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China New Higher Education Group Limited

中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2001)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2022

The Board of Directors of China New Higher Education Group Limited is pleased to announce the annual results of the Group for the year ended 31 August 2022.

HIGHLIGHTS

- The Group adheres to “Student-oriented”, and unwaveringly follows the path of high-quality development. Guided by high-quality teaching, high-quality faculty, high-quality service experience, high-quality employment and high-quality campus environment, the Group strives for the career achievements and life happiness of students, continues to cultivate high-quality technical talents for the economic and social development, and provides education that satisfies the people.
- The Group adheres to the foundation of strengthening morality through education, focusing development supporting, and the orientation of high-quality employment, attaches great importance to the student-teacher experience, and continues to increase investment in teaching, employment, and school life with high attention of students and teachers experiences. The level of education and teaching has been continuously enhanced; the Group pays close attention to the latest industry trends including “industry + information”, “industry + artificial intelligence” and “medicine + big data”, to realize the high-quality employment; and the Group’s services and education cover the whole process of talent cultivation. The satisfaction of students and teachers has been improved significantly; the brand effect has become increasingly prominent; and high-quality development has created new achievement.
- The Group always adheres to the development orientation of “building a high-level application-oriented colleges and vocational and technical university”, and comprehensively improves the quality of talent training. The Group has deepened the integration of industry and education and school-enterprise cooperation to jointly cultivate talents, and has actively carried out in-depth cooperation with top enterprises and high-quality educational resources, such as establishing a high-quality industrial college in cooperation with scientific research institutes for the first time, and striving to build world-class experimental training laboratories. The Group improves the design of integrated lessons featuring the synergy

between school and enterprises, and accelerates the establishment of a channel between the supply and demand for talent cultivation, so as to promote the integration of industry and education, set up educational standards and curriculum system which are available for duplication and promotion, and explore a new pattern and a new path for the cultivation of high-quality technical talents in the new era.

- The Group has obtained remarkable achievements in majors and courses construction. Seven provincial first-class majors and three provincial first-class courses and excellent courses were newly added. Five advantageous majors were selected as China's top application-oriented majors in 2022, and the mechanical manufacturing and automation majors of Luoyang School were selected as the first batch of pilots of the Sino-German Advanced Vocational Education of the Ministry of Education.
- Awards received by the students creating new remarkable achievements in high-quality development. Our students have won 22 national top awards in 56 top comprehensive discipline competitions recognized by the Ministry of Education, hitting a record high.
- As of 31 December 2021, the final employment rate of the Group reached 98%, reaching the high level of 98% for two consecutive years; as of 31 August 2022, the initial employment rate reached 89%, higher than the average of the nationwide level. The Group has thoroughly implemented the employment priority strategy, increased employment investment, and strengthened the construction of employment team. Through a series of new measures such as providing vocational guidance lessons and practical training to improve employment capabilities, the Group promotes the professional connection between policy, school, industry and enterprise as well as the integrated and deep cohesion of theory and practice, to support high-end industries, resulting in the continuous improvement of development capabilities of high-end industries and the steady enhancement of employment competitiveness and employment quality of our students.
- For the academic year of 2022/2023, the total number of enrolled students at the Group's schools amounted to 140,535. The number of new students recorded a stable increase; the student structure has been further optimized; and the Group's high-quality development strategy has been steadily implemented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a leading higher vocational education group focusing on higher vocational education for 23 years which first put forward and propelled the school operation model of an application-oriented university. As at 31 August 2022, the Group's schools covered various regions of China, cumulatively cultivating over 400,000 high-quality technical talents for the society. As a leader of high-quality employment, the schools of the Group have been awarded the "Top 50 National Employment (全國就業工作50強)" by the Ministry of Education, with an average employment rate of approximately 98%, and the employment rate of each school receiving top ranking from all provinces and regions.

Business Advantages

The Group adheres to “Student-oriented”, focuses on the student-teacher experience, and continues to increase investment in teaching, employment, school life and other aspects that students are most concerned about, so as to create good learning experience, employment experience, life experience and service experience for students and teachers. The Group has obtained important achievements in high-quality development strategy.

Continuous strengthening of connotation construction with significant enhancement of education and teaching level

(I) Strengthening the investment in connotation construction to fully support high-quality development of colleges and universities

The Group has continued to increase investment in teacher costs. The Group has continued to improve the remuneration of department heads and other professional leaders, and the salaries of core positions reached the top competitive level in all provinces. The Group continuously introduced industry experts and double-qualified teachers to increase the proportion of teachers with high academic qualifications and professional titles. The Group further strengthened internal and external training, and organized external experts and internal training for over 530 times.

The Group has continued to increase investment in education spaces. The Group has continued to upgrade experimental training rooms and smart classrooms, etc., such as Central China School Huawei Cloud Kunpeng Industry Education Integration Base, Guizhou School Big Health Virtual Simulation Training Room and 26 new smart classrooms in Guangxi Schools, achieving a leading level of teaching facilities and equipment in China.

The Group has continued to increase investment in the cloud teaching platform. The Group fully upgraded the function of teaching diary, and real-timely monitors the teaching process to ensure that the quality of teaching and learning has been enhanced. During the Reporting Period, the cloud teaching platform has over 3.4 billion clicks in total, and 17 cloud textbooks have been published, one of which was selected into the textbooks for the 14th Five Year Plan.

The Group has continued to increase investment in advantageous majors. The Group and Snow Laboratory of Harvard Graduate School of Education shared online and offline teaching resources, and jointly built seven international-level pre-school education courses to form a high-level talent training model integrating teaching, learning and research. The Group and Xi’an Jiaotong-Liverpool University jointly built advantageous majors to support high-quality development strategies from the aspects of education objectives and employee empowerment, etc. based on the international certification of business majors and engineering education certification of engineering majors.

(II) Focusing on the teaching with remarkable achievement in majors and courses construction

The Group always attaches importance to the classroom teaching quality. The Group organized all front-line teachers of the Group to participate in wonderful classroom competitions to promote the improvement of teaching level. During the Reporting Period, the Group's schools added seven provincial first-class majors and three provincial first-class courses and excellent courses. Five advantageous majors, including welding technology and engineering, automobile service engineering, transportation, communication engineering, electrical engineering and automation, were selected as 2022 top application-oriented majors in China. The Group and strategy scientists in the "Touyan Team" project group in Heilongjiang Province jointly built advantageous majors with the same standards as Project 985. The mechanical manufacturing and automation major of Luoyang School has been selected into the first batch of pilot universities of the Sino-German Advanced Vocational Education of the Ministry of Education. The Group closely follows the construction strategies of New Engineering, New Medicine, New Agriculture and New Arts to comprehensively improve the quality of talent training. For example, the Northeast School successfully applied for the topic of "Exploration and Practice of School-enterprise Co-operative Education Model for Welding Technology and Engineering in the Context of New Engineering".

The teaching quality has been recognized by the state and society, and the top national competition awards have reached a new high in history. The students of the Group have won 22 national top awards in 56 top comprehensive discipline competitions, hitting a record high. Yunnan School ranked first in Yunnan Province in the "National Undergraduate Competition List of Newly Built Undergraduate Colleges" in terms of the number of competition awards, and the capability to operate schools with high quality was significantly enhanced.

(III) Continuously upgrading the integration of industry and education and closely connecting with sunrise industries

The Group has always focused on the national strategy, closely connected with the sunrise industries, and vigorously promoted the integration of industry and education. The Group has built high-quality industrial colleges on the platform of industrial colleges jointly built by schools and enterprises, and newly added 5 Global 500 industrial colleges. In addition to famous enterprises, the Group cooperated with scientific research institutes for the first time in the construction of industrial colleges. For example, through jointly building Harbin Welding Institute Industrial College with Harbin Welding Institute that ranks the second in the world, the Group cultivates application-oriented talents who can meet the needs of industry and post development and have the ability of industry growth and career development potential.

(IV) Synchronizing quality assurance and teaching, and forming a closed loop for connotation construction

The Group has a dedicated teaching quality assurance organization to assess the teaching quality. The Group has built an information platform for monitoring and evaluating the quality of education and teaching, and carried out major quality evaluation, course quality evaluation, classroom teaching and learning quality evaluation and employment quality evaluation according to the requirements of the competent education department. In particular, as the only private university project, the “Monitoring and Analysis of Talent Training Quality in Private Higher Vocational Colleges of China” project of the Group was approved as one of the top ten key projects of the China Association for Non-Government Education for the year. Other project units are well-known universities and top educational research institutions such as Peking University, Beijing Normal University and National Institute of Education Sciences.

Employment is tightly rooted in the sunrise industries, and the employment rate reached 98% for two consecutive years

It is the Group’s long-term strategic goal of “helping every student to get a high-quality job”. The Group has been strengthening the construction of employment teams, increasing employment investment, and focusing on the sunrise industries including digital creativity, biotechnology, new energy automobile, new generation information technology, and high-end equipment manufacturing. The Group has joined hands with the Central Committee, Zhaopin (智聯招聘), and Shixiseng (實習僧) to provide more than 300,000 jobs for our graduates, continued to develop the core function of employment service in the Beijing-Tianjin-Hebei center, the Pearl River Delta center and the Yangtze River Delta center (“**Three Centers**”), and proactively invited experts to provide guidance on career and further education to all graduates of the Group’s schools, so to continuously improve students’ competitiveness and employment quality.

The Group’s employment results continued to be impressive. The final employment rate as of 31 December 2021 reached 98%, and the employment rate was 98% for two consecutive years. The employment rate of each school received top ranking from all provinces, of which the employment rate of Gansu School and Guangxi Schools ranked the first among similar schools in its province. The initial employment rate as of 31 August 2022 reached 89%, higher than the national average. The high quality employment rate increased by 187% year-on-year, 23% of the high quality employment was in famous companies such as Huawei, SF Express and Tesla, which are among the top 500 companies in the world, the top 100 companies in China and A-shares listed companies. The schools of the Group were awarded 40 projects under the Supply-Demand Matching Career Development Project of the Ministry of Education, and our Guizhou School was selected as the “Typical Case of Employment and Entrepreneurship for Graduates of National Universities” by the Ministry of Education, and it is the only university in Guizhou province to be selected.

Focusing on high-quality development strategy, students' and teachers' experience work was carried out throughout the year

The Group has made “enhancing the overall students’ and teachers’ experience” the main line of our effort throughout the year, practiced the value of “Student-oriented” from top to bottom, established a students’ and teachers’ experience department, focused on areas of high concern for students and teachers, and continued to increase investment in students’ and teachers’ experience. The Group has continued to upgrade classroom desks and chairs, computers, smart blackboards, and others, and effectively improved the teaching infrastructure; and accelerated the upgrade of campus network technology, increased the internet speed of campus network, achieved full coverage of campus signals, and significantly improved students’ experience of using the network. The Group has also further renovated student apartments, equipped with full-coverage hardware, and continuously improved the student accommodation environment; and set up the “Staff House” to enhance staff welfare and protect the personal interests of staff.

In addition, the Group’s schools motivated students and teachers to participate in the development and construction of their schools. During the Reporting Period, the schools of the Group launched the “I do something practical for students and teachers” campaign, established the “Student Experience Committee”, organized the “Principal’s Reception Day”, achieved 80 great things and implemented 227 student opinions. The overall improvement of students’ and teachers’ experience has been recognized and supported by the students and teachers. The Group has conducted experience satisfaction surveys for three consecutive years, and the students’ and teachers’ satisfaction level continues to increase. The students’ and teachers’ experience work of each school was highly evaluated by its higher authorities; and our Gansu School actively practiced “doing practical things for the public” and paid close attention to the students’ and teachers’ experience, which was commended by the Department of Education.

The brand effect of our schools is increasingly prominent and highly recognized by the society

The Group has achieved remarkable results in quality development. The brand effect of our schools is increasingly prominent and highly recognized by the authorities, the society and the industry. The following table shows the representative recognitions or awards of each school:

School	Recognition or Award
Yunnan School	The standard of admissions work was praised by Yang Chuncheng (楊春城), Party Secretary of the Provincial Examination and Recruitment Institute.
Guizhou School	The employment work was praised by Minister Huai Jinpeng (懷進鵬), and the graduates were evaluated as typical of university students’ employment and entrepreneurship by the Ministry of Education.
Northeast School	Awarded “Excellent Cooperation Unit of 2021” by the world’s top 500 enterprises.

Central China School	Won many awards in the 8th National BIM Graduation Design Innovation Competition, with 100% of the participating teams winning awards.
Luoyang School	Selected as the first batch of pilot schools for the Sino-German Advanced Vocational Education Cooperation Project by the Ministry of Education, and is the only private school in China to be selected.
Guangxi Schools	Participated in the Blue Bridge Cup National Software and Information Technology Professional Competition as the champion of the provincial competition for five consecutive years.
Gansu School	Awarded the title of provincial-level teaching team, provincial-level experimental demonstration center, and established provincial-level teaching achievement cultivation project.
Zhengzhou School	Conducted “Basic Cloud Classroom for Resistance Materials” for leading enterprises in the resistance materials industry such as Sinosteel Luonai (中鋼洛耐) and Beijing Lier (北京利爾).

Continuous optimization of student structure and steady implementation of high-quality development strategy

For the academic year of 2022/2023, the total number of enrolled students at the Group’s schools amounted to 140,535. The number of new students recorded a stable increase; the student structure was further optimized; and the Group’s high-quality development strategy has been steadily implemented.

Encouraged by a series of national vocational education policies including the report of the 20th Party Congress and the “Opinions on Promoting the 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》) recently, the Group will continue to set sustainable and high-quality development as its base, create and provide high-quality vocational education opportunities with high quality teaching, high quality employment and high-quality experience for more students, and cultivate more talents equipped with quality techniques and skills to provide talent support for the coordinated regional development strategies and make our contribution to the construction of high-quality education system.

FUTURE OUTLOOK

Favorable and stable national policy, and great potential on development of private higher vocational education

In October 2022, the report of the 20th Party Congress pointed out “insisting on the priority development of education”, “accelerating the construction of an education power”, “accelerating the construction of a high-quality education system”, “providing education that satisfies the people”, and “implementing the strategy of giving priority to employment”. The Group will always adhere to the strategy of high-quality development, insist on connotation construction, take “helping every student to get a high-quality job” as its long-term strategic goal, strengthen the construction of employment team, and actively implement the “Customized Training Program for Famous Enterprises”, so as to contribute to the high-quality development of higher vocational education.

The new Vocational Education Law, which came into effect on 1 May 2022, for the first time clearly states in law that vocational education enjoys the same importance as general education; supports the extensive participation of social forces in vocational education; encourages, guides and supports enterprises and other social forces to organize vocational schools and vocational training institutions in accordance with the law; and encourages enterprises to deeply participate in the integration of industry and education and cooperation of schools and enterprises. In February 2022, the Ministry of Education announced the focus of vocational education in 2022, clearly supports vocational education and the private higher education sector. In October 2021, the “Opinions on Promoting the High-quality Development of Modern Vocational Education” was published, which clearly supports and encourages listed companies and industry leaders to organize vocational education, and encourages applied undergraduate schools to develop vocational undergraduate education. The Group will continue to benefit from the favorable policies on vocational education.

Perseverance in the “Three Sustainability”, future development can be expected

(I) Continue to pursue high-quality development and focus on endogenous development

The Group has always insisted on being a long-term runner in the higher vocational education industry. The Group will continue to increase its investment and steadfastly follow the path of high-quality development supported by national policies, so as to create and provide high-quality vocational education opportunities with high quality teaching, high quality employment and high-quality experience for students of all our schools.

(II) Strengthen the attributes of a top-performing utilities stock to continue to generate stable returns

The Group has the attributes of a top-performing utilities stock in Hong Kong: stable performance growth, solid investment returns, sufficient cash flow, high safety margin and stable dividends payout. In the future, the Group will continue to be a government-supported higher vocational education group with long-term sustainability and high-quality development, so to achieve a win-win situation with investors in the long run.

(III) Continue to implement the concept of “Student-oriented” and provide education that satisfies the people

In the face of the new development stage and new development pattern of higher education, the Group will follow the trends closely, insist on the concept of “Student-oriented”, steadily carry on high-quality development, and will be committed to the philosophy of “strengthening morality through education, teaching students according to their aptitude, and studying for the sake of application”, with the mission of “striving for students’ career success and happiness in life”, and provide the society with high quality technically skilled talents with innovative spirit and practical ability, trustworthy and social responsibility. We will create more value for the society, and provide education that satisfies the people.

FINANCIAL REVIEW

The financial results for the year ended 31 August 2022 and the same period of last year are as follows:

	Year ended		Change (%)
	31 August 2022 <i>RMB million</i>	31 August 2021 <i>RMB million</i>	
Total revenue[^]	2,262.5	1,815.5	+24.6%
Revenue	1,921.7	1,497.5	+28.3%
Cost of sales	1,171.3	830.3	+41.1%
Gross profit	750.4	667.2	+12.5%
Other income and gains	340.8	318.0	+7.2%
Selling and distribution expenses	28.7	20.2	+42.1%
Administrative expenses	87.7	84.7	+3.5%
Other expenses	112.5	60.3	+86.6%
Finance costs	114.7	142.1	-19.3%
PROFIT BEFORE TAX	747.6	677.9	+10.3%
Income tax expense	117.4	86.1	+36.4%
Net profit	630.2	591.8	+6.5%
Adjusted net profit[#]	671.2	591.8	+13.4%
Net profit attributable to owners of the parent	620.0	567.8	+9.2%
Adjusted net profit attributable to owners of the parent[*]	661.0	567.8	+16.4%

[^] Total revenue = revenue + other income and gains

[#] Adjusted net profit = net profit of RMB630.2 million for FY2022 plus exchange loss of RMB41.0 million arising from the USD syndicated loans

^{*} Adjusted net profit attributable to owners of the parent = net profit attributable to owners of the parent of RMB620.0 million for FY2022 plus exchange loss of RMB41.0 million arising from the USD syndicated loans

Revenue

The Group's revenue reached RMB1,921.7 million for the year ended 31 August 2022, increased by 28.3% as compared to RMB1,497.5 million for the same period of last year, which was mainly attributable to (1) steady growth of revenue from tuition fees and boarding fees driven by continuous high quality connotation development; and (2) the consolidation of financial statements of Gansu School and Zhengzhou School as continuing to leverage the advantages of centralized school operation.

Cost of Sales

The Group's cost of sales was RMB1,171.3 million for the year ended 31 August 2022, increased by 41.1% as compared to RMB830.3 million for the same period of last year, which was primarily due to (1) each school of the Group devoted great effort to the introduction of subjects and majors for cultivating high-end talents, strengthening talent echelon construction and improvement of benefits for staff; (2) the Group continued to increase its investment in connotation construction such as teaching, employment, and students' experience, and such teaching cost increased by 52.7% as compared with the same period of last year; and (3) the consolidation of financial statements of Gansu School and Zhengzhou School.

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB750.4 million for the year ended 31 August 2022, increased by 12.5% as compared to RMB667.2 million for the same period of last year. The gross profit margin for the year ended 31 August 2022 was 39.0%, representing a decrease of 5.6 percentage points as compared to the gross profit margin of 44.6% for the same period of last year. The decrease was mainly due to the Group's adherence to connotation development strategy and the increased investment in talents and teaching. As such, the growth of revenue for current stage was temporarily lower than the growth of cost of sales. The development strategy based on high quality will lay a solid foundation for future organic growth.

Other Income and Gains

The Group's other income and gains reached RMB340.8 million for the year ended 31 August 2022, increased by 7.2% as compared to RMB318.0 million of last year, which was mainly due to (1) the integration of its training resources accumulated over the years and the exploration of best practices to actively provide training services for vocational skills improvement to the society and students; service income increased by 22.0% year-on-year; (2) leveraging the advantages of centralized school operation, the logistics service model was continuously replicated and the commercial layout was improved, contributing to an increase in logistics revenue; rental income increased by 20.4% year-on-year; and (3) the decrease in revenue from the school-enterprise cooperation due to the closed management model adopted by the schools in response to the pandemic prevention and control.

Selling and Distribution Expenses

The Group's selling and distribution expenses were RMB28.7 million for the year ended 31 August 2022, increased by 42.1% as compared to RMB20.2 million for the same period of last year. This increase was primarily attributable to (1) increased investment in new media with full expansion of new media matrix and the continuous strengthening of the Group and school branding; (2) the consolidation of financial statements of Gansu School and Zhengzhou School. The expenses accounted for approximately 1.3% of the Group's total revenue for the Reporting Period, which was basically the same with historical level.

Administrative Expenses

The Group's administrative expenses was RMB87.7 million for the year ended 31 August 2022, increased by 3.5% as compared to RMB84.7 million for the same period of last year. This is primarily because (1) the Group has engaged professional institutions to carry out deep cooperation and explore centralized school operation model and governance system, high-end talents introduction and increase investment in organization development, leadership enhancement and performance management which support the Group's high-quality development; and (2) the Group has engaged professional institutions to provide tax consulting services and invested more resources in tax compliance and optimization to further strengthen the concept of compliant education.

Other Expenses

The Group's other expenses was RMB112.5 million for the year ended 31 August 2022, increased by 86.6% as compared to RMB60.3 million for the same period of last year, which was primarily due to (1) increased expenses resulted from the increase in other income and gains; (2) upgrade of the campus commercial business, active introduction of high-quality merchants, and continuous investment in student experience improvement; and (3) the provision for exchange loss of RMB41.0 million arising from the Group's syndicated loans with a total amount of US\$100 million as a result of the sharp appreciation of the United States dollar. If the impact of the aforesaid exchange loss were eliminated, other expenses would be RMB71.5 million, representing an increase of 18.6% as compared to those for the same period of last year.

Finance Costs

The Group's finance costs was RMB114.7 million for the year ended 31 August 2022, decreased by 19.3% as compared to RMB142.1 million for the same period of last year, which was mainly due to (1) the Group's continuous optimization of its financing structure and expansion of high quality financing channels, and the financing interest rates continued to decrease at a record low level; (2) the increase of the interest capitalization amount of borrowing costs as the new loans for the year were mainly specific borrowings. If the impact of the interest capitalization were eliminated, finance costs would increase by 3.4% as compared to those for the same period of last year, lower than the growth of interest-bearing debt, indicating the continuous optimization of finance costs.

Profit before Tax

Due to the combined influence of revenue, cost and expenses above, the Group recognised a profit before tax of RMB747.6 million for the Reporting Period as compared with RMB677.9 million for the same period of last year, representing an increase of 10.3%.

Net Profit

As a result of the combined effect of revenue, costs and expenses above, the net profit of the Group was RMB630.2 million for the year ended 31 August 2022, an increase of 6.5% as compared to RMB591.8 million for the same period of last year.

Net Profit Attributable to Owners of the Parent

Due to the combined effects of the above revenue, costs and expenses, the Group's net profit attributable to owners of the parent was RMB620.0 million for the year ended 31 August 2022, increased by 9.2% as compared to RMB567.8 million for the same period of last year.

Adjusted Net Profit

The adjusted net profit of the Group was RMB671.2 million for the year ended 31 August 2022, representing an increase of 13.4% as compared to RMB591.8 million for the same period of last year.

	Year ended	
	31 August 2022	31 August 2021
	<i>RMB million</i>	<i>RMB million</i>
Net profit	630.2	591.8
Add: Exchange loss arising from the USD syndicated loans	41.0	–
	<u>671.2</u>	<u>591.8</u>

Adjusted Net Profit Attributable to Owners of the Parent

The Group's adjusted net profit attributable to owners of the parent was RMB661.0 million for the year ended 31 August 2022, representing an increase of 16.4% as compared to RMB567.8 million for the same period of last year.

	Year ended	
	31 August 2022 <i>RMB million</i>	31 August 2021 <i>RMB million</i>
Net profit attributable to owners of the parent	620.0	567.8
Add: Exchange loss arising from the USD syndicated loans	41.0	–
	<u>661.0</u>	<u>567.8</u>

Total Capital

The total capital of the Group, which equals to the aggregate of cash and cash equivalents plus time deposits, pledged and restricted deposits, financial assets at fair value through profit or loss was RMB1,568.1 million as of 31 August 2022, increased by 32.9% as compared to RMB1,180.0 million as of 31 August 2021, mainly due to the increase in the tuition and boarding fees received in advance for the next academic year by the Group as compared to the same period of last year.

Financial Resources and Gearing Ratio

The Group's interest-bearing bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for our school buildings and facilities. The interest-bearing bank loans and other borrowings as well as lease liabilities amounted to RMB3,333.1 million as of 31 August 2022 (31 August 2021: RMB2,362.9 million), among which US\$100 million was denominated in United States dollar, while the remaining was denominated in Renminbi.

Interest-bearing debt equals to the total amount of interest-bearing bank loans and other borrowings and lease liabilities as of 31 August 2022. The Group's interest-bearing debt/total assets increased from 29.8% as of 31 August 2021 to 36.7% as of 31 August 2022, which was mainly due to that the Group increased RMB970.2 million of interest-bearing debts to redeem US\$100 million convertible bonds and replenish the liquidity of the Group. If considering interest-bearing debts which included the convertible bonds in the same period of last year, the Group's interest-bearing debts (including convertible bonds)/total assets decreased from 37.9% as of 31 August 2021 to 36.7% as of 31 August 2022.

Net interest-bearing debt equals to the total interest-bearing bank loans and other borrowings and lease liabilities net of total capital as of 31 August 2022. The Group's net interest-bearing debt/total equity increased from 37.1% as of 31 August 2021 to 55.6% as of 31 August 2022, which was primarily attributable to the aforementioned influence of convertible bonds and the Group's further acquisition of 26.09% equity interest of Haxuan Company, the sole sponsor of the Northeast School, and an open market share buyback. If considering interest-bearing debts which included the convertible bonds in the same period of last year, the Group's net interest-bearing debts (including convertible bonds)/total equity decreased from 57.3% as of 31 August 2021 to 55.6% as of 31 August 2022.

Gearing ratio equals to ratio of interest-bearing debt divided by total equity as of 31 August 2022. The Group's gearing ratio increased from 74.0% as of 31 August 2021 to 104.9% as of 31 August 2022, primarily due to the combined effects of the aforementioned increase of interest-bearing debt and further acquisition of 26.09% equity interest of Haxuan Company, the sole sponsor of the Northeast School, and the decrease in equity due to the open market share buyback.

Capital Expenditures

For the year ended 31 August 2022, the Group's capital expenditures were RMB865.1 million, which was primarily used for the construction of our school buildings, facilities, land acquisition and purchase of equipment and software.

Capital Commitments

The Group's capital commitments were primarily used in the payment of construction and maintenance of school building and purchase of facilities. The following table sets out a summary of our capital commitments as of the dates indicated:

	Year ended 31 August 2022 <i>RMB million</i>	Year ended 31 August 2021 <i>RMB million</i>
Contracted but not provided for:		
Property, plant and equipment		
Within one year	244.2	312.2
Over one year	175.5	347.3
	<u>419.7</u>	<u>659.5</u>

As of 31 August 2022, the Group had no significant capital commitment authorized but not contracted for.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any other plans for material investments and capital assets as of the Reporting Period.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 28 September 2021, the Group completed the acquisition of 100% interests in the Zhengzhou School. On 19 November 2021, the Group entered into an equity transfer agreement for further acquisition of 26.09% interest in Haxuan Company, the sole shareholder of the Northeast School. Upon completion of the aforesaid events, each of the Zhengzhou School and the Northeast School, together with its respective school sponsor and its respective newly appointed directors designated by its school sponsor, entered into a supplemental agreement to the Structured Contracts with Huihuang Company, Yun Ai Group, the current registered shareholders of Yun Ai Group, to reflect the Group's change of interest in them. Accordingly, each of the Zhengzhou School and the Northeast School became a 100% consolidated affiliated entity of the Company. Please refer to the announcements dated 13 April 2021, 19 April 2021, 28 September 2021 and 19 November 2021 respectively, for details of the aforesaid events.

Save as disclosed, there were no other significant investments held by the Group, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period, nor was there any plan authorized by the Board for other material investments or additions of capital assets as of the Reporting Period.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB and HKD. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 August 2022, certain bank loans and bank balances were denominated in USD and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to pay attention on the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

PLEDGE OF ASSETS

The pledged assets of the Group as at 31 August 2022 are as follows:

- (i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB80,091,000 as at 31 August 2022 (31 August 2021: RMB10,616,000);
- (ii) the Group's certain investment properties with a net carrying amount of RMB49,571,000 as at 31 August 2022 (31 August 2021: RMB74,077,000);
- (iii) shares of the Group's certain subsidiaries;
- (iv) personal guarantees executed by Mr. Li;
- (v) corporate guarantees executed by the Group and subsidiaries of the Group;
- (vi) deposits of the Group with an amount of RMB301,000,000 as at 31 August 2022 (31 August 2021: RMB284,115,000).

Contingent Liabilities

As of 31 August 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

FAVOURABLE POLICIES TO FACILITATE THE DEVELOPMENT OF PRIVATE HIGHER VOCATIONAL EDUCATION

On 12 October 2021, the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council issued the Opinions on Promoting the 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 “**Opinions**”), and issued a notice requiring serious implementation. The Opinions put forward that (1) Speeding up the establishment of the “vocational education college entrance examination” system, to promote the vertical connection of vocational education at different levels, and strengthen the penetration and integration of general education and vocational education at all levels; (2) Adherence to major national strategies, to encourage schools setting up more scarce and market-oriented majors; (3) Improving the diversified school operation pattern, to encourage listed companies and industry leading enterprises to establish vocational education, encourage all kinds of enterprises to participate in the establishment of vocational education according to law, and enrich the school operation forms of vocational schools; (4) Governments at all levels should coordinate the scale, structure and level of vocational education and human resources development, and include the integration of production and education into the economic and social development plan. Local governments should take the promotion of enterprises’ participation in school-enterprise cooperation and the cultivation of technical and skilled talents as the important contents of industrial development plans, industrial incentive policies and rural revitalization plans, to provide “financial + fiscal + land + credit” incentives to industry education integrated enterprises, and implement the relevant tax and fee policies in accordance with the regulations; (5) Realizing the innovation of school enterprise cooperation mechanism, deepening the reform of education and teaching, building the brand of vocational education with Chinese characteristics, and exploring the international development mode of “Chinese + vocational skills”.

In December 2021, the Opinions on the Authorization and Awarding of Bachelor’s Degrees in Vocational Schools at the Undergraduate Level (《關於做好本科層次職業學校學士學位授權與授予工作的意見》) was issued by the Academic Degree Office of the State Council, which makes it clear that the authorization, awarding and management of bachelor’s degrees in vocational education at the undergraduate level will be subject to the same rules as those for general undergraduates, while highlighting the characteristics of vocational education. The undergraduate-level vocational education degree certificate will thus be given the same status as the general undergraduate degree in terms of effectiveness and application value. The Group’s development direction has been in line with the Group’s commitment to strengthen the educational characteristics of vocational education, emphasize vocational competence and qualification, and promote high-quality development.

In January 2022, the Ministry of Education and other four departments issued the “14th Five-Year Plan for Vocational Skills Training” which was the first “Five-Year Plan” of vocational training of the Central Government, aiming to improve the capability of workers and relieve the pressure of employment. Such policy sets up key goals for the year of 2021 to 2025: (1) conducting subsidized vocational training with no less than 75 million persons, in which no less than 30 million persons for farmers; (2) no less than 40 million persons for newly obtained vocational qualification certificates or vocational skill level certificates; (3) no less than 200 of newly built public training bases. The higher education industry will continue to benefit from the favorable policy on vocational education.

In February 2022, the Ministry of Education announced the work focus of vocational education in 2022, proposed to promote fuller and higher quality employment for college graduates, supported and regulated the healthy development of private education and accelerated the digital transformation and smart upgrade of education. It is expected that the Group will continue to benefit from the favorable policies of vocational education.

The Vocational Education Law promulgated by the Standing Committee of the National People’s Congress in April 2022, which became effective on 1 May, clarifies that vocational education and general education have the same important status, supports the social forces to extensively participate in vocational education, fosters, guides and backs up enterprises and other social forces to sponsor vocational schools and vocational training institutions in accordance with the law, and encourages enterprises to participate deeply in the integration of industry and education, as well as school-enterprise cooperation. The new law also makes it clear that when government, public institutions, state-owned enterprises are in the recruitment of technical skills positions, the level of technical skills should be an important criteria and public institutions can appropriately lower educational requirements when publicly recruit positions with vocational skills level requirements. From which we can observe that the new law continues the consistent policy direction of the state to support the development of vocational education. And through the improvement of the protection mechanism and measures of vocational education, it focuses on improving the recognition of vocational education and the quality of technical skills personnel training. The new law will definitely promote the high-quality development of vocational education, and the higher vocational education groups will also welcome a new round of development opportunities in a more sound and friendly legal environment.

In October 2022, Xi Jinping, General Secretary of the Communist Party of China (CPC) Central Committee, pointed out in the report to the 20th National Congress of the Communist Party of China that China will continue to give high priority to the development of education, build a strong educational system, and move faster to build a high-quality educational system. It is clear that the focus of vocational education, higher education, and continuing education is collaborative innovation. China will promote integration between vocational education and general education, between industry and education, and between science and education. China will also better establish vocational education as a category in the educational system, setting out the direction for the future development of higher vocational education.

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

(I) Classified Registration

According to the Several Opinions of the State Council on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (29 December 2016), a classification registration and management system shall be applicable to private schools, and private school sponsors can choose to run non-profit or for-profit private schools. The revised Laws for Promoting Private Education of the PRC (implemented on 1 September 2017) also promulgated the same provisions.

According to the Implemental Rules on Private School Classified Registration (30 December 2016), if an existing private school chooses to register as a non-profit private school, it should modify its article of association, continue to run the school and complete new registration procedures in accordance with relevant laws. If it chooses to register as a for-profit private school, it should conduct financial settlement, clarify the ownership of school land, school premises, school accumulation, and pay related taxes and fees, obtain a new permit in running a school, re-register and continue the operations for education.

In order to further implement the above requirements, government and relevant competent departments in the region where the Group runs schools have successively issued supporting measures, including (1) Implementation Opinions Issued by the People's Government of Yunnan Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (18 December 2017), Notice of the Five Departments including Education Department of Yunnan Province on Steady and Orderly Promotion of Classified Registration and Management of Private Schools (12 June 2019); (2) Implementation Opinions Issued by the People's Government of Guizhou Province on Supporting and Regulating Social Forces to Set up Education to Promote the Healthy Development of Private Education (3 August 2018), Measures for the Implementation of Classified Examination and Approval of Registration and Supervision and Management of Private Schools in Guizhou Province (Trial) (11 June 2019); (3) Implementation Opinions Issued by Heilongjiang Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education, Measures for the Implementation of Classified Registration of Private Schools in Heilongjiang Province, and Measures for the Supervision and Administration of For-profit Private Schools in Heilongjiang Province (26 February 2019); (4) Implementation Opinions of the People's Government of Gansu Province on Further Promoting the Healthy Development of Private Education (8 November 2017), Measures for the Implementation of Classified Registration of Private Schools in Gansu Province (15 November 2018); (5) Implementation Opinions Issued by the People's Government of Guangxi Zhuang Autonomous Region on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 July 2018), Measures for the Implementation of Classified Registration of Private Schools in Guangxi Zhuang Autonomous Region (10 October 2018), Measures for the Implementation of Supervision and Administration of For-profit Private Schools in Guangxi Zhuang Autonomous Region (16 October 2018), Measures for the Implementation of Classified Registration of Existing Private Schools in Guangxi Zhuang Autonomous Region (19 April 2022); (6) Implementation Opinions Issued by the People's Government of Hubei Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of

Private Education (20 December 2017); (7) Implementation Opinions Issued by the People's Government of Henan Province on Encouraging Social Powers to Set up Education to Further Promote the Healthy Development of Private Education (2 February 2018).

The above local regulations only provide a procedure framework for the classification and registration of existing private schools in relevant provinces as for-profit private schools or non-profit private schools, but do not further specify the various preferential taxes and land use policies that can be enjoyed by for-profit and non-profit schools.

As of the date of this announcement, except that the Northeast School, Guangxi Schools, Yunnan School and Guizhou School are currently in the process of classified registration according to the guidance of the relevant provincial authorities, the Company has not commenced the process of classified registration for other schools under the Group. However, due to the uncertainties in the interpretation and application of the above requirements, there are uncertainties as to when the private schools under the Group can complete the classified registration, whether the relevant taxes and fees will need to be paid in accordance with local supporting rules in the process of classified registration in the future, and what kind of tax and land use policies and other aspects of government supports such schools will enjoy in the future.

(II) The 2021 Implementation Rules

On 14 May 2021, the State Council promulgated the Implementation Rules for the Laws for Promoting Private Education of the PRC (the “**2021 Implementation Rules**”), which has been implemented since 1 September 2021. The 2021 Implementation Rules stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for the construction or expansion of non-profit private schools, the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools. For the land use of private schools that implement preschool education and education for academic credentials, the governments may provide lands by means of agreement, bidding, auction and etc. according to the laws. Lands may also be supplied by long-term lease, lease and assignment, and combination of sale and rental. Charges for the assignment or rental of land may be paid in instalments within the specified time limit as agreed in the contract.

The 2021 Implementation Rules do not involve specific provisions on preferential taxation and land use policies. Therefore, there are still uncertainties as to what kind of tax and land use policies and other aspects of government supports the private schools under the Group will enjoy in the future.

The 2021 Implementation Rules further stipulate that: (1) the State encourages enterprises to establish or participate in the establishment of private schools that implement vocational education in various forms, such as sole proprietorship, joint venture or cooperation according to law; institutions that implement nationally recognized educational examinations, vocational qualification examinations and vocational skill level examinations shall comply with the relevant provisions of the State in the establishment or participation in the establishment of private schools related to the examination implemented by them; (2) private schools that provide compulsory education are not allowed to enter into transactions

with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall price such transactions reasonably, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (3) if the sponsor is a legal person, its controlling shareholder and the actual controller must meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller must be reported to the competent department for record-filing and publicity. Any social organizations and individuals shall not control private schools which provide compulsory education or non-profit private schools which implement preschool education through mergers and acquisitions or contractual agreements; and (4) the start-up capital and registered capital of a private school shall be compatible with the type, level and scale of the school and shall be paid in full when it is formally established.

Pursuant to the 2021 Implementation Rules, the Group is not prohibited from acquiring non-profit private schools providing higher education services or controlling them through structural contracts. As the Group has no plans to acquire private schools providing compulsory education or non-profit private schools providing preschool education, we do not consider that the 2021 Implementation Rules will have any adverse impact on the Group's future acquisitions.

The Structured Contracts may be considered as transactions with interested parties of private schools under the Group, and we may incur significant compliance costs due to the establishment of a disclosure mechanism. If the private school under the Group chooses to register as a non-profit private school, the competent government department shall review its relevant transactions annually. These processes may not be under our control and may be very complex and cumbersome, and may divert management attention. During the review process, government departments may require us to modify or terminate the Structured Contracts, which may lead to penalties, resulting in a material adverse impact on the operation of the Structured Contracts.

As at the date of this announcement, the Company's operations have not been affected by the 2021 Implementation Rules.

(III) Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) approved by the National People's Congress on 15 March 2019 has been implemented since 1 January 2020, and has become the basic law for foreign investment in China. According to this law, existing foreign-invested enterprises may maintain their existing organization structure within five years from the effective date of the Foreign Investment Law.

On 26 December 2019, the State Council issued the Implementation Regulations of the Foreign Investment Law of the PRC (the “**Implementation Regulations**”), which also came into effect on 1 January 2020, aiming to implement the legislative principles and purposes of the Foreign Investment Law.

The Foreign Investment Law clearly specifies three forms of foreign investment, but neither the Foreign Investment Law nor the Implementation Regulations explicitly stipulate contractual agreements as a form of foreign investment. As confirmed by our PRC Legal Advisors, as the Foreign Investment Law and the Implementation Regulations do not define contractual agreements as a form of foreign investment, if future laws, administrative regulations, and regulations of the State Council do not include contractual agreements as a form of foreign investment, the Structured Contracts as a whole and the agreements constituting the Structured Contracts will not be affected, and will continue to be legally valid, effective and binding on the parties. However, if future laws, administrative regulations, and regulations of the State Council stipulate contractual agreements as one of the ways of foreign investment, the Group may need to take relevant measures in accordance with the requirements of the laws, regulations and regulations of the State Council at that time. There will be uncertainty as to whether we can complete these measures in a timely manner or at all. Failure to take appropriate measures in a timely manner to address any of the compliance requirements in the above provisions may have a significant effect on our current group structure, corporate governance and business operations.

As at the date of this announcement, the Company’s operations have not been affected by the Foreign Investment Law.

The Board will continue to monitor any updates regarding the Foreign Investment Law and seek guidance from our PRC Legal Advisors to ensure that the Company meets all relevant laws and regulations in China.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to make the payment of a final dividend of RMB0.093 per Share for the year ended 31 August 2022 (for the year ended 31 August 2021: RMB0.083 per Share). The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People’s Bank of China of the five business days prior to the declaration of the final dividend (i.e. 21 November 2022 to 25 November 2022) (RMB1.0 to HK\$1.09519). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK\$0.10185 per Share. The final dividend will be paid on Wednesday, 22 March 2023 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 7 March 2023.

	Year ended 31 August 2022	Year ended 31 August 2021
Interim dividend (<i>RMB</i>)	0.106	0.054
Proposed final dividend (<i>RMB</i>)	0.093	0.083

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 24 February 2023, the register of members of the Company will be closed from Tuesday, 21 February 2023 to Friday, 24 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Monday, 20 February 2023.

The register of members of the Company will be closed by the Group from Friday, 3 March 2023 to Tuesday, 7 March 2023, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 2 March 2023.

HUMAN RESOURCES AND REMUNERATION POLICY

As of 31 August 2022, the Group had a total of about 9,593 employees (8,647 as of 31 August 2021). The increase was mainly due to the incorporation of teachers and staff of Zhengzhou School into the Group's total number of employees after completion of consolidation of such school in September 2021 as well as adhering to high-quality development to introduce high-quality talents. As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance, work injury insurance, and unemployment insurance. The Group maintains a good working relationship with employees, and the Group did not experience any material labor disputes during the Reporting Period.

The Group follows the remuneration policy of "contribution-driven, fair and competitive in the market" for employees. The remuneration policy is designed according to the different position sequences of the Group and its schools, and the salary is determined with reference to the capability, job responsibilities and contribution of its employees. At the same time, the Group has been actively cultivating the capabilities of its employees and has been providing external and internal training programs for employees to build a quality team to meet the development requirements of the Group.

CORPORATE GOVERNANCE

Corporate Governance Code

The Group is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Group. The Group believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

During the Reporting Period, the Group has complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The Group has three executive Directors (including Mr. Li) and four independent non-executive Directors, who have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors.

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

On 28 October 2021, the Board formally resolved to utilize the Share Repurchase Mandate to repurchase Shares in the open market from time to time at a maximum aggregate amount of HK\$300 million.

During the Reporting Period, the Company repurchased a total of 23,509,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$66.5 million before expenses. All of the repurchased Shares were subsequently cancelled.

Details of the Share repurchased are as follows:

Month of repurchase during the Reporting Period	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate consideration paid (HK\$)
December 2021	6,851,000	3.2100	2.8000	20,805,145
January 2022	11,561,000	3.2200	2.1600	31,567,694
February 2022	5,097,000	2.8700	2.5900	14,084,602
Total	23,509,000			66,457,441

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed and discussed with the management in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company's policies and practices on corporate governance. The annual results have been reviewed by the Audit Committee.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information for the year ended 31 August 2022 set out in this announcement does not constitute the Group's audited accounts for the year ended 31 August 2022, but represents an extract from the consolidated financial statements for the year ended 31 August 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information for the year ended 31 August 2022 has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.xingaojiao.com>). The annual report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders of the Company and available on the same websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 AUGUST 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
REVENUE	4	1,921,752	1,497,455
Cost of sales		<u>(1,171,337)</u>	<u>(830,292)</u>
Gross profit		750,415	667,163
Other income and gains	4	340,760	317,978
Selling and distribution expenses		(28,706)	(20,245)
Administrative expenses		(87,690)	(84,638)
Other expenses		(112,465)	(60,300)
Finance costs	5	<u>(114,670)</u>	<u>(142,103)</u>
PROFIT BEFORE TAX	6	747,644	677,855
Income tax expense	7	<u>(117,432)</u>	<u>(86,058)</u>
PROFIT FOR THE YEAR		<u>630,212</u>	<u>591,797</u>
Attributable to:			
Owners of the parent		620,003	567,824
Non-controlling interests		<u>10,209</u>	<u>23,973</u>
		<u>630,212</u>	<u>591,797</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (<i>RMB</i>)			
– For profit for the year		<u>0.39</u>	<u>0.36</u>
Diluted (<i>RMB</i>)			
– For profit for the year		<u>0.39</u>	<u>0.34</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 AUGUST 2022

	2022	2021
	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>630,212</u>	<u>591,797</u>
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of financial statements	<u>(5,620)</u>	<u>36,315</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(5,620)</u>	<u>36,315</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(5,620)</u>	<u>36,315</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>624,592</u>	<u>628,112</u>
Attributable to:		
Owners of the parent	<u>614,383</u>	<u>604,139</u>
Non-controlling interests	<u>10,209</u>	<u>23,973</u>
	<u>624,592</u>	<u>628,112</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 AUGUST 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,883,072	4,091,258
Investment properties		421,845	349,125
Right-of-use assets		1,110,245	839,280
Goodwill		752,021	371,569
Other intangible assets		76,422	62,116
Deferred tax assets		–	9,786
Pledged and restricted deposits		101,000	–
Time deposits		110,000	–
Other non-current assets	<i>10</i>	142,231	867,093
		<hr/>	<hr/>
Total non-current assets		7,596,836	6,590,227
CURRENT ASSETS			
Trade receivables, prepayments, other receivables and other assets	<i>11</i>	119,155	161,904
Financial assets at fair value through profit or loss		2,530	–
Pledged and restricted deposits		253,165	284,115
Time deposits		20,000	120,090
Cash and cash equivalents		1,081,449	775,787
		<hr/>	<hr/>
Total current assets		1,476,299	1,341,896
CURRENT LIABILITIES			
Contract liabilities	<i>12</i>	973,335	350,933
Other payables and accruals	<i>13</i>	957,769	955,878
Interest-bearing bank and other borrowings		1,129,838	568,313
Lease liabilities		4,858	6,713
Convertible bonds	<i>14</i>	–	646,459
Deferred income		17,832	13,476
Tax payable		79,718	67,311
		<hr/>	<hr/>
Total current liabilities		3,163,350	2,609,083
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,687,051)	(1,267,187)

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,909,785	5,323,040
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,190,302	1,786,319
Lease liabilities		8,129	1,588
Deferred income		312,862	201,177
Deferred tax liabilities		221,778	141,649
Total non-current liabilities		2,733,071	2,130,733
Net assets		3,176,714	3,192,307
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,071	1,086
Reserves		3,175,643	3,011,244
Non-controlling interests		3,176,714	3,012,330
		–	179,977
Total equity		3,176,714	3,192,307

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2022

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 April 2017.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in rendering private education services in the People’s Republic of China (the “**PRC**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for wealth management products and convertible bonds which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB1,687,051,000 as at 31 August 2022 (31 August 2021: RMB1,267,187,000), included in which were contract liabilities of RMB973,335,000 as at 31 August 2022 (31 August 2021: RMB350,933,000).

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 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 HKFRS 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. The Group had certain interest-bearing bank and other borrowings denominated in United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 August 2022. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.
- (b) Amendment to HKFRS 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 not received covid-19-related rent concessions and the amendment has no impact on the financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purposes of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditures were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers		
Tuition fees	1,741,268	1,345,294
Boarding fees	180,484	152,161
	<u>1,921,752</u>	<u>1,497,455</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Type of services		
Education services	<u>1,921,752</u>	<u>1,497,455</u>
Geographical market		
Mainland China	<u>1,921,752</u>	<u>1,497,455</u>
Timing of revenue recognition		
Services transferred over time	<u>1,921,752</u>	<u>1,497,455</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Education services	350,933	274,029

(ii) *Performance obligations*

The performance obligation is satisfied over time as services are rendered and tuition and boarding fees are generally received in advance prior to the beginning of each academic year.

At 31 August 2022, all amounts of transaction prices related to performance obligations are expected to be recognised as revenue within one year and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts (or partially unsatisfied) is not disclosed.

	2022	2021
	RMB'000	RMB'000
Other income and gains		
Service income	141,566	116,049
Bank interest income	22,132	26,349
Gain on wealth investment products	1,021	6,248
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	100,395	83,401
Government grants	18,903	18,734
Catering income	18,854	15,168
Donation income (<i>Note (a)</i>)	16,730	48,483
Others	21,159	3,546
	340,760	317,978

Note (a): The amount primarily consists of external donations of electronic devices and software related to teaching activities to promote integration between industry and education and cooperation between enterprises and colleges.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans and other loans	154,205	149,121
Interest on lease liabilities	508	460
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	154,713	149,581
Less: Interest capitalised	(40,043)	(7,478)
	<hr/>	<hr/>
	114,670	142,103
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	697,808	483,268
Equity-settled share option expense	2,657	5,016
Pension scheme contributions (defined contribution scheme)*	46,145	42,930
	<hr/>	<hr/>
	746,610	531,214
Depreciation of property, plant and equipment	165,718	140,495
Depreciation of investment properties	14,063	6,165
Depreciation of right-of-use assets	35,998	24,281
Amortisation of other intangible assets	23,502	9,298
Research and development costs	2,310	12,947
Rental income	(100,395)	(83,401)
Government grants released	(18,903)	(18,734)
Lease payments not included in the measurement of lease liabilities	294	94
Auditor's remuneration	4,500	4,500
Bank interest income	(22,132)	(26,349)
Foreign exchange differences, net	41,685	1,772
Impairment allowance of trade receivables, prepayments, other receivables and other assets	738	2,154
Fair value losses, net:		
Convertible bonds	270	336
Loss on disposal of items of property, plant and equipment	4,372	131
	<hr/> <hr/>	<hr/> <hr/>

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. INCOME TAX

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

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 year.

According to the Decision of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law, which was promulgated on 7 November 2016 (the "2016 Decision"), and came into force on 1 September 2017, private schools are no longer being 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 schools providing nine-year compulsory education must be non-profit.

On 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC with an effective date of 1 September 2021 (the "2021 Implementation Rules"). The 2021 Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

As at the date of approval of these financial statements, the Group's schools in the People's Republic of China are still in the process of classification registrations.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain qualifying entities/schools of the Group that are located in Yunnan, Guizhou, Guangxi, Gansu, Hubei Province and Tibet Autonomous Region engaged in encouraged business are entitled to a preferential corporate income tax rate of 15%. Huihuang Company was subject to the PRC income tax at an original tax rate of 15%, which was subsequently changed to 9% under the Tibet Autonomous Region's preferential investment policies upon the successful application by the Company for the year ended 31 August 2022. According to the Preferential Policies for Key Pilot Zone of Development and Opening Up ("重點開發開放試驗區") in Ruili City, Yunnan Province, certain subsidiaries located in Ruili are entitled to a preferential corporate income tax rate of 9%. Other entities/schools of the Group established in Mainland China are subject to corporate income tax at a rate of 25% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current		
Charge for the year	74,537	82,466
Deferred	42,895	3,592
	<hr/>	<hr/>
Total tax charge for the year	<u>117,432</u>	<u>86,058</u>

8. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interim – RMB0.106 (2021: RMB0.054) per ordinary share	165,000	85,620
Proposed final – RMB0.093 (2021: RMB0.083) per ordinary share	145,175	131,623
	<u>310,175</u>	<u>217,243</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,570,028,357 (2021: 1,578,283,117) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on profit or loss from the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	620,003	567,824
Add: Impact on profit or loss from convertible bonds	331	4,082
Profit attributable to ordinary equity holders of the parent before impact on profit or loss from convertible bonds	<u>620,334</u>	<u>571,906</u>

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,570,028,357	1,578,283,117
Effect of dilution – weighted average number of ordinary shares:		
Share options*	–	1,994,559
Convertible bonds	10,383,307	112,533,792
	<u>1,580,411,664</u>	<u>1,692,811,468</u>

* The anti-dilutive effect of share options on the basic earnings per share for the year ended 31 August 2022 were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the weighted average number of ordinary shares of 1,580,411,664 in issue during the year.

10. OTHER NON-CURRENT ASSETS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for investments	1,000	674,517
Prepayment for land use rights	136,992	174,091
Prepayment for property, plant and equipment	4,239	17,899
Prepayment for other intangible assets	–	586
	<u>142,231</u>	<u>867,093</u>

11. TRADE RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	18,215	61,492
Less: Allowance for credit losses	(7,327)	(6,819)
	<u>10,888</u>	<u>54,673</u>
Prepaid expenses	11,127	14,401
Advance and other receivables	47,735	52,867
Staff advances	11,974	2,898
Deposits and other miscellaneous receivables	37,431	37,065
	<u>119,155</u>	<u>161,904</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2022

	Current	Past due					Total
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	
Expected credit loss rate	–	0.78%	2.51%	44.67%	89.75%	100.00%	40.23%
Gross carrying amount (RMB'000)	–	7,825	2,151	1,652	1,102	5,485	18,215
Expected credit losses (RMB'000)	–	61	54	738	989	5,485	7,327

2021

	Current	Past due					Total
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	
Expected credit loss rate	–	0.47%	1.69%	35.07%	87.11%	100.00%	11.09%
Gross carrying amount (RMB'000)	–	40,264	13,987	1,072	1,171	4,998	61,492
Expected credit losses (RMB'000)	–	188	237	376	1,020	4,998	6,819

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

	2022 RMB'000	2021 RMB'000
Within 1 year	7,764	40,076
1 to 2 years	2,097	13,750
2 to 3 years	914	696
Over 3 years	113	151
	<u>10,888</u>	<u>54,673</u>

The movement in the allowance for credit losses in respect of trade receivables and advance and other receivables are as follows:

	Trade receivables RMB'000
At 1 September 2020	8,120
Impairment loss recognized during the year	2,154
Write off during the year	(3,455)
	<u>6,819</u>
At 31 August 2021 and 1 September 2021	6,819
Impairment loss recognized during the year	738
Write off during the year	(230)
	<u>7,327</u>
At 31 August 2022	<u>7,327</u>

12. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 August 2022 RMB'000	31 August 2021 RMB'000	1 September 2020 RMB'000
Tuition fees	855,857	310,220	259,206
Boarding fees	117,478	40,713	14,823
Total contract liabilities	973,335	350,933	274,029

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. Students are entitled to a refund of the payment in relation to the proportionate service not yet provided.

The increase in contract liabilities as at 31 August 2022 was mainly due to the increase of advances of tuition and boarding fees from students.

13. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payables for purchase of property, plant and equipment	143,641	157,812
Accrued bonuses and social insurance	85,950	78,319
Miscellaneous expenses received from students (<i>note (a)</i>)	100,315	94,663
Deposits	75,633	73,069
Payables to cooperative schools	3,974	8,666
Advance from lessee	40,628	33,384
Government subsidies payable to students and teachers	113,673	58,552
Consideration payable for acquisitions (<i>note (b)</i>)	205,000	285,420
Other payables	175,131	161,418
Accrued expenses	13,824	4,575
	957,769	955,878

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of the year approximated to their fair value due to their short term maturity.

Note (a): The amount represents the miscellaneous expenses received from students which will be paid on behalf of students.

Note (b): The amount mainly includes consideration payable for the acquisition of non-controlling interests in Northeast School amounting to RMB165,000,000 and for the acquisition of Gansu School amounting to RMB40,000,000 in accordance with the acquisition agreements.

14. CONVERTIBLE BONDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 September	646,459	–
Proceeds	–	642,377
Redemption	(646,790)	–
Total losses recognised in the statement of profit or loss included in other expense	<u>331</u>	<u>4,082</u>
At 31 August	<u>–</u>	<u>646,459</u>

15. BUSINESS COMBINATIONS

Zhengzhou School

As announced on 28 September 2021 by the Company, the Group completed the acquisition of 100% school sponsors' interest in Zhengzhou School in September 2021. The school sponsor of Zhengzhou School was an individual third party, Meng Fanlian. The total consideration of the acquisition was RMB673,517,000. The purchase consideration was settled in full in the form of cash in April 2021. The acquisition was accounted for using the acquisition method.

The acquisition is part of the Group's business strategy to expand school network in regions with significant growth potential in the private higher education sector. Zhengzhou School is a private higher education institution established in the PRC providing junior college education. For the purpose of acquisition of Zhengzhou School, the Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at the acquisition date.

The fair values of the identifiable assets and liabilities of Zhengzhou School as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>RMB'000</i>
Property, plant and equipment	372,700
Investment properties	70,400
Right-of-use assets – Land use right	85,829
Other intangible assets	48
Cash and bank balances	47,241
Trade receivables, prepayments, other receivables and other assets	13,301
Other payables and accruals	(249,434)
Deferred tax liabilities	<u>(47,020)</u>
Total identifiable net assets at fair value	<u>293,065</u>
Goodwill on acquisition	<u>380,452</u>
Satisfied by cash	<u>673,517</u>

The fair values of the trade receivables, prepayments, other receivables and other assets as at the date of acquisition amounted to RMB13,301,000. The gross contractual amounts of trade receivables, prepayments, other receivables and other assets were RMB48,875,000, of which trade receivables of RMB35,574,000 are expected to be uncollectible.

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<i>RMB'000</i>
Cash consideration	(673,517)
Cash and bank balances acquired	47,241
Less: Prepayment made in prior period (<i>Note (i)</i>)	<u>(673,517)</u>
Net inflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>47,241</u></u>

Note (i): Zhengzhou School was bid by way of internet auction through Alibaba Judicial Auction. The consideration of RMB673,517,000 was paid to the bank account designated by the Intermediate People's Court of Zhengzhou, Henan Province in April 2021.

Since the acquisition, Zhengzhou School contributed RMB158,735,000 to the Group's revenue and RMB43,262,000 to the consolidated profit for the year ended 31 August 2022.

Had the combination of Zhengzhou School taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB1,923,289,000 and RMB626,349,000, respectively.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bei Ai Company”	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on 16 October 2012, and wholly owned by Yun Ai Group. Bei Ai Company is the sole sponsor of Gansu School
“Beijing Daai Gaoxue”	Beijing Daai Gaoxue Education Technology Co., Ltd.* (北京大愛高學教育科技有限公司), a limited liability company established in the PRC on 23 March 2018. It is wholly owned by Yun Ai Group
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Cooperation Agreement (2019)”	the business cooperation agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Central China School”	Hubei Enshi College (湖北恩施學院), formerly known as Science and Technology College of Hubei Minzu University* (湖北民族大學科技學院), an institution of higher education established under the laws of the PRC in 2003. Central China School is a consolidated affiliated entity of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company

“Directors’ Powers of Attorney (2019)”	the school directors’ power of attorney to be executed by each of the directors of each PRC Operating Schools
“Enchang Company”	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.* (恩施自治州常青教育發展有限公司), a limited liability company established under the laws of the PRC on 13 November 2014. It is wholly owned by Yun Ai Group. Enchang Company is the sole sponsor of Central China School
“Equity Pledge Agreement (2019)”	the equity pledge agreement entered into by and among the Registered Shareholders, Yun Ai Group, Huihuang Company and other parties
“Exclusive Call Option Agreement (2019)”	the exclusive call option agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
“Exclusive Technical Service and Management Consultancy Agreement (2019)”	the exclusive technical service and management consultancy agreement to be entered into by and among Huihuang Company and the PRC Consolidated Affiliated Entities
“Gansu School”	Lanzhou College of Information Science and Technology (蘭州信息科技學院), formerly known as College of Technology and Engineering of Lanzhou University of Technology* (蘭州理工大學技術工程學院), an institution of higher education established under the laws of the PRC in 2004. Gansu School is a consolidated affiliated entity of the Company
“Group”, “we” or “us”	the Company, its subsidiaries, the PRC Operating Schools and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of the present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guangxi Schools”	together, Guangxi Yinghua International Occupation College* (廣西英華國際職業學院), Guangxi Qinzhou Yinghua International Occupation and Technology School* (廣西欽州英華國際職業技術學校) and Guangxi Yinghua International Occupation Middle School* (廣西英華國際職業學院附屬中學). Guangxi Schools are consolidated affiliated entities of the Company
“Guangxi School Sponsor”	Qinzhou Yinghua Datang Education Investment Co., Ltd. (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017

“Guizhou School”	Guizhou Technology and Business Institute* (貴州工商職業學院), a private institution of formal higher education established under the laws of the PRC on 3 July 2012, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“Haxuan Company”	Harbin Xuande Technology Co., Ltd.* (哈爾濱軒德科技有限公司), a limited liability company established under the laws of the PRC on 19 April 2016. Haxuan Company is the sole sponsor of the Northeast School
“Henan Rongyu”	Henan Rongyu Education Consulting Co., Ltd.* (河南榮豫教育諮詢有限公司), a limited liability company established in the PRC on 2 March 2017, and wholly-owned by Beijing Daai Gaoxue. Henan Rongyu is the sole sponsor of the Luoyang School
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established under the laws of the PRC on 5 August 2016, which is a wholly owned subsidiary of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Agreement (2019)”	a loan agreement to be entered into by and among Huihuang Company, the PRC Operating Schools and Yun Ai Group
“Luoyang School”	Luoyang Science and Technology Vocational College* (洛陽科技職業學院), a private institution of formal higher education established under the laws of the PRC in June 2013. Luoyang School is a consolidated affiliated entity of the Company
“Mr. Li”	Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
“MOE”	the Ministry of Education of the PRC
“Ms. Yang”	Ms. Yang Xuqing (楊旭青), the spouse of Mr. Li

“Northeast School”	Harbin Huade University* (哈爾濱華德學院), a private institute of higher education established under the laws of the PRC in 2004. Northeast School is a consolidated affiliated entity of the Company
“Ningde Company”	Ningbo Meishan Bonded Port Area Deshida Investment Partnership (Limited Partnership)* (寧波梅山保稅港區德士達投資合夥企業(有限合夥))
“PRC Consolidated Affiliated Entities”	namely, the School Sponsors and the PRC Operating Schools, each a consolidated affiliated entity of the Company and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time
“PRC Legal Advisors”	Commerce & Finance Law Offices, the Company’s legal advisors as to PRC Laws
“PRC Operating Schools”	the consolidated affiliated entities, namely, Yunnan School, Guizhou School, Gansu School, Luoyang School, Northeast School, Guangxi Schools and Central China School and other schools which were consolidated to the Group by virtue of the Structured Contracts
“Qinzhou Yinghua”	Qinzhou Yinghua Datang Education Investment Company Limited* (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017 and wholly owned by Songming Xinju. Qinzhou Yinghua is the sole sponsor of the Guangxi Schools
“Registered Shareholders”	the shareholders of Yun Ai Group immediately after the completion of the equity transfer agreement, namely Kunming Paiduipai Economic Information Consultancy Co., Ltd., Kunming Bamupu Technology Co., Ltd., Songming Dexue and Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“School Sponsors”	the current school sponsors, Yun Ai Group, Henan Rongyu, Haxuan Company, Qinzhou Yinghua, Enchang Company, Zhengzhou New Higher Education, Bei Ai Company, and other school sponsors which were consolidated to the Group by virtue of the Structured Contracts

“School Sponsors’ and Directors’ Rights Entrustment Agreement (2019)”	the school sponsors’ and directors’ rights entrustment agreement entered into by and among School Sponsors, the PRC Operating Schools, the relevant directors appointed by the School Sponsors and Huihuang Company
“School Sponsors’ Powers of Attorney (2019)”	the school sponsors’ power of attorney executed by the School Sponsors in favor of Huihuang Company
“SFO”	Securities and Futures Ordinance
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Powers of Attorney (2019)”	the shareholders’ power of attorney executed by the Registered Shareholders and Yun Ai Group and other shareholders which were consolidated to the Group by virtue of the Structured Contracts in favor of Huihuang Company
“Share Repurchase Mandate”	the general mandate given to the Directors to repurchase the Shares not exceeding 10% of the total number of the issued Shares as at 22 January 2021 pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 22 January 2021
“Shareholders’ Rights Entrustment Agreement (2019)”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company
“Songming Dexue”	Songming Dexue Education Development Co., Ltd.* (嵩明德學教育發展有限公司), a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. Songming Dexue is one of the Registered Shareholders and owns 70.8305% equity interest of Yun Ai Group
“Songming Xinju”	Songming Xinju Enterprise Management Company Limited* (嵩明新巨企業管理有限公司), a limited liability company established under the laws of the PRC on 27 October 2016
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Spouse’s Undertakings (2019)”	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li

“Structured Contracts”	collectively, the Business Cooperation Agreement (2019), the Exclusive Technical Service and Management Consultancy Agreement (2019), the Exclusive Call Option Agreement (2019), the Equity Pledge Agreement (2019), the Shareholders’ Rights Entrustment Agreement (2019), the School Sponsors’ and Directors’ Rights Entrustment Agreement (2019), the School Sponsors’ Powers of Attorney (2019), the Directors’ Powers of Attorney (2019), the Shareholders’ Powers of Attorney (2019), the Loan Agreement (2019) and the Spouse’s Undertakings (2019), and the various agreements entered into their connection, further details of which are set out in the announcements of the Company dated 26 August 2019, 6 December 2019, 8 May 2020, 29 July 2020, 27 August 2020, 4 February 2021, 20 April 2021, 25 May 2021, 28 September 2021 and 19 November 2021
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“USD” or “U.S.\$”	United States dollars, the lawful currency of the United States
“Yun Ai Group”	Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd., 70.8305% by Songming Dexue and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
“Yunnan School”	Yunnan Technology and Business University* (雲南工商學院) (formerly known as Yunnan Einsun Software Vocational College* (雲南愛因森軟件職業學院) (“ Software College ”)), a private institution of formal higher education established under the laws of the PRC in 2005, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“Yunnan Vocational School”	Kunming Gaoxin Area Einsun Education and Training School Company Limited* (昆明市高新區愛因森教育培訓學校有限公司, formerly known as Einsun Science and Technology Vocational College* (雲南愛因森科技專修學院)), a limited liability company established under the laws of the PRC on 1 September 2021

“Zhengzhou New Higher Education”	Zhengzhou New Higher Education Technology Limited* (鄭州新高教教育科技有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of Yun Ai Group and the sole sponsor of Zhengzhou School
“Zhengzhou School”	Zhengzhou City Vocational College* (鄭州城市職業學院), a private higher vocational college located in Zhengzhou, Henan Province, the PRC and a consolidated affiliated entity of the Company
“%”	percent

By order of the Board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 28 November 2022

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai and Ms. Shen Chunmei; and the independent non-executive Directors are Mr. Kwong Wai Sun Wilson, Mr. Hu Jianbo, Mr. Chan Tung Hoi and Dr. Pang Tsz Kit Peter.