# China General Education Group Limited
# 中国通才教育集团有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2175)**

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

The board (the "**Board**") of directors (the "**Directors**") of China General Education Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 28 February 2022 (the "**Period**") as follows:

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 28 February 2022*

| | Notes | For the six months ended 28 February<br>**2022**<br>***RMB'000***<br>**(Unaudited)** | <br>2021<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|
| REVENUE | *4* | **170,448** | 160,644 |
| Cost of sales | | **(82,764)** | (59,008) |
| Gross profit | | **87,684** | 101,636 |
| Other income and gains | *4* | **3,865** | 7,331 |
| Selling expenses | | **(222)** | (290) |
| Administrative expenses | | **(25,949)** | (22,018) |
| Other expenses | | **(486)** | (82) |
| PROFIT BEFORE TAX | *5* | **64,892** | 86,577 |
| Income tax expense | *6* | **–** | – |
| PROFIT FOR THE PERIOD | | **64,892** | 86,577 |
| Attributable to: | | | |
| Owners of the Company | | **64,892** | 86,577 |
| | | **64,892** | 86,577 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | *8* | | |
| Basic and diluted | | | |
| – For profit for the period | | **RMB0.13** | RMB0.23 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 28 February 2022*

| | For the six months ended 28 February | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| PROFIT FOR THE PERIOD | **64,892** | 86,577 |
| OTHER COMPREHENSIVE LOSS | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements | **(3,795)** | – |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | **(3,795)** | – |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | **(3,795)** | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **61,097** | 86,577 |
| Attributable to: | | |
| Owners of the Company | **61,097** | 86,577 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 28 February 2022*

| | *Note* | **28 February 2022** *RMB'000* **(Unaudited)** | 31 August 2021 *RMB'000* (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **666,009** | 648,142 |
| Right-of-use assets | | **87,717** | 87,479 |
| Other intangible assets | | **8,527** | 2,316 |
| Other non-current assets | | **57,248** | 57,248 |
| Total non-current assets | | **819,501** | 795,185 |
| CURRENT ASSETS | | | |
| Trade receivables | *9* | **98** | 18 |
| Prepayments, other receivables and other assets | | **43,966** | 22,330 |
| Financial assets at fair value through profit or loss | | **91,563** | 473,161 |
| Cash and cash equivalents | | **879,878** | 594,687 |
| Total current assets | | **1,015,505** | 1,090,196 |
| CURRENT LIABILITIES | | | |
| Contract liabilities | | **136,914** | 194,017 |
| Other payables and accruals | | **89,042** | 108,298 |
| Amount due to a director | | **–** | 241 |
| Amount due to related parties | | **–** | 2 |
| Deferred income | | **558** | 8,702 |
| Lease liability | | **775** | – |
| Total current liabilities | | **227,289** | 311,260 |
| NET CURRENT ASSETS | | **788,216** | 778,936 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,607,717** | 1,574,121 |
| NON-CURRENT LIABILITY | | | |
| Lease liability | | **403** | – |
| Total non-current liability | | **403** | – |
| Net assets | | **1,607,314** | 1,574,121 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **33** | 33 |
| Reserves | | **1,607,281** | 1,574,088 |
| Total equity | | **1,607,314** | 1,574,121 |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 28 February 2022*

### 1. CORPORATE AND GROUP INFORMATION

China General Education Group Limited (the "**Company**") was incorporated in the Cayman Islands on 14 September 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2021.

The Company is an investment holding company. During the Period, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the provision of higher education services in the People's Republic of China (the "**PRC**"). There has been no significant change in the Group's principal activities during the Period.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Niusanping Limited, which is incorporated in the British Virgin Islands.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 28 February 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 August 2021.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 August 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* |

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    During the period, the interest rates of certain interest-bearing bank borrowings and an interest rate swap denominated in foreign currencies were changed from the London Interbank Offered Rate ("**LIBOR**") to RFRs. The Group applied the above-mentioned practical expedient upon modification of these borrowings and replacement of this interest rate swap as the "economically equivalent" criterion was met. No significant modification gain or loss has arisen as a result of applying the amendments to these changes. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 28 February | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue from contracts with customers** | | |
| Tuition fees | **155,729** | 146,734 |
| Boarding fees | **14,719** | 13,910 |
| | **170,448** | 160,644 |
| **Other income and gains** | | |
| Bank interest income | **3,758** | 202 |
| Interest income from financial products | **4,205** | 3,117 |
| Examination and training income | **1,215** | 507 |
| Fair value (losses)/gains on financial assets at fair value through profit or loss | **(6,917)** | 2,118 |
| Others | **1,604** | 1,387 |
| | **3,865** | 7,331 |

Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended 28 February | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Timing of revenue recognition** | | |
| Tuition fees recognised over time | **155,729** | 146,734 |
| Boarding fees recognised over time | **14,719** | 13,910 |
| Total revenue from contracts with customers | **170,448** | 160,644 |

The Group's contracts with students for college education programmes and boarding services can be terminated anytime without compensation. Tuition and boarding fees are determined and paid by the students before the start of each academic year.

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | | For the six months ended 28 February | |
|---|---|---|---|
| | | **2022** | 2021 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | **39,064** | 29,826 |
| Pension scheme contributions (defined contribution scheme) | | **7,045** | 6,595 |
| Depreciation of property, plant and equipment | | **16,550** | 16,056 |
| Depreciation of right-of-use assets | | **1,456** | 1,159 |
| Amortisation of other intangible assets | | **917** | 797 |
| Fair value losses/(gains) on financial assets at fair value through profit or loss | | **6,917** | (2,118) |
| Loss on disposal of items of property, plant and equipment, net | *(a)* | **486** | 82 |
| Listing expenses | | **–** | 5,021 |
| Government grants – related to income | *(b)* | **(2,633)** | (569) |

*Note (a)* Loss on disposal of items of property, plant and equipment and donation expenses are included in other expenses in the interim condensed consolidated statement of profit or loss.

*Note (b)* Various government grants have been received for certain teaching and research activities. The government grants received have been deducted from cost of sales in the interim condensed consolidated statement of profit or loss when they relate to income and from property, plant and equipment and other intangible assets in the interim condensed consolidated statement of financial position when they relate to assets. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the interim condensed consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

China General Education Group (Hong Kong) Limited was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Period and up to the date of this announcement, the college of the Group has historically enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised by the college of the Group for the income from the provision of formal educational services during the period.

The Group's non-school subsidiaries established in Mainland China were certified as small and micro-sized enterprise ("**SME**") during the period. They enjoyed 87.5% reduction of the first RMB1,000,000 of taxable income, 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential PRC corporate income tax ("**CIT**") rate of 20%.

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Period.

| | **For the six months ended 28 February** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current – the PRC | | |
| Charge for the period | **–** | – |
| Total tax charge for the period | **–** | – |

## 7. DIVIDENDS

No dividend has been paid or declared by the Company in the current period (six months ended 28 February 2021: nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 505,403,168 (six months ended 28 February 2021:375,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares under the share award plan.

The calculations of basic and diluted earnings per share are based on:

| | For the six months ended 28 February | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **64,892** | 86,577 |

| | Number of shares For the six months ended 28 February | |
|---|---|---|
| | **2022** | 2021 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **505,517,000** | 375,000,000 |
| Weighted average number of shares held for the share award plan | **(113,832)** | – |
| Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation | **505,403,168** | 375,000,000 |

## 9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

| | **28 February 2022** | 31 August 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 1 year | **98** | 11 |
| 3 to 4 years | **–** | 7 |
| | **98** | 18 |

## 10. EVENTS AFTER THE REPORTING PERIOD

There were no significant events taken place subsequent to 28 February 2022 and up to the date of approval of these financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Business Overview

We are a leading provider of private higher education in Shanxi Province, the PRC. We operated a college ("**our College**"), in Taiyuan City, Shanxi Province, the PRC. According to a market research report by the Frost & Sullivan (the "**Frost & Sullivan Report**") before the Company's listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we ranked first among all private higher education institutions in Shanxi Province in terms of total full-time student enrollment, with a market share of 15.6% for the 2020/2021 school year. In 2011, our College was approved and upgraded by the Ministry of Education of the PRC to become the first private undergraduate college in Shanxi Province. Our solid reputation and extensive expertise in the private higher education sector have allowed us to continue to grow our College since then. The total number of students enrolled at our College has grown from approximately 8,000 students in the 2011/2012 school year to 18,070 students in the 2021/2022 school year. All students enrolled in our College were full-time students and most of our students enrolled were boarding students except for very few students who were approved by us to live off campus for personal reasons. As of 28 February 2022, we employed 573 full-time teachers and 507 part-time teachers.

Currently, our College offered bachelor's degree programs through 13 schools and two departments. Apart from the original 36 majors (i.e. the specific area of study for which a student chooses to focus on, such as accounting, business administration, computer science and technology and preschool education) and three concentrations (which are specific study areas of emphasis within certain majors, including an internet technology concentration under major of computer science and technology, a child massage healthcare concentration and an early education concentration under the major of preschool education) that we offered when we were listed on the Stock Exchange, five new majors, including nursing, art design for drama, film and television, sports rehabilitation, cuisine and nutrition education, as well as cross-border e-commerce, are now offered, bringing the total number of majors and concentrations to 44 at present. As of 28 February 2022, our College operated two campuses, namely, Longcheng campus and Beige campus, with a total area of approximately 481,504 sq. m. and building space of approximately 377,556 sq. m.

As a higher education service provider, we are dedicated to (i) building our College into a modern institution of higher education with superior quality, and (ii) equipping our students with readily applicable skills that meet the ever-changing demands of the job market.

We focus on providing application-oriented education to equip our students with practical skills relevant to careers. We continue to optimize our course offerings and practical training programs to provide our students with the readily applicable skills. We offer mandatory and elective courses in entrepreneurship and innovation-related subjects, and provide a variety of opportunities for students to hone their business skills. We reinforce our application-oriented course offerings with meaningful collaboration with companies in private industry ranging from joint development and delivery of entire courses and construction of simulated work-environment training bases on our campuses, to inviting industry experts and visiting lecturers and helping arrange internship and practical training opportunities for our students. We believe our emphasis on developing advanced, career-focused skill sets helps make our students more appealing to potential employers. The initial employment rate for graduates of our College for 2020/2021 school year reached approximately 90.3% (approximately 72.5% for 2019/2020 school year), representing an increase of 17.8%. The lower initial employment rate for graduates for 2019/2020 school year than previous usual years was due to the impact by COVID-19 pandemic.

**COVID-19 Pandemic and Effects on Our Business**

From 1 September 2021 to 28 February 2022, there was no significant operational and financial impact by the COVID-19 pandemic. The beginning of the 2021/2022 school year was not delayed for new students, who were mainly offered offline courses. Our College collected tuition fees and boarding fees on time. During this period, in order to ensure the safety of teachers and students, our College actively encouraged and arranged for teachers and students to receive COVID-19 vaccine and conducted many nucleic acid tests for all staff.

**Enrollment**

In the 2021/2022 school year, the overall number of full-time enrolled students of our College reached 18,070, representing an increase of 4.9% as compared to that of the 2020/2021 school year. Such increase in the number of enrolled students was mainly due to new courses with better employment prospects added and increase of admission quota in the 2021/2022 school year. In the 2021/2022 school year, our College newly enrolled 5,267 students, representing an increase of 8.8% over the 2020/2021 school year.

The following table sets forth information relating to the total student enrollment, newly-enrolled students and admission quota of our College for the school years indicated:

| | **School year** | | **Change** | |
|---|---|---|---|---|
| | **2021/2022** | 2020/2021 | **Change** | **Percentage change** |
| Total student enrollment(1)(2) | **18,070** | 17,233 | 837 | 4.9% |
| Newly-enrolled students(1)(2) | **5,267** | 4,841 | 426 | 8.8% |
| Admission quota(3) | **5,500** | 5,000 | 500 | 10.0% |

*Notes:*

(1) The student enrollment and newly-enrolled students information for the school years indicated was based on the internal records of our College. Total student enrollment includes newly-enrolled students and returning students.

(2) Although our school year typically starts at the beginning of September, the administrative work that facilitates the registration of students' academic documents, the collection of tuition and boarding fees and other admission-related activities are generally completed by the end of September. Accordingly, we use 30 September as a benchmark point in time to determine and present our enrollment figures and certain other business operating data, and the student enrollment figures listed here for the 2021/2022 school year are the number of students as of 30 September of such school year. For the 2020/2021 school year, due to the impact of COVID-19 pandemic, the beginning of the semester was delayed until 12 October 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students as of 31 October 2020 to present student enrollment figures for the 2020/2021 school year.

(3) The number of new students our College may admit each school year is generally limited by an admission quota specified by the relevant education authorities, and subject to subsequent adjustment by such authorities after admitting prospective students based on students' listed preferences and the scores they obtained. The original admission quota and any subsequent adjustments made by the relevant education authorities are beyond our control.

## Tuition Fees Standards

The following table sets forth the average tuition fee for our College for the periods indicated:

| | **For the six months ended 28 February** | | | |
|---|---|---|---|---|
| | **2022** | 2021 | **Change** | **Percentage change** |
| | **RMB** | RMB | RMB | % |
| Average Tuition Fee | **15,488.8** | 15,333.9 | 154.9 | 1.0 |

The following table sets forth the number of our students who participated in the undergraduate programs offered by our College for 2021/2022 school year and 2020/2021 school year.

| | **School Year[(1)]** | |
|---|---|---|
| | **2021/2022** | 2020/2021 |
| Undergraduate program[(2)] | **18,070** | 17,233 |

*Notes:*

(1) The number of students enrolled for the school years 2021/2022 and 2020/2021 listed here have the same meaning as the above table.

(2) The number of students includes the number of (i) students who were admitted to four-year undergraduate programs by taking the National Higher Education Entrance Examination, (ii) students who were admitted after graduating from junior colleges and continue their study at our College as third-year undergraduate students, and (iii) students who were admitted after graduating from secondary vocational schools.

(3) 5,500 students applied for the undergraduate enrollment plan in the 2021/2022 school year, representing an increase of 500 students as compared to the 2020/2021 school year, and the actual number of students enrolled is 5,267.

## FUTURE OUTLOOK AND BUSINESS STRATEGIES

In terms of total full-time student enrollment, according to the Frost & Sullivan Report, the Group ranks the first among all private higher education institutions in Shanxi Province with a market share of approximately 15.6% for the 2020/2021 school year, which puts us in a favorable position.

Shanxi Province is one of the economically underdeveloped provinces in China where higher education resources in the province are relatively scarce. It is however growing at a rapid rate. The private higher education industry in Shanxi Province is also growing rapidly. In addition to increasing student enrollment, thanks to the increase in disposable income and regulation allowing for market pricing of non-profit private higher education, the continuing growth of tuition and miscellaneous fees have contributed to the steady growth of total revenue of private higher education providers in Shanxi Province. In 2021, one independent college in Shanxi Province was transformed to become public higher education institutions according to the "Report of Department of Education of Shanxi Province on the Transfer of Independent Colleges" (《山西省教育廳關於全省獨立學院轉設的報告》) and "Jiaofahan (2021) No. 10" document. After an adjustment period to such transformation of independent colleges, the total revenue of private higher education providers in Shanxi Province is expected to maintain steady growth. We believe that the Group can benefit from the increasing demand for private higher education.

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) increase our College's capacity and student number and improve the teaching and living environment by building new facilities; (ii) expand our operations through acquisition; (iii) further improve and diversify our curriculum offerings and course design and continue to provide practical training to our students; (iv) expand the scope of our educational service offerings to capture additional growth opportunities; and (v) continue to build and improve our highly qualified teaching team.

With a view to creating synergies with our College in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**"), we also plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California in the United States (the "**US School**") offering bachelor of science in business administration program and bachelor of science in marketing program. We have engaged an agent, who is principally engaged in education consultancy and California Bureau for Private Postsecondary Education (the "**BPPE**") licensing services, to assist us in establishing General Business University of California Incorporated, the operating entity for the US School, and filing applications with the BPPE regarding the establishment of the US School in June 2021.

## LATEST REGULATORY DEVELOPMENTS

Pursuant to the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "**2016 Decision**"), which became effective on 1 September 2017, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, for-profit private schools are entitled to have discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please see "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" of the Prospectus.

On 11 July 2018, the General Office of the People's Government of Shanxi Province promulgated Several Opinions of the General Office of People's Government of Shanxi Province on Supporting and Regulating the Development of Education by Social Forces and Promoting the Healthy and Orderly Development of Private Education (《山西省人民政府辦公廳關於支援和規範社會力量與興辦教育促進民辦教育健康有序發展的若干意見》), according to which, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that private schools providing compulsory education must be non-profit. Sponsors of non-profit private schools do not obtain school operating income, and operating balances are all used for running schools; for-profit private schools sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools which provided education services other than compulsory education and were approved for establishment before 7 November 2016 can freely elect to establish for-profit schools or non-profit schools, the re-registration shall be completed within five years from July 2018 which was confirmed in our interview with the Department of Education of Shanxi Province.

On 30 December 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》) (the "**Shanxi Measures**"), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities; if it chooses to register as for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the permit for operating a private school, and then register with the local branch of the State Administration for Market Regulation.

On 30 December 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province (《山西省營利性民辦學校監督管理實施辦法》), which resembles the rules at the national level to a large extent.

According to the Notice on Further Standardizing the Collection of Education Fees of Non-Profit Private Schools (《關於進一步規範非營利性民辦學校學歷教育收費的通知》), which was jointly promulgated by the Development and Reform Commission of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province on 29 October 2019, the education fees collected by non-profit private schools include tuition fees and boarding fees, and non-profit private schools can refer to the relevant regulations of public schools at the same level to provide students with optional service charge items and substitute charge items on the premise of students' willingness. For tuition fees and boarding fees, if they are included in the Shanxi Provincial Price Catalog, the fees are decided by the government, if not, the non-profit private schools can decide independently. Pursuant to the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, the items and standards charged by for-profit private schools are determined independently by the school based on factors such as school cost and market demand and shall disclose to the public.

As of 28 February 2022, we had not made a formal application to register our College as a for-profit private school. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and the existing ownership structure of our College, we currently expect to register our College as a for-profit private school. In the event that our College successfully registers as a for-profit private school, the potential impact of the 2016 Decision includes the following:

- the rights and interests of the sponsors of our College will be protected in more definitive and favorable ways: the 2016 Decision provides that the school sponsors of for-profit private schools can obtain the schools' operating profits, and the remaining assets upon liquidation after the settlement of the school's indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations, and the standards and types of the fees should be publicized to the public and subject to supervision by relevant competent authorities;

- our College shall have the discretion to determine the amount of fees to be charged in accordance with the 2016 Decision. If our College is registered as a for-profit private school, our College would be entitled to make its own decisions about the standards and types of the fees to be charged by our College based on our College's operating costs and market demand;

- our College may enjoy support from certain PRC government policies: the 2016 Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to for-profit schools, such as preferential tax policies and student loans;

- there may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures: according to the 2016 Decision, while land will be supplied to non-profit private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and non-profit private schools; and

- our College will be subject to the requirements of applying for re-registration: the 2016 Decision also requires that private schools choosing to register as for-profit schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration.

According to our consultation with the Department of Education of Shanxi Province which is the competent authority to confirm such matters as advised by our PRC legal advisors, (i) before we elect for our College to be a for-profit private school, the current articles of association of our College will continue to be legal, effective and enforceable, and our College can operate in accordance with it; and (ii) non-profit schools are expected to enjoy more favorable policies. As advised by our PRC legal advisors, despite the aforesaid implementing rules relating to 2016 Decision, there remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by local authorities in Shanxi Province; and (ii) specific conditions or requirements in respect of any preferential tax treatment and the treatment of the land use rights which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

On 26 March 2021, with the assistance of our PRC legal advisors, we verbally consulted with a top-level consultant (一級調研員) at the Vocational Education and Adult Education Division of Department of Education of Shanxi Province (山西省教育廳), being a competent person at the competent authority to confirm such matters as advised by our PRC legal advisors: (i) although the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and the Shanxi Measures have been promulgated and set out the general requirements for the registration of existing private schools as for-profit or non-profit, specific provisions enacted in accordance with such regulations regarding the selection of for-profit or non-profit school, such as the details of the application procedures and documents to be prepared for the registration as for-profit schools, have not yet been promulgated in Shanxi Province; and (ii) the Department of Education of Shanxi Province has not yet begun to accept relevant applications from existing schools. For the general requirements for the registration of existing private schools as for-profit or non-profit, please see "Regulatory Overview – Regulations on Private Education in the PRC – Implementing Measures on Classification Registration of Private Schools" in the Prospectus for details.

Our Directors understand that the specific provisions have not yet been promulgated and there currently is no timeline for implementation. However, taking into account that (i) our College was legally established in 2006 and is validly existing under the current PRC laws; and (ii) according to the Frost & Sullivan Report, our Group was the largest private high education institution in terms of full-time student enrollment in Shanxi Province with a market share of approximately 15.6% in the 2020/2021 school year, our Directors consider that our College's situation will be a factor to be taken into account when the local government formalizes such specific provisions and it would be unlikely that they would impose any special provisions which our College would not be able to achieve. Based on the foregoing, the Board considers that we currently expect to register our College as a for-profit private school.

## FINANCIAL REVIEW

### Revenue

Revenue represents the value of services provided during the Period. The Group derives revenue from tuition fees and boarding fees that our College collected from students.

For the Period, the Group's revenue amounted to approximately RMB170.5 million (six months ended 28 February 2021: RMB160.6 million), representing an increase of RMB9.9 million or 6.2%. Such increase was primarily due to: (i) revenue from tuition fees for the Period amounted to RMB155.7 million (six months ended 28 February 2021: RMB146.7 million), representing an increase of approximately RMB9.0 million or 6.1%, the increase in tuition fees was because of more students admitted for the school year; and (ii) boarding fees for the Period amounted to RMB14.7 million (six months ended 28 February 2021: RMB13.9 million), representing an increase of approximately RMB0.8 million or 5.8%, the increase in boarding fees was because of more students admitted for the school year.

### Cost of Sales

The Group's cost of sales primarily consists of salary costs (including basic salaries, social security contributions, bonuses and benefits for our teaching staff), depreciation and amortization, utilities expenses, maintenance costs, teaching expenses (including educational supplies, training expenses, research and development costs), student activity costs, office allowances, and others (including traveling and accommodation expenses for teaching staff).

The Group's cost of sales for the Period amounted to approximately RMB82.8 million (six months ended 28 February 2021: RMB59.0 million), representing an increase of approximately RMB23.8 million or 40.3%. The increase in cost of sales was primarily due to (i) the increase in number of teaching staff and the steady improvement in remuneration and benefit package for employees; (ii) the increase in utilities charges and repair and maintenance expenses; and (iii) the increase in teaching expenditures so as to provide better teaching services to our students.

### Gross Profit and Gross Profit Margin

The Group's gross profit represents our revenue less cost of sales. The Group's gross profit margin represents the Group's gross profit as a percentage of our revenue.

The Group's gross profit for the Period amounted to approximately RMB87.7 million (six months ended 28 February 2021: RMB101.6 million), representing a decrease of approximately RMB13.9 million or 13.7%. For the Period, the Group's gross profit margin was 51.4%, representing a decrease of 11.8 percentage points as compared with that of last period. Such decrease was primarily due to the increase in the cost of sales was more than the increase in revenue during the Period.

### Other Income and Gains

The Group's other income and gains mainly consist of bank interest income, interest income from financial products, examination and training income, fair value gains or losses on financial assets at fair value through profit or loss and others.

The Group's other income and gains during the Period amounted to approximately RMB3.9 million (six months ended 28 February 2021: RMB7.3 million), representing a decrease of RMB3.4 million or 46.6%. Such decrease was primarily due to the fair value loss of financial wealth management products.

**Administrative Expenses**

The Group's administrative expenses consist of salary expenses for administrative staff, logistic expenses (including the property management fees charged by an independent third party for providing property management, cleaning, greenery maintenance and garbage disposal services), listing expenses, depreciation of land for administrative purposes and amortization of equipment and software for school administration and management use, office expenses (including travel and transportation expenses incurred by our administrative staff for business trips), maintenance costs, consultant advisory expenses, tax and utilities expenses.

Administrative expenses for the Period amounted to approximately RMB25.9 million (six months ended 28 February 2021: RMB22.0 million), representing an increase of approximately RMB3.9 million, which was primarily due to increases in (i) staff cost; and (ii) consultant advisory expenses.

**Income Tax Expenses**

No income tax expense for our operations incurred during the Period.

**Profit for the Period**

As a result of the combined effects of the above income, costs and expenses for the Period, the Group recorded a profit of approximately RMB64.9 million (six months ended 28 February 2021: RMB86.6 million), representing a decrease of RMB21.7 million or 25.1%.

### Current Assets and Current Liabilities

As of 28 February 2022, the net current assets of the Group amounted to approximately RMB788.2 million (31 August 2021: RMB778.9 million), representing an increase of approximately RMB9.3 million. Such increase was primarily due to the fact that (i) as of 28 February 2022, financial assets at fair value through profit or loss amounted to approximately RMB91.6 million (31 August 2021: RMB473.2 million), representing a decrease of approximately RMB381.6 million, which was because the Group did not renew some wealth management products matured during the Period; and (ii) as of 28 February 2022, cash and cash equivalents of the Group amounted to approximately RMB879.9 million, representing an increase of approximately 48.0% from RMB594.7 million as of 31 August 2021; (iii) contract liabilities as of 28 February 2022 amounted to approximately RMB136.9 million (31 August 2021: RMB194.0 million), representing a decrease of RMB57.1 million, which was primarily due to the receipts in advance of tution and boarding fees from students recognised proportionately over the Period; and (iv) other payables and accruals as of 28 February 2022 amounted to approximately RMB89.0 million (31 August 2021: RMB108.3 million), representing a decrease of approximately RMB19.3 million.

### Liquidity, Capital Resources and Gearing Ratio

We have financed our capital expenditures and working capital requirements principally with cash generated from the redemption of financial assets at fair value through profit or loss upon maturity and the receipts in advance of tuition and boarding fees from students during the school operation during the Period. In the future, we believe that our liquidity requirements will be satisfied using a combination of cash flows generated from our operating activities and the net proceeds from the issue of new shares of the Company and other funds raised from the capital markets from time to time as needed. The Group's gearing ratio as of 28 February 2022, represented by bank borrowings as a percentage of total equity, was 0% (31 August 2021: 0%) without bank borrowings both at 28 February 2022 and 31 August 2021.

## INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 28 February 2022 (six months ended 28 February 2021: nil).

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

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 16 July 2021 and the partial exercise of the over-allotment option on 6 August 2021 amounted to approximately RMB385.1 million, after deducting underwriting commissions and other listing expenses paid and payable by the Group in the global offering. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. A summary of the use of proceeds is set out below:

| **Purpose** | **Approx. % of total net proceeds allocated** | **Net proceeds allocated** | **Unutilized amount at 1 September 2021** | **Utilized amount during the Period** | **Unutilized amount at 28 February 2022** | **Expected timeline for intended use of unutilized amount at 28 February 2022** |
|---|---|---|---|---|---|---|
| | | *RMB'million* | *RMB'million* | *RMB'million* | *RMB'million* | |
| Construction of Phase IV of Beige campus | | | | | | |
| – a teaching building | 10.2% | 39.3 | 38.2 | 19.0 | 19.2 | March 2024 |
| – a library | 34.8% | 134.0 | 83.8 | – | 83.8 | March 2024 |
| Acquisition of or investment in private education institutions or acquisition of a parcel of land | 25.0% | 96.3 | 96.3 | – | 96.3 | December 2023 |
| Renovation and upgrade teaching buildings and dormitories on Longcheng campus | 11.4% | 43.9 | 43.4 | 6.6 | 36.8 | December 2023 |
| Purchases of teaching equipment and furniture | 8.6% | 33.1 | 28.8 | 11.3 | 17.5 | December 2023 |
| Working capital for general purposes | 10.0% | 38.5 | 28.6 | 14.4 | 14.2 | December 2023 |
| Total | 100.0% | 385.1 | 319.1 | 51.3 | 267.8 | |

## EVENTS AFTER THE REVIEW PERIOD

There was no significant events took place subsequent to 28 February 2022 and up to the date of this announcement.

## EMPLOYEE AND REMUNERATION POLICY

As at 28 February 2022, the Group had 1,527 employees (at 28 February 2021: 1,501). The remuneration policy and package of the Group's employees, including bonuses, a share option scheme and a restricted share unit scheme, are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total staff cost, including Directors' remuneration, incurred by the Group for the six months ended 28 February 2022 was approximately RMB48.7 million (six months ended 28 February 2021: RMB37.3 million), representing an increase of approximately RMB11.4 million or approximately 30.6%, which was mainly due to increases in the remuneration to directors and the number of teaching and administrative staff and the improvement in remuneration and benefit package for employees during the Period.

## 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 Period.

## RESTRICTED SHARE UNIT SCHEME

The Board has adopted the restricted share unit scheme of the Company ("**RSU Scheme**") on 13 January 2022 (i) to recognise the contributions by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

For further details of the RSU Scheme, please refer to the announcement of the Company dated 27 January 2022.

The Company entered into a trust deed on 8 February 2022 to appoint Futu Trustee Limited as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme. As of 28 February 2022, the trustee of the RSU Scheme has purchased a total of 9,249,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately RMB27.8 million pursuant to the terms of the trust deed of the RSU Scheme. No shares of the Company under the RSU Scheme have been granted or agreed to be granted since its adoption.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the Period.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (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 Model Code during the Period.

## REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive Directors, namely Mr. Yau Wai Man Philip, Mr. Zan Zhihong and Mr. Hu Yuting. Mr. Yau Wai Man Philip is the chairman of the Audit Committee.

## 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 (http://chinageg.cn). 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.

## APPRECIATION

The Company would like to take this opportunity to thank all our valued shareholders and various stakeholders of the Company for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

By order of the Board
**China General Education Group Limited**
**Niu Sanping**
*Chairman and Executive Director*

Hong Kong, 29 April 2022

*As at the date of this announcement, the executive Directors are Mr. Niu Sanping, Mr. Niu Jian, Mr. Niu Xiaojun and Ms. Zhang Zhonghua; and the independent non-executive Directors are Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Yau Wai Man Philip.*