science and Technology's New Campus

The new campus in Zhaoqing, Guangdong Province, the PRC, is to be developed in three phases. Phase one was completed in Fall 2021 and accommodated about 6,000 teachers and students. Phase two is currently under construction and is expected to accommodate about 9,000 new teachers and students in 2022. In response to the increasing demand for admissions, the school signed an agreement with Zhaoqing Municipal Bureau of Natural Resources (肇慶市自然資源局) to acquire the land use rights of a plot of land located in Zhaoqing City, Guangdong Province, with an area of approximately 372 mu for the the expansion of its campus, i.e. the third phase of the new campus. After completion of the phase three, it is expected to further expand the scale of Guangzhou College of Applied Science and Technology in the Greater Bay Area.

King's Own Institute's New Campus

King's Own Institute, Australia received regulatory approval for establishment of a new campus in Newcastle, the second largest city in New South Wales after Sydney. The campus has been approved enrollment quota (first batch) of 1,000 international students and is expected to commence operation in Summer 2022. The campus will offer master's and bachelor's degree programs in accounting, financial management, and information technology, etc.

EVENT AFTER THE REPORTING PERIOD

Issuance of Investment-grade offshore RMB Guaranteed Bonds

On 16 March 2022, the Company issued offshore RMB500 million investment-grade guaranteed bonds due 2025. The bonds, which are guaranteed by the Asian Development Bank and are rated "AA" by Standard & Poor's Global, are the first investment-grade offshore RMB bond issued by a Chinese education company. The bond proceeds will be used mainly for the development of higher education in China.

The issuance of the guaranteed bonds was completed on 22 March 2022 while the listing of the guaranteed bonds on the Singapore Exchange Securities Trade Limited became effective on 23 March 2022. Further details of the guaranteed bonds are set out in the announcement of the Company dated 17 March 2022.

TOP-UP PLACING AND SUBSCRIPTION

January 2021

The net proceeds amounted to approximately HK$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) from the subscription completed on 3 February 2021 have been utilised, and will be fully utilised in next six 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 following sets forth a summary of the utilisation of the net proceeds during the six months ended 28 February 2022:

Purpose	Percentage to total amount	Net proceeds amount	Unutilised amount as at 1 September 2021	Utilised amount during the period	Unutilised amount as at 28 February 2022
		RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*
Expansion and development of the Group's new campuses in the Greater Bay Area	70%	1,177.0	60.9	60.9	–
Potential acquisitions	30%	504.4	93.3	–	93.3
	100%	1,681.4	154.2	60.9	93.3

Further details of the top-up placing and the 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 "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 78,000,000 Shares at the placing price of HK$15.10 per Share (the "Placing").

On the same day, Blue Sky BVI, White Clouds BVI and the Company entered into a subscription agreement (the “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 Subscription Agreement (the “Subscription”).

The Placing and the 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 twelve months for potential acquisitions in the modern-vocational education space as previously disclosed in the Company’s announcements. As at 28 February 2022, none of the net proceeds has been utilised.

The Directors consider that the Placing and the 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 Subscription Agreement.

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

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 28 February 2022, the Group had 12,908 employees (28 February 2021: 10,688), a 20.8% increase mainly due to inclusion of employees of the new school during the reporting period. 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.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 28 February 2022 (for the six months ended 28 February 2021: HK19.7 cents).

CONVERTIBLE BONDS DUE 2024

The Company completed the issue of convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355 million on 28 March 2019 to enhance its working capital for the Group's continual business development. During the six months ended 28 February 2022, the conversion price of the convertible bonds was adjusted from HK$13.99 per Share to HK$13.75 per Share, and the Company has carried out the following repurchases of convertible bonds: (i) on 11 February 2022, the Company repurchased HK$235 million in aggregate principal amount of the convertible bonds at an average repurchase price of HK$988,300 per HK$1,000,000 principal amount of the convertible bonds; (ii) on 14 February 2022, the Company repurchased HK$120 million in aggregate principal amount of the convertible bonds at an average repurchase price of approximately HK$986,500 per HK$1,000,000 principal amount of the convertible bonds; (iii) on 15 February 2022, the Company repurchased HK$74 million in aggregate principal amount of the convertible bonds at an average repurchase price of HK$988,000 per HK$1,000,000 principal amount of the convertible bonds; and (iv) on 16 February 2022, the Company further repurchased HK$263 million in aggregate principal amount of the convertible bonds (together with the convertible bonds repurchased on 11 February 2022, 14 February 2022 and 15 February 2022, the "Repurchased Convertible Bonds") at an average repurchase price of HK$986,250 per HK$1,000,000 principal amount of the convertible bonds. The Repurchased Convertible Bonds have subsequently been cancelled.

During the six months ended 28 February 2022, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds. As at 28 February 2022, the aggregate principal amount of the convertible bonds that remains outstanding was HK$1,663,000,000 with the rights to convert into 120,945,454 Shares (based on the conversion price of HK$13.75 per Share).

On 28 March 2022, the Company redeemed HK$1,544,000,000 principal amount of the convertible bonds at face value of its principal amount. After redemption, the relevant convertible bonds have been cancelled and the remaining HK$119,000,000 principal amount of the convertible bonds, representing approximately 5.05% of the aggregate principal amount of the convertible bonds originally issued, will be due in March 2024.

For details, please refer to the Company's announcements dated 22 and 28 March 2019, 14 and 16 February 2022, and 9 and 28 March 2022.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 28 February 2022.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 28 February 2022, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 have complied with the required standards set out in the Model Code throughout the six months ended 28 February 2022.

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 unaudited consolidated financial statements of the Group for the six months ended 28 February 2022.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 28 February 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The interim report of the Company for the six months ended 28 February 2022 will be dispatched to the Shareholders and made available on the same websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2022

		Six months ended	
		28 February 2022	28 February 2021
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**2,350,612**	1,823,438
Cost of revenue		**(957,378)**	(745,949)
Gross profit		**1,393,234**	1,077,489
Other income		**94,553**	97,462
Investment income		**23,471**	28,989
Other expense, other gains and losses		**(20,259)**	32,240
Fair value change on convertible bonds		**317,741**	33,726
Selling expenses		**(73,177)**	(85,683)
Administrative expenses		**(372,670)**	(208,337)
Finance costs		**(134,700)**	(93,346)
Profit before taxation		**1,228,193**	882,540
Taxation	*4*	**(21,850)**	(30,301)
Profit for the period	*5*	**1,206,343**	852,239
Other comprehensive (expenses) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(3,212)**	3,587
Total comprehensive income for the period		**1,203,131**	855,826
Profit for the period attributable to:			
Owners of the Company		**1,168,461**	831,444
Non-controlling interests		**37,882**	20,795
		1,206,343	852,239
Total comprehensive income attributable to:			
Owners of the Company		**1,165,249**	835,031
Non-controlling interests		**37,882**	20,795
		1,203,131	855,826
Earnings per share	*7*		
Basic (RMB cents)		**49.08**	38.37
Diluted (RMB cents)		**33.21**	28.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2022

	NOTE	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**14,864,189**	12,126,263
Right-of-use assets		**1,937,771**	1,492,957
Goodwill		**3,896,376**	3,211,079
Intangible assets		**5,080,418**	3,221,187
Contract costs		**84,206**	94,965
Prepayments for investments		**60,000**	474,200
Deposits paid for right-of-use assets		**31,181**	114,261
Deposits paid for acquisition of property, plant and equipment		**42,120**	71,214
Other prepayments and deposits		**14,605**	51,503
Deferred tax asset		**13,120**	13,117
Interest in an associate		**467**	478
		26,024,453	20,871,224
CURRENT ASSETS			
Inventories		**1,151**	1,362
Trade receivables, deposits, prepayments and other receivables	*8*	**1,033,957**	751,878
Financial assets at fair value through profit or loss		**1,709,590**	1,620,129
Contract costs		**68,759**	74,108
Restricted bank deposits		**101,062**	101,062
Bank balances and cash		**3,236,487**	3,327,191
		6,151,006	5,875,730

	NOTE	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
CURRENT LIABILITIES			
Deferred income		**62,957**	57,271
Trade payables	*9*	**22,518**	26,956
Other payables and accrued expenses		**2,159,074**	1,935,185
Provisions		**369,459**	378,282
Lease liabilities		**25,601**	23,670
Income tax payable		**100,652**	88,543
Contract liabilities		**2,362,806**	2,265,855
Bank and other borrowings		**1,646,250**	1,473,129
Convertible bond		**1,247,880**	2,243,571
		7,997,197	8,492,462
NET CURRENT LIABILITIES		**(1,846,191)**	(2,616,732)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,178,262**	18,254,492
NON-CURRENT LIABILITIES			
Deferred income		**17,333**	16,113
Other payables		**625,127**	813,266
Bank and other borrowings		**5,891,607**	4,618,114
Lease liabilities		**80,905**	82,768
Deferred tax liability		**1,614,959**	967,406
Convertible bonds		**96,177**	–
		8,326,108	6,497,667
		15,852,154	11,756,825
CAPITAL AND RESERVES			
Share capital		**20**	19
Reserves		**13,335,648**	10,919,385
Equity attributable to owners of the Company		**13,335,668**	10,919,404
Non-controlling interests		**2,516,486**	837,421
		15,852,154	11,756,825

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 RMB1,846,191,000 as at 28 February 2022. The directors of the Company have, at the time of approving the condensed 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 issuance of bonds 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 condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During current interim period, the Group completed the acquisition of 100% equity interest in Long Link Investment Limited and its subsidiaries (collectively referred to as the "Long Link Group"). Long Link Group became subsidiaries of the Company upon completion of the acquisition on 14 September 2021.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board which are mandatory effective for the annual period beginning on or after 1 September 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. As at 28 February 2022, the Group has secured London Interbank Offered Rate other borrowings which may be subject to interest rate benchmark reform. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 August 2022.

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 education services (tuition and boarding) and ancillary services.

During the year ended 31 August 2021, 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 period segment disclosures have been represented to conform with the current period'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 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*
For the six months ended 28 February 2022 (unaudited)				
Revenue	**1,946,313**	**330,323**	**73,976**	**2,350,612**
Segment results	**930,638**	**137,591**	**19,266**	**1,087,495**
Investment income				**23,471**
Other gains and losses				**(20,259)**
Fair value change on convertible bonds				**317,741**
Finance costs				**(134,700)**
Unallocated corporate income and expenses				**(45,555)**
Profit before taxation				**1,228,193**

	Higher vocational education *RMB'000*	Secondary vocational education *RMB'000*	Global education *RMB'000*	Total *RMB'000*
For the six months ended 28 February 2021 (unaudited)				
Revenue	1,349,711	358,610	115,117	1,823,438
Segment results	668,262	183,913	40,993	893,168
Investment income				28,989
Other expense, other gains and losses				32,240
Fair value change on convertible bonds				33,726
Finance costs				(93,346)
Unallocated corporate income and expenses				(12,237)
Profit before taxation				882,540

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 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:

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Education services recognised over time	**2,325,307**	1,799,632
Ancillary services recognised over time	**25,305**	23,806
	2,350,612	1,823,438

Higher vocational education segment and secondary vocational education segment principally derive the revenue by providing education services (predominantly tuition) and ancillary services. Global education segment principally derives its revenue by providing tuition services.

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 Six months ended		**Non-current assets *(Note)***	
	28 February 2022	28 February 2021	**At 28 February 2022**	At 31 August 2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
The PRC	**2,276,636**	1,708,321	**25,174,019**	20,008,296
Australia	**73,976**	115,117	**834,587**	846,366
Hong Kong	**–**	–	**2,727**	3,445
	2,350,612	1,823,438	**26,011,333**	20,858,107

Note: Non-current assets excluded deferred tax assets.

4. TAXATION

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
— Enterprise Income Tax	**(22,291)**	(8,351)
— Australian Corporate Income Tax	**(2,045)**	(12,249)
— Withholding taxes on interest income	**(640)**	(407)
	(24,976)	(21,007)
Deferred tax	**3,126**	(9,294)
	(21,850)	(30,301)

5. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
— salaries and other allowances	**570,871**	440,856
— retirement benefit scheme contributions	**98,417**	67,626
— share-based payments *(Note)*	**18,446**	(30,456)
Total staff costs	**687,734**	478,026
Depreciation of property, plant and equipment	**272,270**	173,553
Depreciation of right-of-use assets	**29,278**	25,602
Amortisation of intangible assets	**4,708**	7,307
Short-term leases expense in respect of rented premises	**10,473**	8,055
Interest income from banks	**(15,871)**	(14,445)
Interest income from loan receivables	**(7,600)**	(14,544)

Note: The amount for the six months ended 28 February 2021 includes reversal of RMB39,375,000 previously recognised share options expenses due to revision of estimate on the number of share options to be vested. No such reversal was recorded during the six months ended 28 February 2022.

6. DIVIDENDS

During the current interim period, the Company recognised the following dividend as distribution:

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Final dividend for the year ended 31 August 2021 of HK20.2 cents (for the six months ended 28 February 2021: HK13.9 cents final dividend for year ended 31 August 2020) per ordinary share	**394,908**	263,644

No dividend has been proposed since the end of the reporting period ended 28 February 2022 (for the six months ended 28 February 2021: HK19.7 cents per ordinary share amounting to HK$447,768,000).

7. EARNINGS PER SHARE

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

	Six months ended	
	28 February	28 February
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic earnings per share	**1,168,461**	831,444
Effect of dilutive potential ordinary shares:		
Fair value change on convertible bonds	**(318,763)**	(170,663)
Profit for the period attributable to owners of the Company for the purpose of calculating diluted earnings per share	**849,698**	660,781

	Six months ended	
	28 February	28 February
	2022	2021
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,380,822**	2,167,150
Effect of dilutive potential ordinary shares:		
Share options granted under Pre-IPO Share Option Scheme	**13,279**	17,715
Share options granted under Post-IPO Share Option Scheme	**–**	78
Convertible bonds	**164,228**	164,379
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,558,329**	2,349,322

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has included for the consideration shares in relation to the acquisition of Long Link Group from the acquisition date.

The computation of diluted earnings per share for the six months ended 28 February 2022 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as the adjusted exercise price of those options was higher than the average market price for shares for the period.

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 28 February 2022 *RMB'000* **(unaudited)**	At 31 August 2021 *RMB'000* (audited)
0 – 90 days	**5,000**	–
91 – 120 days	**10,341**	13,339
121 – 365 days	**127,222**	53,785
Over 365 days	**10,845**	3,320
	153,408	70,444

9. TRADE PAYABLES

The credit period granted by suppliers 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 reporting period.

	At 28 February 2022 *RMB'000* **(unaudited)**	At 31 August 2021 *RMB'000* (audited)
0 – 30 days	**2,952**	4,792
31 – 90 days	**17,820**	12,319
91 – 365 days	**1,495**	9,779
Over 365 days	**251**	66
	22,518	26,956

10. CAPITAL COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment, right-of-use assets mainly for the construction of new campus and additional interest in an associate amounting to RMB1,161,880,000 (31 August 2021: RMB1,181,316,000).

The Group was committed to make an initial contribution of RMB250,000,000 to the China Education Fund and as at 28 February 2022, the Group made capital contribution amounting to RMB31,303,000 (31 August 2021: RMB31,303,000) to China Education Fund as committed. As at 28 February 2022, the China Education Fund is in the process of winding up and the management of the Group expects the commitment to be released upon the completion of winding up procedures.

As at the end of the current interim period, the Group has no undrawn loan commitment (31 August 2021: undrawn loan commitment of RMB35,461,000).

11. ACQUISITION OF A BUSINESS

Acquisition of Long Link Group

As detailed in Note 1A, the Group completed the acquisition of Long Link Group which became subsidiaries of the Company.

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.

12. EVENTS AFTER REPORTING PERIOD

On 16 March 2022, the Company and Standard Chartered Bank, Bank of Communications Co., Ltd. Hong Kong Branch, CMB Wing Lung Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch (the "Joint Lead Managers") entered into a subscription agreement, pursuant to which the Joint Lead Managers agreed to subscribe and pay for, or to procure subscriptions and payments for, the CNY500,000,000 4.00% Guaranteed Bonds due 2025 ("Guaranteed Bonds") to be issued by the Company due 2025 bearing interest at the rate of 4.0% per annum in an aggregate principal amount of RMB500,000,000. The issuance of the Guaranteed Bonds was completed on 22 March 2022 while the listing of the Guaranteed Bonds on the Singapore Exchange Securities Trade Limited became effective on 23 March 2022. Further details are set out in the announcement of the Company in relation to the Guaranteed Bonds dated 17 March 2022.

On 28 March 2022, the Group redeemed the convertible bonds with the principal amount of HK$1,544,000,000 with cash consideration at face value of its principal amount (the "Redemption"). The Redemption were funded by internal resources of the Group. After the Redemption, the relevant convertible bonds have been cancelled and cannot be converted into the shares of the Company. Details of the redemption were set out in the announcements of the Company dated 9 March 2022 and 28 March 2022.

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
"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
"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
"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
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"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
"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
"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
"%"	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, 28 April 2022

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.