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## China Education Group Holdings Limited

中國教育集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 839)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2022

The Board is pleased to announce the annual results of the Group for the year ended 31 August 2022.

#### HIGHLIGHTS

|   | Year ended<br>31 August 2022<br>(RMB million) | Year ended<br>31 August 2021<br>(RMB million) | Change<br>(RMB million) | Change<br>(Percentage) |
|---|---|---|-------------------------|------------------------|
| Revenue   | 4,756   | 3,682   | 1,074                   | +29.2%                 |
| Gross profit  | 2,754   | 2,175   | 579                     | +26.6%                 |
| Net profit  | 1,936   | 1,472   | 464                     | +31.5%                 |
| Net profit attributable to owners<br>of the Company                         | 1,845   | 1,444   | 401                     | +27.8%                 |
| Adjusted net profit attributable<br>to owners of the Company <sup>(i)</sup> | 1,800   | 1,606   | 194                     | +12.1%                 |
| EBITDA  | 2,905   | 2,094   | 811                     | +38.7%                 |
| Adjusted EBITDA <sup>(i)</sup>  | 2,856   | 2,244   | 612                     | +27.3%                 |

Cash reserve was recorded RMB5,521 million as at 31 August 2022, increasing by RMB473 million year-on-year. The Board recommended the payment of annual dividend of RMB33.57 cents per share, representing approximately 44.4% of the adjusted net profit attributable to owners of the Company, to be paid in cash by default.

Notes:

i. Please refer to the Financial Review section for methods preparing the adjusted net profit attributable to owners of the Company and earnings before interest, tax, depreciation and amortisation ("EBITDA").

## CO-CHAIRMEN'S STATEMENT

Looking back at 2021/22, favorable policies in the sector of vocational education were issued continuously, highlighting China's strong support for vocational education. In October 2021, the General Office of the Central Committee of the Communist Party of China ("CPC") and the General Office of the State Council issued the "Opinions on Promoting High-Quality Development of Modern Vocational Education" (《關於推動現代職業教育高質量發展的意見》) stating that vocational education has a promising future and huge development potential in the new journey of building a modern socialist country, calling for the promotion of social capital investment in vocational education and encouraging listed companies and leading industry-players to organize vocational education. In April 2022, the National People's Congress passed the newly amended Vocational Education Law, which explicitly expresses that the government encourages, instructs and supports enterprises and other social forces in organising vocational schools, requires governments at all levels to incorporate the development of vocational education into national economic and social development plans, and encourages financial institutions to support the development of vocational education by providing financial services. Against the backdrop of continuous policy encouragement, despite the highly uncertain macro environment, China Education Group relies on its over 30 years of school-running experience and extensive school networks, insists on integrity and innovation in forging ahead with determination, fully leverages its resource advantage as a leading player in higher education and vocational education, and deepens school-enterprise cooperation and industry-education integration, with operating results growing steadily for several consecutive years and student enrollment increasing to a record high.

### **1. Steady Growth in Results as a Solid Foundation for the Healthy Development of the Education Business of the Group**

In 2021/22, China Education Group grew steadily in financial performance, with net profit increasing by 31.5% year-on-year to RMB1,936 million, adjusted net profit attributable to owners of the Company increasing by 12.1% year-on-year and operating profit increasing by 22.6% year-on-year. The adjusted EBITDA increased by 27.3% from RMB2,244 million for the year ended 31 August 2021 to RMB2,856 million for the year ended 31 August 2022. As at 31 August 2022, China Education Group had total assets of RMB33,576 million, representing a year-on-year increase of 25.5%. Cash reserve amounted to RMB5,521 million, representing a year-on-year increase of RMB473 million. The steady performance growth and sufficient cash reserve may strongly support the sustainable high-quality development of China Education Group.

## **2. Number of New Students and Student Enrollment Hitting Another Record Highs, Obliging the Group to Cultivate Application-Oriented Talents**

In 2021/22, the scale of higher and vocational education in China expanded continuously. The Central Committee of the CPC and the State Council has implemented the policy of “stabilising employment” and “ensuring employment” by extending the length of education received by and improving the education level of the labour force. The vocational education college entrance examination has been implemented tentatively in various provinces, aiming to establish a comprehensive system for cultivating application-oriented talents covering secondary vocational schools, junior colleges, vocational education undergraduates, application-oriented education undergraduates and postgraduates with professional degrees. The number of students taking the college entrance examinations in 2021 and 2022 hit new record highs and stood at 10.78 million and 11.93 million respectively. Against such backdrop, the high-quality career-oriented programmes of China Education Group have been well received by students. The establishment of new schools, putting into use of new campuses and campus expansion enables China Education Group to have sufficient capacity for scale growth, with the number of new students and student enrollment hitting new highs. In the academic year 2022/23, the number of registered new students in the domestic higher education schools of China Education Group stood at approximately 71,000, representing a year-on-year increase of 48%.

## **3. Further Improved Education Quality and Social Reputation Demonstrating the Fulfillment of Quality Development Requirement**

China Education Group has always focused on major national strategies, closely followed the trend of industrial upgrading and technological change, opened more scarce majors that meet the market demand in its member schools, and formed a cluster of majors closely linked to the industrial chain and innovation chain. During the reporting period, based on such majors as artificial intelligence and modern information technology, the member schools of China Education Group launched, at the higher vocational education level, an aggregate of 359 application-oriented undergraduate majors, an increase of 74 year-on-year; 169 junior college majors, an increase of 60 year-on-year; and 192 continuing education majors, an increase of 8 year-on-year.

During the reporting period, China Education Group further strengthened the construction of teaching team capacity, intensified the cultivation of teaching innovation of teachers, and built a high-quality “dual-qualified” (雙師雙能型) teaching force. The teacher development center construction project of Guangzhou School passed the acceptance inspection, became a provincial teacher development center platform, and won first prize of the 10th Guangdong Provincial Education and Teaching Achievement Award (Higher Education) (廣東省第十屆教育教學成果獎(高等教育類)); Jiangxi School won 3 second prizes of the Jiangxi Provincial Teaching Achievement Award (江西省級教學成果獎), and won the National Excellent Achievement Award for Education Planning (全國教育規劃優秀成果獎) for the first time; Hainan School won 1 first prize and 1 second prize of Provincial Teaching Achievement Awards (省級教學成果獎), and 15 provincial education and teaching reform research projects; Shaanxi School won 1 first prize in the Third Professional Competence Competition for Teachers of Technician Colleges in Shaanxi Province (陝西省第三屆技工院校教師職業能力大賽) and the Third National Professional Competence Selection Competition for Teachers of Universities and Colleges (全國第三屆院校教師職業能力選拔賽), and 3 first prizes in the Outstanding Teaching and Research Achievement Selection Activity of Technician Education in Shaanxi Province in 2021 (2021年陝西省技工教育優秀教研成果評選活動).

During the reporting period, all the member schools of China Education Group strived for excellence with further improved education quality and social reputation, winning about 3,200 awards at international, national and provincial levels. Jiangxi School has topped the Overall Competitiveness Ranking of Private Universities and Colleges (民辦院校綜合競爭力排行榜) of China Science and Education Network (中國科教網) for 10 consecutive years and was approved as a qualified unit for the grant of master’s degree; Guangzhou School received 1 first prize of the Provincial Teaching Achievement Award (省級教學成果獎) and was approved to start up 1 project of Provincial Key Research Platform of Colleges and Universities (省級普通高校重點科研平台); Sichuan School was ranked fifth (national) and first (Central and Western China) in “Shanghai Ranking’s Best Chinese Private Universities Ranking 2022” (2022軟科中國民辦高校排名) and selected as one of the “Pilot Universities for Education Evaluation Reform in Sichuan Province” (四川省教育評價改革試點高校), being the only private undergraduate college in Sichuan Province on the list; Hainan School was approved to start up 1 project of National Social Science Fund (國家社科基金) and won 1 first prize of Provincial Teaching Achievement Award (省級教學成果獎); Shandong School was honored as the Most Reputable University in Shandong 2021 (2021年山東最佳社會聲譽高校) and listed on the first batch of Demonstration Schools for Transmission of Chinese Traditional Culture (中華優秀傳統文化傳承示範校); Chongqing School received approval for 1 project of Humanities and Social Science Youth Fund of the Ministry of Education (教育部人文社科青年基金) in 2022, and also the grand prize in the National English Ability Challenge for College Students 2022 (2022年全國大學生英語能力挑戰賽) and the first prize in the National Innovation Competition for College Students (全國大學生創新能力

大賽) for the outstanding performance of its students; Zhaoqing School was approved to set up a Guangdong Province Doctoral Workstation (廣東省博士工作站), received approval for 1 project of Humanities and Social Science Youth Fund of the Ministry of Education (教育部人文社科青年基金) in 2022 and won a gold medal in the swimming competition of the 11th Guangdong University Games (廣東省第十一屆廣東省大學生運動會); Guangzhou Technician School ranked first among the national top five in the fashion technology event of the 46th WorldSkills Competition (第46屆世界技能大賽), won the gold medal in the fashion technology event of the 2nd Vocational Skills Competition of Guangdong Province (廣東省第二屆職業技能大賽), and 2 and 3 students were awarded the title of “National Master of Skill” (全國技能能手) and “Guangdong Master of Skill” (廣東省技術能手) respectively; both Guangzhou Technician School and Shaanxi School were selected as the National Technician Colleges of Work-Learning Integration (全國技工院校工學一體化建設院校).

#### **4. Greater Investment in Strategic Regions to Support National Industrial Clusters Development**

The Key Priorities 2022 (《2022年工作要點》) of the Ministry of Education clearly encourages the implementation of higher education development action in the central and western regions, materialization and promotion of the planning of higher education cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area, and the development of vocational colleges in the Hainan Free Trade Port. During the reporting period, the top-ranked private independent college (which has now completed its conversion) joined China Education Group, so far enabling China Education Group to establish its presence in all the three industrial clusters, namely the Chengdu-Chongqing Twin Cities Economic Circle, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Zone, with high-quality schools of region-leading and even nation-leading scale and reputation.

During the reporting period, the construction of phase I and phase II of the new campus of Zhaoqing School was completed on schedule. To meet the rapidly growing student enrollment, Zhaoqing School additionally acquired a land parcel with an area of approximately 372 mu for the construction of phase III of the new campus. The 750-mu new campus of Guangzhou School has been put into use. These two high-standard modern campuses are expected to provide a large number of outstanding talents to the society each year.

Adhering to the “student-oriented” concept, the member schools of China Education Group have increased investment in infrastructure and continued to improve the learning and living environment. During the reporting period, both Guangzhou School and Chengdu School were approved by the Ministry of Education as pilot universities of “one-stop” integrated community management model.



## 5. Notable Achievements in Industry-Education Integration Setting an Industrial Benchmark

Industry-education integration serves as the development direction of vocational education, which is strongly encouraged by the PRC government. During the reporting period, the number of enterprises conducting school-enterprise cooperation with China Education Group was up to 3,475, representing an increase of 43% as compared to last financial year. China Education Group provided 61,000 application-oriented graduate talents to the society, increasing by 19% as compared to last year. During the reporting period, Sichuan School, under the leadership of its academicians and relying on its formidable strength in engineering majors cluster, was successfully selected as the “10th Batch of Academician (Expert) Work Station in Sichuan Province” (四川省第十批院士(專家)工作站), making itself the only school that possesses an academician (expert) work station among the private universities in Sichuan Province; Zhaoqing School was listed among the first batch of construction units under the “Demonstration and Practice Base on School-Enterprise Collaborative Employment, Entrepreneurship and Innovation” (校企協同就業創業創新示範實踐基地) by the Ministry of Industry and Information Technology; Hainan School proactively promoted industry-education integration and implemented full coverage of school-enterprise cooperation, setting up an example for the construction of “innovation-oriented university” in China. It was awarded the “Demonstration School of National Entrepreneurial University in 2021” (2021年度全國創業型大學示範校) by [www.xinhuanet.com](http://www.xinhuanet.com) and the “Model University of Innovation and Entrepreneurship in 2021” (2021年度創新創業典範高校) by [cri.cn](http://cri.cn).

The new Vocational Education Law explicitly encourages the improvement of the school-running system of education-industry integration to establish a diversified school-running pattern with schools managed by government, organized by enterprises and engaged by social forces; and the enrichment of vocational school-running forms to develop bilateral or multilateral technological cooperation with quality enterprises, promote schools and enterprises to jointly establish industrial colleges and extend the scope of vocational school-running.

China Education Group proactively establishes connection with various industries, and based on industrial development and market demand to continuously improve the talent training system and curriculum instruction system, give full play to the important role of school-enterprise cooperation in teaching reform, comprehensively promote the joint construction of courses by schools and enterprises, and jointly build industrial colleges with enterprises or foundations, so as to achieve the in-depth matching of teaching content and professional standards, and comprehensively establish the chain of campus teaching and internship employment. A total of 84 University-Industry Collaborative Education Projects of Ministry of Education were approved during the reporting period. China Education Group closely follows the forefront of the new technological revolution, takes

the lead in pioneering the educational reform with new technologies, and cooperates with large enterprises to build cutting-edge laboratories, including artificial intelligence innovation practice center, convergence media experiment center, intelligent technology and 5G application innovation laboratory and brain-computer integration experiment center , so as to provide first-class software and hardware facilities among similar universities in China, and to serve teaching and research projects. Currently, they have been well recognized by governments at all levels, universities and enterprises. In May 2022, Jiangxi Branch of Bank of China and China Education Group entered into a comprehensive strategic cooperation agreement on vocational education to provide customized service solutions for the China Education Group’s campus construction, construction of training base for integration of industry and teaching as well as strategic development of vocational education group.

## **6. Serving the Urban and Rural Development and Fulfilling Social Responsibility**

It has always been one of the core concepts of China Education Group in talent training to cultivate new generation youngsters who are capable of taking up the important responsibility of national rejuvenation. Specifically, we contribute to rural revitalization by promoting modernization of agriculture and rural areas, integrating rural revitalization projects into the curriculum, organizing the students to carry out project-based enterprise practices as well as increasing the teachers’ and students’ sense of responsibility in countryside construction.

The practice-based talent training project of “Meihao Renju” (美好人居) launched by Hainan School was listed among the Outstanding Brand Projects in the National “San Xia Xiang” Social Practices in 2022 (2022年全國“三下鄉”社會實踐優秀品牌項目) selected by the central committee of China Communist Youth League, the only outstanding brand project selected in Hainan Province; through horizontal cooperation, the teams comprising teachers and students from Sichuan School took participation in various projects with industry, university, research and utilization deeply integrated, such as the intelligent management of Chengdu International Railway Port and Zipingpu Water Conservation Project, thereby serving as “intellectual support”; Guangzhou School launched a project of commissioners on rural science and technology, in which, star professors from each school lead students to rural areas to conduct field researches, so as to practically solve difficult problems encountered in rural development in the manner of practical subjects. Since July 2021, Guangzhou School has assisted in increasing the brand awareness of local agricultural products by taking full advantage of the art-empowered promotion method, thus opening up the market, which has played a positive part in enhancing the income of farmers. While achieving continuous output of designing scheme, these efforts also increased the influence of the brand building Guangzhou School; Zhaoqing School was awarded an outstanding unit for the “San Xia Xiang” Social Practice Activity in Summer Holidays of University and College Student Volunteers in Guangdong Province (廣東省大中專學生志願者暑期“三下鄉”社會實踐活動).

## **7. Speeding up the Expansion of International Education with Notable Synergies Effect between Domestic and Overseas Schools**

In 2021/22, despite of the severe challenge posed by the Covid-19 pandemic, Australia School of China Education Group has not only achieved significant growth in the number of enrolled students, but also sped up campus expansion by virtue of its reputation and high-quality curriculum. As Australia reopened international borders, the number of international students applying for admission to Australia School has also achieved a strong recovery. In the first semester of 2022, the number of new student applications was more than 1,300, representing an increase of 63% year-on-year, and an increase of 75% as compared with that of the same period of 2019 prior to the outbreak of the Covid-19 pandemic. In February 2022, Australia School has obtained approval from TEQSA, an Australia regulatory body, for building a new campus in Newcastle with an initially approved international enrollment quota of 1,000 students, which is expected to further increase to 2,000 students. The campus in Newcastle will initially deliver Bachelor's and Master's degree programmes on Accounting, Financial Management, IT and other majors, and has enrolled its first batch of students in March 2022. Newcastle is the second largest city in New South Wales after Sydney, and Australia School is one of the only two higher education institutions in the area that deliver both Bachelor's and Master's degree programmes. Students who apply for admission to the campus of Australia School are not only able to enjoy cut-down living expenses, but also the preferential policies on student visa and post-graduation work permit. Additionally, in July 2022, we completed the acquisition of Australian Academy of Commerce (澳大利亞商業學院, AAC), a vocational education school in Sydney that can provide both English Language Intensive Courses for Overseas Students (ELICOS) and vocational education courses (covering from Certificate IV to Higher Diploma). The acquisition has expanded the coverage of the education services provided by Australia School, demonstrating that the Group will be able to achieve seamless connection between vocational education and higher education in China and overseas in the future.

The PRC member schools of China Education Group have established various talent-training methods in international education cooperation together with Australia School and United Kingdom School, thus achieving deep integration on discipline settings, syllabus, talent training plan, shared teacher resources and other aspects. In 2021/22, the number of new students from China Education Group applying for admission to Australia School in the first semester of 2022 is up to 160 students, representing a year-on-year increase of 1,354%. Apart from offering dual-degree programmes in 11 majors such as accounting, IT and finance, in our PRC schools, which have enjoyed wide acceptance among students and parents, in October 2021, our PRC member schools and United Kingdom School have obtained the institutional accreditation on the joint education project with dual degrees in China and the United Kingdom, marking that the exchanges and cooperation among domestic and overseas schools have entered a new stage.



As the restrictions imposed overseas during the outbreak of pandemic gradually ease, China Education Group will seize the opportunity arising from the growth in international students market by launching new campus in Australia in due course, thus delivering excellent talents for local development. At the same time, leveraging the Group's strengths in its global platform, China Education Group will continue to further promote cooperation among domestic and overseas schools, so as to offering programmes and learning opportunities with international vision to domestic and overseas students and teachers.

#### **8. Maximizing the Efficiency of High-quality Resources with Prominent Platform-based Management Advantages**

As of the end of the reporting period, China Education Group has 12 domestic higher education and vocational education schools, and 2 overseas higher education and vocational education schools. The number of enrolled students increased from more than 70,000 in 2017 to around 300,000, with presence expansion from two domestic provinces to eight domestic provinces and two overseas countries. With distinctive characteristics and prominent advantages, these schools achieve the sharing and complementation of superior resources through the platform established by China Education Group.

China Education Group strives to build the intelligent premium courses platform, collaborative recruitment platform, training platform for teachers and management and high end talents pool for the Group; promote the “operation-financial integration” (業財雙向融合) integrated financial management to provide comprehensive financial support to its member schools; strengthen the promotion of international education projects, intensify the employment and internship platform, and develop value-added projects; build a normalized and standardized logistics management platform; and develop information products applicable for school teaching, scientific research, management and life. During the reporting period, China Education Group was awarded “China Best Managed Companies” (中國卓越管理公司) by Deloitte for four consecutive years, and is the only selected academic education enterprise, representing that China Education Group's management system in the education industry has been well recognized.

## 9. OUTLOOK

“We adhere to giving priority to education development, technological self-reliance and self-improvement, and talent-driven development, accelerate the construction of a strong country in education, science and technology, and talent, insist on cultivating talents for the CPC and the country, comprehensively improve the quality of independent talent training, strive to cultivate top-tier innovative talents and well utilize talents from all over the world.” President Xi Jinping further clarified the key strategic role of “education, science and technology, and talents” in the process of comprehensive construction of a modern socialist country in the report of the 20th National Congress. In the post pandemic era, China will form a new development pattern of “internal circulation” (內循環) and “dual-circulation” (雙循環). Based on the demand of core technology autonomy and industrial upgrading, certain frontier industries and specialties will face a large talent gap, with greater demand for application-oriented and professional higher education and secondary vocational education resources, and private education has a great potential.

Looking forward, with strong policy support, China Education Group, as the leader of higher education and vocational education, will keep in mind the glorious mission of cultivating talents for the CPC and the country, continue to promote the construction of disciplines and majors that meet the needs of the new era, actively build a high-level laboratory system, vigorously strengthen the integration of industry, education and research, constantly introduce advanced management philosophy and increase infrastructure investment. It will continue to create and provide high-quality higher and vocational education opportunities for more students, strive to cultivate high-level application-oriented and innovative talents, work hard to provide education to the satisfaction of the general public, promote vocational education to a new level, and make active contributions to China’s economic and social development, so as to appropriately fulfill China Education Group’s mission and social responsibility to “pioneer excellence and innovation in education”.

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

**Yu Guo      Xie Ketao**  
*Co-Chairmen*

Hong Kong, 28 November 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The financial results for the years ended 31 August 2022 and 31 August 2021 are as follows:

|  | Years ended         |                    |
|--|---------------------|--------------------|
|  | 31 August<br>2022   | 31 August<br>2021  |
|  | <i>RMB million</i>  | <i>RMB million</i> |
| <b>Revenue</b>   | <b>4,756</b>        | 3,682              |
| Cost of revenue  | <u>(2,002)</u>      | <u>(1,507)</u>     |
| <b>Gross profit</b>  | <b>2,754</b>        | 2,175              |
| Other income   | <b>254</b>          | 193                |
| Selling expenses   | <b>(170)</b>        | (168)              |
| Administrative expenses  | <u><b>(724)</b></u> | <u>(475)</u>       |
| <b>Operating profit</b>  | <b>2,114</b>        | 1,725              |
| Investment income  | <b>61</b>           | 43                 |
| Other expense, other gains and losses                            | <b>(197)</b>        | (240)              |
| Fair value change on convertible bonds                           | <b>299</b>          | 145                |
| Finance costs  | <u><b>(308)</b></u> | <u>(162)</u>       |
| <b>Profit before taxation</b>                                    | <b>1,969</b>        | 1,511              |
| Taxation   | <u><b>(33)</b></u>  | <u>(39)</u>        |
| <b>Net profit</b>  | <u><b>1,936</b></u> | <u>1,472</u>       |
| <b>Net profit attributable to owners of the Company</b>          | <u><b>1,845</b></u> | <u>1,444</u>       |
| <b>Adjusted net profit attributable to owners of the Company</b> | <u><b>1,800</b></u> | <u>1,606</u>       |

## Non-IFRS Measures

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

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

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

### *Calculation of Adjusted Net Profit*

|                            |   | Years ended        |                    |
|----------------------------|---|--------------------|--------------------|
|                            |   | 31 August<br>2022  | 31 August<br>2021  |
|                            |   | <i>RMB million</i> | <i>RMB million</i> |
| <b>Net profit</b>          |   | <b>1,936</b>       | 1,472              |
| Adjustments for:           | Foreign exchange gain/loss  | <b>123</b>         | (33)               |
|                            | Share-based payments <sup>(i)</sup>   | <b>20</b>          | (25)               |
|                            | Imputed interest on deferred cash considerations <sup>(ii)</sup>  | <b>4</b>           | 12                 |
|                            | Fair value change on convertible bonds <sup>(iii)</sup>   | <b>(299)</b>       | (145)              |
|                            | One-off and other current period expenses related to conversion of independent colleges into private universities <sup>(iv)</sup> | <b>34</b>          | 260                |
|                            | Fair value change on construction cost payables for school premises <sup>(v)</sup>  | <b>3</b>           | 34                 |
|                            | Non-cash impairment loss recognised in respect of goodwill <sup>(vi)</sup>  | <b>70</b>          | 59                 |
| <b>Adjusted net profit</b> |   | <b>1,891</b>       | 1,634              |

### *Calculation of Adjusted Net Profit Attributable to Owners of the Company*

|  |   | Years ended        |                    |
|--|---|--------------------|--------------------|
|  |   | 31 August<br>2022  | 31 August<br>2021  |
|  |   | <i>RMB million</i> | <i>RMB million</i> |
| <b>Net profit attributable to owners of the Company</b>          |   | <b>1,845</b>       | 1,444              |
| Adjustments for:   | Foreign exchange gain/loss  | 123                | (33)               |
|  | Share-based payments <sup>(i)</sup>   | 20                 | (25)               |
|  | Imputed interest on deferred cash considerations <sup>(ii)</sup>  | 4                  | 12                 |
|  | Fair value change on convertible bonds <sup>(iii)</sup>   | (299)              | (145)              |
|  | One-off and other current period expenses related to conversion of independent colleges into private universities <sup>(iv)</sup> | 34                 | 260                |
|  | Fair value change on construction cost payables for school premises <sup>(v)</sup>  | 3                  | 34                 |
|  | Non-cash impairment loss recognised in respect of goodwill <sup>(vi)</sup>  | 70                 | 59                 |
| <b>Adjusted net profit attributable to owners of the Company</b> |   | <b>1,800</b>       | 1,606              |

### *Calculation of Adjusted EBITDA*

|                            |   | Years ended        |                    |
|----------------------------|---|--------------------|--------------------|
|                            |   | 31 August<br>2022  | 31 August<br>2021  |
|                            |   | <i>RMB million</i> | <i>RMB million</i> |
| <b>Profit for the year</b> |   | <b>1,936</b>       | 1,472              |
| Add:                       | Finance costs   | 308                | 162                |
|                            | Taxation  | 33                 | 39                 |
|                            | Depreciation of property, plant and equipment   | 550                | 355                |
|                            | Depreciation of right-of-use assets   | 69                 | 52                 |
|                            | Amortisation of intangible assets   | 9                  | 14                 |
| <b>EBITDA</b>              |   | <b>2,905</b>       | 2,094              |
| Adjustments for:           | Foreign exchange gain/loss  | 123                | (33)               |
|                            | Share-based payments <sup>(i)</sup>   | 20                 | (25)               |
|                            | Fair value change on convertible bonds <sup>(iii)</sup>   | (299)              | (145)              |
|                            | One-off and other current period expenses related to conversion of independent colleges into private universities <sup>(iv)</sup> | 34                 | 260                |
|                            | Fair value change on construction cost payables for school premises <sup>(v)</sup>  | 3                  | 34                 |
|                            | Non-cash impairment loss recognised in respect of goodwill <sup>(vi)</sup>  | 70                 | 59                 |
| <b>Adjusted EBITDA</b>     |   | <b>2,856</b>       | 2,244              |



*Notes:*

- i. Non-cash share-based payments recognised for share options granted to directors and employees of the Group, which did not result in cash outflow.
- ii. Non-cash imputed interest accrued because of consideration payments due over one year for the acquisitions, which did not result in cash outflow.
- iii. Non-cash fair value change on convertible bonds, which are measured at fair value through profit or loss, which did not result in cash outflow. Our management believes that this item was not reflective of our core operating results and there was no direct correlation to our operation.
- iv. The Group's independent colleges had to pay partnership fees to their public school co-sponsors. One-off fees were recognised for conversion of independent colleges into private universities during the year ended 31 August 2021. The partnership fees recognised during the current period will cease to exist after all students enrolled by the independent college are graduated.
- v. Non-cash fair value change on long-term construction cost payables for school premises, which are measured at fair value through profit or loss, which did not result in cash outflow.
- vi. This item has been added in the adjustments this year. This item did not generate any cash outflows. Our management believes that the non-cash impairment item does not impact our operations. If the impairment loss recognised in respect of goodwill had not been adjusted, the adjusted net profit, adjusted net profit attributable to owners of the Company and adjusted EBITDA would have been RMB1,821 million (2021: RMB1,575 million), RMB1,730 million (2021: RMB1,547 million) and RMB2,786 million (2021: RMB2,185 million), respectively, for the year ended 31 August 2022.

## **Revenue**

The Group's revenue reached RMB4,756 million for the year ended 31 August 2022, up 29.2% as compared to RMB3,682 million for the year ended 31 August 2021. The increase reflected students' strong demand for quality education offered by the Group and the effective execution of the Group's expansion strategy.

### ***Higher Vocational Education Segment***

Revenue from higher vocational education segment increased from RMB2,759 million for the year ended 31 August 2021 to RMB3,931 million for the year ended 31 August 2022, representing a 42.5% increase. The significant increase in revenue of higher vocational education institutions was mainly driven by the growth in student enrollment and tuition fees of higher vocational education institutions.

### ***Secondary Vocational Education Segment***

Revenue from secondary vocational education segment decreased from RMB703 million for the year ended 31 August 2021 to RMB636 million for the year ended 31 August 2022, representing a 9.5% decrease. The decrease in revenue of secondary vocational education institutions was mainly due to the drop of the student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 outbreak which temporarily disrupted student enrollment in certain regions. The new student enrollment for secondary vocational education segment is expected to resume as soon as these restrictions in relevant regions are relieved.

### ***Global Education Segment***

Revenue from global education segment decreased from RMB220 million for the year ended 31 August 2021 to RMB189 million for the year ended 31 August 2022. The decrease in revenue of global education segment was primarily due to the decrease in student enrollments affected by the coronavirus disease 2019 and the resulting travel bans in Australia and the depreciation of Australian Dollar against Renminbi. As the travel bans have been lifted in February 2022, strong increase of new student is achieved in the second half of the financial year. The revenue increased to RMB115 million for the second half of the financial year from RMB74 million for the first half of the financial year, representing a 55.4% of increase. The revenue of RMB115 million for the second half of the financial year increased by 9.5% as compared to RMB105 million for the same period of last financial year.

### **Cost of Revenue**

The cost of revenue increased from RMB1,507 million for the year ended 31 August 2021 to RMB2,002 million for the year ended 31 August 2022, representing a 32.8% increase. The increase was due to the expansion of the Group and the growth of student number.

The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality have been successfully converted into private universities during the year ended 31 August 2021. The partnership fees to their public school co-sponsors of RMB34 million (2021: RMB69 million) was recognised as cost of revenue for the year ended 31 August 2022. Such partnership fees will cease to exist after all students enrolled by the independent college prior to the conversion are graduated.

## **Gross Profit**

The Group's gross profit was RMB2,754 million for the year ended 31 August 2022, up 26.6% as compared to RMB2,175 million for the year ended 31 August 2021.

## **Other Income**

Other income primarily included management fee income, academic administration income and government grants. The management fee income was increased from RMB69 million for the year ended 31 August 2021 to RMB105 million for the year ended 31 August 2022. The academic administration income and government grants were RMB34 million and RMB59 million, respectively, for the year ended 31 August 2022.

## **Selling Expenses**

The Group's selling expenses was RMB170 million for the year ended 31 August 2022 as compared to RMB168 million for the year ended 31 August 2021. The selling expenses represented about 3.6% of revenue for the year ended 31 August 2022 and was decreased as compared to that of 4.6% for the year ended 31 August 2021.

## **Administrative Expenses**

The Group's administrative expenses was RMB724 million for the year ended 31 August 2022 as compared to RMB475 million for the year ended 31 August 2021. The increase was mainly attributable to the increase of student enrollment, the inclusion of a new school, the new campuses commencing use and starting to recognize depreciation and the recognition of share-based payments under share option schemes. For the year ended 31 August 2022, the Group recognised share-based payment expenses of RMB20 million as compared to net reversal of RMB25 million for the year ended 31 August 2021.

## **Operating Profit**

The operating profit amounted to RMB2,114 million for the year ended 31 August 2022, increased by 22.6% as compared to RMB1,725 million for the year ended 31 August 2021. The increase was mainly due to the organic growth of the existing schools and the inclusion of new school.

## **Other Expense, Other Gains and Losses**

The other expense, other gains and losses were recorded at net losses of RMB197 million for the year ended 31 August 2022 which was mainly attributable to the foreign exchange loss of RMB123 million. The one-off expenses for conversion of independent colleges into private universities of RMB228 million were recognised for the year ended 31 August 2021, and no such expenses were recognised during the current reporting period.

## **Fair Value Change on Convertible Bonds**

The fair value gain on convertible bonds of RMB299 million was recognised in profit or loss as a result of the decrease in fair value of convertible bonds during the year ended 31 August 2022. The convertible bonds are classified as financial liabilities and are measured at fair values.

## **Finance Costs**

The finance costs were increased from RMB162 million for the year ended 31 August 2021 to RMB308 million for the year ended 31 August 2022. For the year ended 31 August 2022, the finance costs mainly represented i) the interest expenses on bank and other borrowings and bonds of RMB351 million (2021: RMB249 million) and ii) deduction of interest expenses capitalised in the cost of property, plant and equipment of RMB62 million (2021: RMB121 million). The increase in the interest expenses was aligned with the increase in the borrowings of the Group. The drop in the interest expenses capitalisation was mainly because the new campuses constructions were completing gradually. The interest expenses capitalisation is ceased upon the campuses are commenced to use.

## **Net Profit and Return on Equity**

The Group's net profit was increased by 31.5% to RMB1,936 million for the year ended 31 August 2022 from RMB1,472 million for the year ended 31 August 2021. The adjusted net profit was increased by 15.7% to RMB1,891 million for the year ended 31 August 2022 from RMB1,634 million for the year ended 31 August 2021, after adjusting for the foreign exchange gain/loss, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities, fair value change on construction cost payables for school premises and impairment loss recognised in respect of goodwill. The adjusted net profit attributable to owners of the Company was increased by 12.1% to RMB1,800 million for the year ended 31 August 2022.

The adjusted return on equity (which is calculated on the basis of adjusted net profit attributable to owners of the Company to the average of the beginning and ending balance of equity attributable to owners of the Company) of the Group was 14.4% for the year ended 31 August 2022 and remained sound and fair.

## **EBITDA**

EBITDA was increased to RMB2,905 million for the year ended 31 August 2022 from RMB2,094 million for the year ended 31 August 2021. Adjusting for the foreign exchange gain/loss, share-based payments, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities, fair value change on construction cost payables for school premises and impairment loss recognised in respect of goodwill, the adjusted EBITDA was increased by 27.3% from RMB2,244 million for the year ended 31 August 2021 to RMB2,856 million for the year ended 31 August 2022.

## **Property, Plant and Equipment**

Property, plant and equipment as at 31 August 2022 increased by 29.5% to RMB15,700 million from RMB12,126 million as at 31 August 2021. Increase in property, plant and equipment was mainly due to the construction of new campuses in Guangdong Province and the inclusion of a new higher vocational education institution.



## **Capital Expenditures**

Our capital expenditures for the year ended 31 August 2022 were RMB2,144 million and were primarily related to construction of new campuses in Guangdong Province.

## **Cash Reserve**

Including bank balances and cash, restricted bank deposits, time deposits and structured deposits and money market funds recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,521 million as at 31 August 2022 (31 August 2021: RMB5,048 million). The Group placed 78,000,000 Shares and received total net proceeds of HK\$1,170 million (equivalent to RMB975 million) in October 2021. The Group issued offshore RMB500 million investment-grade guaranteed bonds due 2025.

## **Liquidity, Financial Resources and Gearing Ratio**

As at 31 August 2022, the Group had cash reserve of RMB5,521 million (31 August 2021: RMB5,048 million).

As at 31 August 2022, the Group had bank and other borrowings of RMB8,888 million (31 August 2021: RMB6,091 million) and convertible bonds of RMB3 million (31 August 2021: RMB2,244 million).

As at 31 August 2022, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and bonds and convertible bonds, net of cash reserve, to total equity of the Group) was 20.3% (31 August 2021: 28.0%). As at 31 August 2022, the debt to asset ratio (which is calculated on the basis of total amount of bank and other borrowings and bonds and convertible bonds to total assets of the Group) was 26.5% (31 August 2021: 31.2%). Certain bank and other borrowings and proceeds from placement and bonds issue were not yet fully utilised. In order to have a better use of our financial resources, the Group placed certain structured deposits and money market funds during the year ended 31 August 2022. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

## **Treasury Policy**

During the year ended 31 August 2022, the Group has adopted a prudent treasury policy and maintained a robust liquidity structure. In the management of the liquidity risk, the Group monitors and maintains appropriate levels of financial resources to meet its funding needs.

## **Foreign Exchange Risk Management**

During the year ended 31 August 2022, the Group operated schools in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and some in Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

## **Contingent Liabilities**

As at 31 August 2022, the Group had no significant contingent liability.

## **Charges on the Group's Assets**

As at 31 August 2022, the bank and other borrowings of the Group amounting to RMB5,831 million (31 August 2021: RMB3,462 million) were secured by tolling right of tuition fee, boarding fee and ancillary income, deposits, plant and equipment under sale and leaseback arrangements and equity interest of certain subsidiaries of the Group.

Saved as disclosed above, there was no other material charge on the Group's assets as at 31 August 2022.

## **BUSINESS OVERVIEW**

The Group is a leading global vocational education group with footprints in China, Australia, and the United Kingdom ("UK"), visioning to provide quality education through innovation. As at 31 August 2022, the Group's school network consists of 12 schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and secondary vocational education provider in China in terms of student enrollment.

## Overview of Recent Policies

### *Roadmap to Achieve Common Prosperity*

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

### *Opinion on Promoting Vocational Education*

In October 2021, the Central Committee of the Communist Party of China and the State Council of the People’s Republic of China issued the “Opinions on Promoting High-Quality Development of Modern Vocational Education” (《關於推動現代職業教育高質量發展的意見》) (the “Policy”) and gave a notice requiring the implementation thereof by all government units across China. Pursuant to the Policy, vocational education has a promising future and great potential as China journeys toward socialist modernization. The Policy also sets a goal that China’s vocational education should be ranked among the best globally by 2035.

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

- Accelerating the construction of a modern vocational education system
- Cultivating more high-quality technical and skilled talents
- Encouraging listed companies and other social capitals to deeply participate in and run vocational education
- Encouraging vocational universities to attract more graduates from secondary and higher vocational schools
- Encouraging vocational schools and enterprises to conduct co-developing and co-managing of industrial colleges and corporate colleges
- Encouraging vocational schools to cooperate with social capitals to build vocational education infrastructure
- Providing “finance + governmental funding + land + credit” incentives to industry educationintegrated enterprises

### ***The New Vocational Education Law***

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

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

#### ***Chengdu Jincheng College***

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

## Student Enrollment

As at 31 August 2022, the Group operated in three business segments, with a total enrollment of approximately 304,500 students, up 26.9% from the enrollment as at 31 August 2021.

The rapid increase in student enrollment of higher vocational education segment was attributable to the organic growth in students enrolled in our existing schools and new campuses, as well as those from the newly included university to the Group. The decrease in student enrollment of secondary vocational segment was mainly due to the drop of the new student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 (“COVID-19”) outbreak disrupting enrollment in relevant regions. The new student enrollment for the secondary vocational segment is expected to resume as soon as the restrictions in the respective regions are relieved. As international travel restrictions in Australia have been lifted in February 2022, enrollment in global education segment has significantly recovered over the past 12 months.

| <b>Business Segment</b>        | <b>As at</b>                 |                           |
|--------------------------------|------------------------------|---------------------------|
|                                | <b>31 August<br/>2022</b>    | <b>31 August<br/>2021</b> |
| Higher Vocational Education    | <b>246,049<sup>(1)</sup></b> | 177,455 <sup>(2)</sup>    |
| Secondary Vocational Education | <b>55,007</b>                | 59,533                    |
| Global Education               | <b>3,431</b>                 | 3,016                     |
| Total                          | <b><u>304,487</u></b>        | <b><u>240,004</u></b>     |

### Notes:

- (1) Included 73,722 students enrolled in the continuing education programmes as at 31 August 2022. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools.
- (2) Included 50,385 students enrolled in the continuing education programmes as at 31 August 2021.



## **China Education Fund**

On 29 June 2018, the Group entered into agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a subsidiary of Value Partners Group Limited, for the establishment of 惠理華教(深圳)股權投資合夥企業(有限合夥) (the “China Education Fund”). As at 31 August 2022, the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund. The China Education Fund has not made any investment and the capital contribution has been returned after the reporting period.

## **Issuance of Investment-grade offshore RMB Guaranteed Bonds**

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

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

## **OUTLOOK**

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

## **Development of New Campuses**

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

### ***Zhaoqing New Campus***

The new campus in Zhaoqing, Guangdong Province, the PRC, is to be developed in three phases. Phase one and phase two have been completed and put into operation in 2021 and 2022 respectively. In response to the increasing demand for admissions, the school signed an agreement with Zhaoqing Municipal Bureau of Natural Resources (肇慶市自然資源局) to acquire the land use rights of a plot of land located in Zhaoqing City, Guangdong Province, with an area of approximately 372 mu for the expansion of its campus, i.e. the third phase of the new campus. The completion of phase three will further expand the presence and education scale of China Education Group in the Greater Bay Area.

### ***King's Own Institute's New Campus***

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

## **TOP-UP PLACING AND SUBSCRIPTION**

### **January 2021**

The net proceeds amounted to approximately HK\$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) from the subscription completed on 3 February 2021 have been partly utilised, and will be fully utilised in next twelve months for (1) potential acquisitions; and (2) expansion and development of the Group's new campuses in the Greater Bay Area. The Group did not have material acquisition during the financial year ended 31 August 2022, and therefore results in delay in the use of proceeds. The purposes for the use of proceeds are consistent with the intentions previously disclosed in the Company's announcements.

The following sets forth a summary of the utilisation of the net proceeds during the year ended 31 August 2022:

| Purpose   | Percentage  | Net                  | Unutilised           | Utilised             | Unutilised           |
|---|-------------|----------------------|----------------------|----------------------|----------------------|
|   | to total    | proceeds             | amount               | amount               | amount               |
|   | amount      | amount               | as at                | during               | as at                |
|   |             |                      | 1 September          | the year             | 31 August            |
|   |             |                      | 2021                 |                      | 2022                 |
|   |             | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> |
| Expansion and development of the Group's new campuses in the Greater Bay Area | 70%         | 1,177.0              | 60.9                 | 60.9                 | –                    |
| Potential acquisitions  | 30%         | 504.4                | 93.3                 | –                    | 93.3                 |
|   | <u>100%</u> | <u>1,681.4</u>       | <u>154.2</u>         | <u>60.9</u>          | <u>93.3</u>          |

Further details of the top-up placing and the subscription are set out in the Company's announcements dated 26 January 2021 and 3 February 2021.

### October 2021

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

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

The Placing and the Subscription were completed on 22 October 2021 and 27 October 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK\$1,170.0 million (net of related costs, professional fees and out-of pocket expenses) will be fully utilised in next six months for potential acquisitions in the modern-vocational education space as previously disclosed in the Company's announcements. As at 31 August 2022, none of the net proceeds has been utilised.

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

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

### **Remuneration**

As at 31 August 2022, the Group had 13,655 employees (31 August 2021: 11,034), a 23.8% increase from 2021's mainly due to inclusion of employees of the new school joined the Group during the reporting period. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

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

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

## **Recruitment**

The Group and its member schools follow the Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as other relevant laws and regulations of their respective local jurisdictions in the recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract as soon as reporting to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

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

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of RMB33.57 cents (equivalent to HK36.63 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 28 November 2022, i.e. RMB0.91644 equivalent to HKD1.00) per ordinary Share for the year ended 31 August 2022 (for the year ended 31 August 2021: HK20.2 cents per ordinary Share) to Shareholders whose names appear on the register of members of the Company on Wednesday, 22 February 2023. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid on or around Wednesday, 29 March 2023. The distribution equals to approximately 44.4% of the adjusted net profit attributable to owners of the Company. Together with the Shares repurchased during the year ended 31 August 2022, the capital that the Company returned to Shareholders during the year will account for approximately 45% of the adjusted net profit attributable to owners of the Company.



The dividend will be paid to all Shareholders on an all-cash basis by default. Shareholders will also be provided with an option to receive the final dividend wholly or partly in form of new fully paid Shares in lieu of cash. Such new Shares so issued will rank pari passu in all respect with the existing issued shares in the capital of the Company. The scheme is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting of the Company and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued under the scheme. Shareholders not making any election will be receiving the whole dividend in cash.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting will be held on Monday, 13 February 2023. Notice convening the forthcoming annual general meeting will be published and dispatched to the Shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

### **For the Forthcoming Annual General Meeting**

The register of members of the Company will be closed from Wednesday, 8 February 2023 to Monday, 13 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 February 2023.

### **For the Proposed Final Dividend**

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting. The register of members of the Company will be closed from Friday, 17 February 2023 to Wednesday, 22 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address for registration not later than 4:30 p.m. on Thursday, 16 February 2023.

## CONVERTIBLE BONDS DUE 2024

The Company completed the issue of convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK\$2,355,000,000 on 28 March 2019 to enhance its working capital for the Group's continual business development. The convertible bonds were formally listed on the Stock Exchange on 29 March 2019 with stock code number 5926. During the year ended 31 August 2022, the conversion price of the convertible bonds was adjusted from HK\$13.99 per Share to HK\$13.75 per Share due to the allotment and issue of 38,309,387 new Shares to settle part of the consideration of the acquisition of Long Link Investment Limited and the payment of final dividend for the year ended 31 August 2021, and the Company carried out the following repurchases of convertible bonds: (i) on 11 February 2022, the Company repurchased HK\$235,000,000 in aggregate principal amount of the convertible bonds at an average repurchase price of HK\$988,300 per HK\$1,000,000 principal amount of the convertible bonds; (ii) on 14 February 2022, the Company repurchased HK\$120,000,000 in aggregate principal amount of the convertible bonds at an average repurchase price of approximately HK\$986,500 per HK\$1,000,000 principal amount of the convertible bonds; (iii) on 15 February 2022, the Company repurchased HK\$74,000,000 in aggregate principal amount of the convertible bonds at an average repurchase price of HK\$988,000 per HK\$1,000,000 principal amount of the convertible bonds; (iv) on 16 February 2022, the Company repurchased HK\$263,000,000 in aggregate principal amount of the convertible bonds at an average repurchase price of HK\$986,250 per HK\$1,000,000 principal amount of the convertible bonds; and (v) on 29 August 2022, the Company repurchased HK\$115,000,000 in aggregate principal amount of the convertible bonds (together with the convertible bonds repurchased on 11, 14, 15 and 16 February 2022, the "Repurchased Convertible Bonds") at an average repurchase price of HK\$949,500 per HK\$1,000,000 principal amount of the convertible bonds. The Repurchased Convertible Bonds were subsequently cancelled. On 28 March 2022, the Company redeemed HK\$1,544,000,000 principal amount of the convertible bonds at face value of its principal amount. After redemption, the relevant convertible bonds were cancelled.

During the year ended 31 August 2022, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds. As at 31 August 2022, the aggregate principal amount of the convertible bonds that remains outstanding was HK\$4,000,000 (after deduction of HK\$115,000,000 principal amount of the convertible bonds repurchased in August 2022 and cancelled in September 2022). Upon full conversion of the outstanding convertible bonds, the Company may issue 290,909 Shares (based on the conversion price of HK\$13.75 per Share).

For details, please refer to the Company's announcements dated 22 and 28 March 2019, 14 and 16 February 2022, 9 and 28 March 2022 and 29 August 2022.

## **PRE-EMPTIVE RIGHTS**

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

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

During the year ended 31 August 2022, the Company repurchased a total of 2,191,000 ordinary Shares in May 2022 on the Stock Exchange with an aggregate consideration paid (before expenses) amounting to HK\$11,318,059.95. The highest and lowest price paid per Share of such repurchases are HK\$5.27 and HK\$5.05 respectively. All the Shares repurchased were subsequently cancelled. The Board considered that such repurchases would benefit the Company and create value to the Shareholders ultimately. Save for the aforesaid repurchases of Shares and except as described under the heading "CONVERTIBLE BONDS DUE 2024" of this announcement, during the year ended 31 August 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **PUBLIC FLOAT**

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles of the code provisions set out in the CG Code. During the year ended 31 August 2022, the Company had complied with all the code provisions set out in the CG Code.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 August 2022.

## **AUDIT COMMITTEE**

The Audit Committee consists of three independent non-executive Directors and its main duties are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 August 2022.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaeducation.hk](http://www.chinaeducation.hk)). The annual report of the Company for the year ended 31 August 2022 will be dispatched to the Shareholders and made available on the same websites in due course.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2022

|  | NOTES | Year ended 31 August |                     |
|--|-------|----------------------|---------------------|
|  |       | 2022<br>RMB million  | 2021<br>RMB million |
| Revenue  | 3     | 4,756                | 3,682               |
| Cost of revenue  |       | <u>(2,002)</u>       | <u>(1,507)</u>      |
| Gross profit   |       | 2,754                | 2,175               |
| Investment income  |       | 61                   | 43                  |
| Other income   |       | 254                  | 193                 |
| Other expense, other gains and losses                            |       | (197)                | (240)               |
| Fair value change on convertible bonds                           |       | 299                  | 145                 |
| Selling expenses   |       | (170)                | (168)               |
| Administrative expenses  |       | (724)                | (475)               |
| Finance costs  |       | <u>(308)</u>         | <u>(162)</u>        |
| Profit before taxation   |       | 1,969                | 1,511               |
| Taxation   | 4     | <u>(33)</u>          | <u>(39)</u>         |
| Profit for the year  | 5     | 1,936                | 1,472               |
| Other comprehensive expense                                      |       |                      |                     |
| Item that may be reclassified subsequently to profit or loss:    |       |                      |                     |
| Exchange difference arising on translation of foreign operations |       | <u>—*</u>            | <u>(77)</u>         |
| Total comprehensive income for the year                          |       | <u>1,936</u>         | <u>1,395</u>        |
| Profit for the year attributable to:                             |       |                      |                     |
| — owners of the Company  |       | 1,845                | 1,444               |
| — non-controlling interests                                      |       | <u>91</u>            | <u>28</u>           |
|  |       | <u>1,936</u>         | <u>1,472</u>        |
| Total comprehensive income for the year                          |       |                      |                     |
| — owners of the Company  |       | 1,845                | 1,367               |
| — non-controlling interests                                      |       | <u>91</u>            | <u>28</u>           |
|  |       | <u>1,936</u>         | <u>1,395</u>        |
| Earnings per share   | 7     |                      |                     |
| Basic (RMB cents)  |       | <u>77.04</u>         | <u>65.04</u>        |
| Diluted (RMB cents)  |       | <u>61.77</u>         | <u>54.03</u>        |

\* Less than RMB1 million.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2022

|  |       | At 31 August  |               |
|--|-------|---------------|---------------|
|  |       | 2022          | 2021          |
|  | NOTES | RMB million   | RMB million   |
| <b>NON-CURRENT ASSETS</b>                                      |       |               |               |
| Property, plant and equipment                                  |       | 15,700        | 12,126        |
| Right-of-use assets  |       | 2,101         | 1,493         |
| Goodwill   |       | 3,835         | 3,211         |
| Other intangible assets  |       | 5,100         | 3,221         |
| Deposits paid for acquisition of property, plant and equipment |       | 40            | 71            |
| Deposits paid for right-of-use assets                          |       | 31            | 114           |
| Prepayments for investments                                    |       | –             | 474           |
| Contract costs   |       | 81            | 95            |
| Other prepayment and deposits                                  |       | 78            | 52            |
| Deferred tax asset   |       | 13            | 13            |
| Restricted bank deposits                                       |       | 422           | –             |
|  |       | <b>27,401</b> | <b>20,870</b> |
|  |       | <b>27,401</b> | <b>20,870</b> |
| <b>CURRENT ASSETS</b>  |       |               |               |
| Trade receivables, deposits, prepayments and other receivables | 8     | 1,058         | 754           |
| Financial assets at fair value through profit or loss          |       | 215           | 1,620         |
| Contract costs   |       | 68            | 74            |
| Restricted bank deposits                                       |       | 41            | 101           |
| Bank balances and cash   |       | 4,793         | 3,327         |
|  |       | <b>6,175</b>  | <b>5,876</b>  |
|  |       | <b>6,175</b>  | <b>5,876</b>  |
| <b>CURRENT LIABILITIES</b>                                     |       |               |               |
| Trade payables   | 9     | 56            | 27            |
| Contract liabilities   |       | 3,178         | 2,266         |
| Other payables and accrued expenses                            |       | 1,992         | 1,935         |
| Deferred income  |       | 61            | 57            |
| Provisions   |       | 371           | 378           |
| Lease liabilities  |       | 26            | 24            |
| Income tax payable   |       | 98            | 88            |
| Bank and other borrowings                                      |       | 1,831         | 1,473         |
| Convertible bonds  |       | –             | 2,244         |
|  |       | <b>7,613</b>  | <b>8,492</b>  |
|  |       | <b>7,613</b>  | <b>8,492</b>  |

|  | <b>At 31 August</b> |                    |
|--|---------------------|--------------------|
|  | <b>2022</b>         | 2021               |
|  | <i>RMB million</i>  | <i>RMB million</i> |
| <b>NET CURRENT LIABILITIES</b>               | <b>(1,438)</b>      | <b>(2,616)</b>     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> | <b>25,963</b>       | 18,254             |
| <b>NON-CURRENT LIABILITIES</b>               |                     |                    |
| Other payables                               | 613                 | 813                |
| Deferred income                              | 15                  | 16                 |
| Lease liabilities                            | 67                  | 83                 |
| Deferred tax liability                       | 1,631               | 967                |
| Bank and other borrowings and bonds          | 7,057               | 4,618              |
| Convertible bonds                            | 3                   | –                  |
|  | <b>9,386</b>        | 6,497              |
|  | <b>16,577</b>       | 11,757             |
| <b>CAPITAL AND RESERVES</b>                  |                     |                    |
| Share capital                                | –*                  | –*                 |
| Reserves                                     | 14,008              | 10,920             |
| Equity attributable to owners of the Company | 14,008              | 10,920             |
| Non-controlling interests                    | 2,569               | 837                |
|  | <b>16,577</b>       | 11,757             |

\* *Less than RMB1 million.*



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 August 2022*

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie (Mr. Yu and Mr. Xie collectively referred to as the “Controlling Equity Holders”), who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2017. The address of the registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 6703-04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

The Group conducts a substantial portion of the business through consolidated affiliated entities under contractual arrangements in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company. The units of presentation of the consolidated financial statements have been changed from thousand to million in the current year. The directors of the Company consider this presentation to be more understandable while does not omit material information.

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

#### **Basis of preparation of consolidated financial statements**

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets of RMB1,438 million as at 31 August 2022. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors of the Company consider that after taking into account the internal fund resources, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

### **Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 September 2021 for the preparation of the consolidated financial statements:

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

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

#### ***Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”***

The amendments have had no impact on the consolidated financial statements as none of the Group’s relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank and other loans measured at amortised cost.

### **3. REVENUE AND SEGMENT INFORMATION**

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

Revenue represents services income from education services (including tuition and boarding) and ancillary services.

Information reported to the Group’s chief operating decision maker (“CODM”), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher vocational education, secondary vocational education and global education.

- Higher vocational education institutions mainly deliver bachelor’s degree programmes, junior college diploma programmes and continuing education programmes in the PRC;
- Secondary vocational education institutions mainly deliver secondary vocational diploma programmes, post-secondary vocational diploma programmes and technician diploma programmes in the PRC; and
- Global education institutions mainly deliver master’s degree programmes, graduate certificate programmes, graduate diploma programmes, bachelor’s degree programmes and undergraduate diploma programmes overseas.

The higher vocational education segment and secondary vocational education segment principally derive revenue by provision of education services (including tuition and boarding) and ancillary services while the global education segment principally derives its revenue by provision of tuition services. Each category of institution constitutes an operating segment and reportable segment.

### Segment revenues and results

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

|   | <b>Higher<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Secondary<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Global<br/>education</b><br><i>RMB million</i> | <b>Total</b><br><i>RMB million</i> |
|---|--|---|---|------------------------------------|
| <i>For the year ended 31 August 2022</i>  |  |   |   |                                    |
| Revenue                                   | <u>3,931</u>   | <u>636</u>  | <u>189</u>  | <u>4,756</u>                       |
| Segment results                           | <u><u>1,895</u></u>  | <u><u>253</u></u>   | <u><u>51</u></u>                                  | <u>2,199</u>                       |
| Other gains and losses                    |  |   |   | (197)                              |
| Fair value change on convertible bonds    |  |   |   | 299                                |
| Finance costs                             |  |   |   | (308)                              |
| Investment income                         |  |   |   | 61                                 |
| Unallocated corporate income and expenses |  |   |   | <u>(85)</u>                        |
| Profit before taxation                    |  |   |   | <u><u>1,969</u></u>                |
| <i>For the year ended 31 August 2021</i>  |  |   |   |                                    |
| Revenue                                   | <u>2,759</u>   | <u>703</u>  | <u>220</u>  | <u>3,682</u>                       |
| Segment results                           | <u><u>1,364</u></u>  | <u><u>343</u></u>   | <u><u>75</u></u>                                  | 1,782                              |
| Other expense, other gains and losses     |  |   |   | (240)                              |
| Fair value change on convertible bonds    |  |   |   | 145                                |
| Finance costs                             |  |   |   | (162)                              |
| Investment income                         |  |   |   | 43                                 |
| Unallocated corporate income and expenses |  |   |   | <u>(57)</u>                        |
| Profit before taxation                    |  |   |   | <u><u>1,511</u></u>                |

|  | <b>Higher<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Secondary<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Global<br/>education</b><br><i>RMB million</i> | <b>Unallocated</b><br><i>RMB million</i> | <b>Total</b><br><i>RMB million</i> |
|--|--|---|---|--|------------------------------------|
| <i>For the year ended 31 August 2022</i>                   |  |   |   |  |                                    |
| Depreciation of property, plant and equipment              | <u>488</u>   | <u>55</u>   | <u>3</u>  | <u>4</u>                                 | <u>550</u>                         |
| Depreciation of right-of-use assets                        | <u>35</u>  | <u>11</u>   | <u>20</u>   | <u>3</u>                                 | <u>69</u>                          |
| Amortisation of intangible assets                          | <u>–</u>   | <u>9</u>  | <u>–</u>  | <u>–</u>                                 | <u>9</u>                           |
| Impairment losses on goodwill recognised in profit or loss | <u>–</u>   | <u>70</u>   | <u>–</u>  | <u>–</u>                                 | <u>70</u>                          |
| <i>For the year ended 31 August 2021</i>                   |  |   |   |  |                                    |
| Depreciation of property, plant and equipment              | <u>304</u>   | <u>48</u>   | <u>2</u>  | <u>1</u>                                 | <u>355</u>                         |
| Depreciation of right-of-use assets                        | <u>33</u>  | <u>6</u>  | <u>9</u>  | <u>4</u>                                 | <u>52</u>                          |
| Amortisation of intangible assets                          | <u>–</u>   | <u>14</u>   | <u>–</u>  | <u>–</u>                                 | <u>14</u>                          |
| Impairment losses on goodwill recognised in profit or loss | <u>–</u>   | <u>59</u>   | <u>–</u>  | <u>–</u>                                 | <u>59</u>                          |

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

## Revenue from major services

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

|   | <b>Higher<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Secondary<br/>vocational<br/>education</b><br><i>RMB million</i> | <b>Global<br/>education</b><br><i>RMB million</i> | <b>Total</b><br><i>RMB million</i> |
|---|--|---|---|------------------------------------|
| <i>Year ended 31 August 2022</i>        |  |   |   |                                    |
| Education services recognised over time | <b>3,905</b>   | <b>626</b>  | <b>189</b>  | <b>4,720</b>                       |
| Ancillary services recognised over time | <b>26</b>  | <b>10</b>   | <b>–</b>  | <b>36</b>                          |
|   | <b><u>3,931</u></b>  | <b><u>636</u></b>   | <b><u>189</u></b>                                 | <b><u>4,756</u></b>                |
| <i>Year ended 31 August 2021</i>        |  |   |   |                                    |
| Education services recognised over time | 2,732  | 687   | 220   | 3,639                              |
| Ancillary services recognised over time | 27   | 16  | –   | 43                                 |
|   | <b><u>2,759</u></b>  | <b><u>703</u></b>   | <b><u>220</u></b>                                 | <b><u>3,682</u></b>                |

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

### ***Geographical information***

The Group operates in the PRC and Australia.

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

|           | <b>Revenue from customers</b> |                    | <b>Non-current assets (Note)</b> |                    |
|-----------|-------------------------------|--------------------|----------------------------------|--------------------|
|           | <b>Year ended 31 August</b>   |                    | <b>At 31 August</b>              |                    |
|           | <b>2022</b>                   | 2021               | <b>2022</b>                      | 2021               |
|           | <i>RMB million</i>            | <i>RMB million</i> | <i>RMB million</i>               | <i>RMB million</i> |
| The PRC   | <b>4,567</b>                  | 3,462              | <b>26,099</b>                    | 20,007             |
| Australia | <b>189</b>                    | 220                | <b>865</b>                       | 846                |
| Hong Kong | <b>—</b>                      | —                  | <b>2</b>                         | 4                  |
|           | <b>4,756</b>                  | 3,682              | <b>26,966</b>                    | 20,857             |

*Note:* Non-current assets exclude financial instruments and deferred tax assets.

### ***Information about major customers***

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 August 2022 or 2021.

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

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

## **4. TAXATION**

|                                    | <b>Year ended 31 August</b> |                    |
|------------------------------------|-----------------------------|--------------------|
|                                    | <b>2022</b>                 | 2021               |
|                                    | <i>RMB million</i>          | <i>RMB million</i> |
| Income tax charge (credit):        |                             |                    |
| Current tax                        |                             |                    |
| — Enterprise Income Tax (“EIT”)    | <b>26</b>                   | 22                 |
| — Australian Corporate Income Tax  | <b>6</b>                    | 21                 |
| Overprovision in prior years — EIT | <b>(3)</b>                  | (2)                |
| Deferred tax                       | <b>4</b>                    | (2)                |
|                                    | <b>33</b>                   | 39                 |

## 5. PROFIT FOR THE YEAR

|   | Year ended 31 August |                    |
|---|----------------------|--------------------|
|   | 2022                 | 2021               |
|   | <i>RMB million</i>   | <i>RMB million</i> |
| Profit for the year has been arrived at after charging (crediting): |                      |                    |
| Staff costs, including directors' remuneration                      |                      |                    |
| — salaries and other allowances                                     | 1,190                | 871                |
| — retirement benefit scheme contributions                           | 201                  | 141                |
| — share-based payments  | 20                   | (25)               |
|   | <u>1,411</u>         | <u>987</u>         |
| Total staff costs   | <u>1,411</u>         | <u>987</u>         |
| Depreciation of property, plant and equipment                       | 550                  | 355                |
| Depreciation of right-of-use assets                                 | 69                   | 52                 |
| Amortisation of intangible assets (included in cost of revenue)     | 9                    | 14                 |
| Auditor's remuneration  | 6                    | 5                  |
|   | <u>6</u>             | <u>5</u>           |

## 6. DIVIDENDS

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

|   | Year ended 31 August |                    |
|---|----------------------|--------------------|
|   | 2022                 | 2021               |
|   | <i>RMB million</i>   | <i>RMB million</i> |
| Final dividend for the year ended 31 August 2021 of HK20.2 cents<br>(2021: HK13.9 cents final dividend for the year ended<br>31 August 2020) per ordinary share | 395                  | 264                |
| Interim dividend for the six months ended 28 February 2021 of<br>HK19.7 cents (2022: nil for six months ended 28 February 2022)<br>per ordinary share           | —                    | 373                |
|   | <u>395</u>           | <u>637</u>         |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2022 of RMB33.57 cents per ordinary share (2021: HK20.2 cents per ordinary share) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.



## 7. EARNINGS PER SHARE

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

|  | <b>Year ended 31 August</b> |                    |
|--|-----------------------------|--------------------|
|  | <b>2022</b>                 | 2021               |
|  | <i>RMB million</i>          | <i>RMB million</i> |
| <b>Earnings:</b>   |                             |                    |
| Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share    | <b>1,845</b>                | 1,444              |
| Effect of dilutive potential ordinary shares:  |                             |                    |
| Fair value change on convertible bonds   | <u>(299)</u>                | <u>(145)</u>       |
| Profit for the year attributable to owners of the Company for the purpose of calculating dilutive earnings per share | <u><b>1,546</b></u>         | <u>1,299</u>       |
|  | <b>Year ended 31 August</b> |                    |
|  | <b>2022</b>                 | 2021               |
|  | <i>million</i>              | <i>million</i>     |
| <b>Number of shares:</b>   |                             |                    |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                               | <b>2,395</b>                | 2,220              |
| Effects of dilutive potential ordinary shares:   |                             |                    |
| Share options granted under Pre-IPO Share Option Scheme  | <b>14</b>                   | 18                 |
| Share options granted under Post-IPO Share Option Scheme   | –                           | –*                 |
| Convertible bonds  | <u><b>94</b></u>            | <u>166</u>         |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share                             | <u><b>2,503</b></u>         | <u>2,404</u>       |

\* *Less than RMB1 million.*

The weighted average number of ordinary shares for purpose of calculating basic earnings per share has included the Consideration Shares (as defined in note 10) in relation to the acquisition of the Long Link Group (as defined in note 10) from the acquisition date.

The computation of diluted earnings per share for the year ended 31 August 2022 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as the exercise price of these options was higher than the market price for shares for the year.

## 8. TRADE RECEIVABLES AND RECEIVABLES FROM EDUCATION BUREAUS

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

|               | At 31 August       |                    |
|---------------|--------------------|--------------------|
|               | 2022               | 2021               |
|               | <i>RMB million</i> | <i>RMB million</i> |
| 0–90 days     | 10                 | –                  |
| 91–120 days   | 15                 | 13                 |
| Over 120 days | 35                 | 58                 |
|               | <u>60</u>          | <u>71</u>          |

## 9. TRADE PAYABLES

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

|              | At 31 August       |                    |
|--------------|--------------------|--------------------|
|              | 2022               | 2021               |
|              | <i>RMB million</i> | <i>RMB million</i> |
| 0–30 days    | 2                  | 5                  |
| 31–90 days   | 31                 | 12                 |
| Over 90 days | 23                 | 10                 |
|              | <u>56</u>          | <u>27</u>          |

## 10. ACQUISITION OF BUSINESSES

### Acquisition of the Long Link Group

On 26 July 2021, the Group entered into an agreement (the “Sichuan Acquisition Agreement”) in respect of the acquisition of the entire equity interest in Long Link Investment Limited (“Long Link”, together with its subsidiaries, collectively be referred to as the “Long Link Group”) at a total consideration of RMB2,329 million, comprising of a cash consideration of RMB1,676 million and issue of 58,996,455 shares of the Company (the “Consideration Shares”) at the contractual issue price of HK\$15.69 per share amounting to RMB653 million. Long Link is principally interested in 51% equity interests of several management companies and 51% sponsorship interest in Chengdu Jincheng College.

The acquisition of the entire equity interest in Long Link has been completed on 14 September 2021. The consideration has been settled partly by the prepayment for this investment amounting to RMB414 million during the year ended 31 August 2021. 38,309,387 Consideration Shares been allotted and issued at the said contractual issue price during year ended 31 August 2022.

Details of the acquisition were set out in the announcements of the Company dated 26 July 2021, 10 August 2021 and 14 September 2021.

## 11. CAPITAL COMMITMENTS

|   | At 31 August       |                    |
|---|--------------------|--------------------|
|   | 2022               | 2021               |
|   | <i>RMB million</i> | <i>RMB million</i> |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of |                    |                    |
| — property, plant and equipment and right-of-use assets   | 1,370              | 1,175              |
| — Others  | —                  | 6                  |
|   | <u>1,370</u>       | <u>1,181</u>       |

As at 31 August 2022, the Group committed an undrawn loan commitment of RMB9 million (2021: RMB28 million).

## DEFINITIONS

|                                  |  |
|----------------------------------|--|
| “affiliate”                      | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person                           |
| “Blue Sky BVI”                   | Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company  |
| “Board”                          | the board of directors of the Company  |
| “CG Code”                        | Corporate Governance Code contained in Appendix 14 to the Listing Rules  |
| “China” or “PRC”                 | the People’s Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan                   |
| “Company”                        | China Education Group Holdings Limited (中國教育集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “controlling shareholders”       | has the meaning ascribed to it under the Listing Rules   |
| “Director(s)”                    | the director(s) of the Company   |
| “Group”, “we”, “us”,<br>or “our” | the Company, its subsidiaries and its consolidated affiliated entities from time to time   |
| “Hong Kong”                      | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Hong Kong dollars”<br>or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong  |

|                                |   |
|--------------------------------|---|
| “independent third party(ies)” | any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules |
| “Listing Rules”                | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “Model Code”                   | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules                 |
| “Mr. Xie”                      | Mr. Xie Ketao (謝可滔), an executive director, co-chairman and a controlling shareholder of the Company                                |
| “Mr. Yu”                       | Mr. Yu Guo (于果), an executive director, co-chairman and a controlling shareholder of the Company                                    |
| “RMB” or “Renminbi”            | Renminbi, the lawful currency of China  |
| “Shareholder(s)”               | holder(s) of our Share(s)   |
| “Shares”                       | ordinary shares in our Company of par value HK\$0.00001 each  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “subsidiary(ies)”              | has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)                    |
| “United States” or “US”        | the United States of America, its territories, its possessions and all areas subject to its jurisdiction                            |
| “US dollars”                   | United States dollars, the lawful currency of the United States   |

“White Clouds BVI”

White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder of the Company

“%”

per cent

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

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

Hong Kong, 28 November 2022

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