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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 2023

The Board is pleased to announce the annual results of the Group for the year ended 31 August 2023.

HIGHLIGHTS

	Year ended 31 August 2023 (RMB million)	Year ended 31 August 2022 (RMB million)	Change (RMB million)	Change (Percentage)
Revenue	5,616	4,756	860	+18.1%
Gross profit	3,164	2,754	410	+14.9%
Adjusted net profit ⁽ⁱ⁾	2,077	1,891	186	+9.8%
Adjusted net profit attributable to owners of the Company ⁽ⁱ⁾	1,908	1,800	108	+6.0%
Adjusted EBITDA ⁽ⁱ⁾	3,361	2,856	505	+17.7%

Cash reserve was recorded RMB5,802 million as at 31 August 2023. The Board recommended the payment of final dividend of RMB13.53 cents per share.

Note:

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

MANAGEMENT'S STATEMENT

Looking back to 2022/23, China has placed vocational education in a higher position with more significant mission, and private vocational education has been particularly encouraged. The report of the 20th Party Congress further proposed to “promote collaborative innovation in vocational education, higher education, and continuing education and promote integration between vocational education and general education, between industry and education, and between science and education, and better establish vocational education as a category in the educational system”, which is a key initiative of the CPC Central Committee centred on President Xi Jinping in comprehensively deploying the policy of “implementing the strategy of invigorating China through science and education and developing a strong workforce for the modernization drive”. In November 2022, five departments including the Ministry of Education issued a notice on the Implementation Programme on Fulfilling the Conditions for Operating Vocational Schools (《職業學校辦學條件達標工程實施方案》), encouraging the exploration of a diversified investment mechanism to attract more social funds for vocational education. In December 2022, the CPC Central Committee and the State Council issued the Outline of the Plan for the Strategy to Expand Domestic Demand (2022–2035) (《擴大內需戰略規劃綱要(2022–2035年)》), encouraging the improvement of the vocational and technical education and training system, supporting and regulating the development of private education, and steadily pushing forward the reform of the classification and management of private education. In December 2022, the General Office of the CPC Central Committee and the General Office of the State Council published the Opinions on Deepening the Reform of the Development of Modern Vocational Education System (《關於深化現代職業教育體系建設改革的意見》), which puts the promotion of the high-quality development of modern vocational education in a more prominent position, explores a new mechanism for local governments and social forces to invest in the development of vocational education, and encourages the expansion of the enrolment of application-oriented undergraduate schools from the vocational education college entrance examination. In June 2023, eight departments including the NDRC announced the Implementation Programme on Improving Vocational Education Empowered by Industry-Education Integration (2023–2025) (《職業教育產教融合賦能提升行動實施方案(2023–2025年)》), which proposes 19 policies and measures in five areas, including finance, investment, treasury, land and credit, to increase encouragement and support, and promote the integration of talent cultivation and industrial development. Against such backdrop, China Education Group has been adhering to high quality education by optimising the setup of college majors, improving the quality of campuses, establishing an open-ended regional industry-education integration practice centre, strengthening the construction of a “dual-qualified” teaching team, and improving the management system, and has achieved continuous improvement in education and teaching and steady growth in its operating results.

1. Number of New Students and Student Enrollment Increases Stably with Policy Tailwinds

During 2022/23, the scale of higher education in China continued to expand. 12.91 million students across the country participated in the 2023 college entrance examination, representing an increase of 980,000 from the previous year and another record high. “China’s Education Modernization 2035” (《中國教育現代化2035》) suggests that the demand for higher education in China will continue to grow, with the gross enrolment rate of higher education reaching 65% by 2035. Against this backdrop, the high-quality career-oriented programmes opened in the member schools of China Education Group have been well received by students, and the campus expansion of such schools has provided sufficient capacity for scale growth, resulting in a stable increase in the number of new full-time students and students enrolled in such schools. The number of registered new full-time students in the member schools of China Education Group in the PRC for the 2023/24 academic year reached approximately 97,000, representing a year-on-year increase of approximately 17%, among which, the number of registered new full-time students of higher education reached approximately 84,000, representing a year-on-year increase of approximately 18%. As at August 2023, the number of full-time students enrolled in such member schools stood at approximately 248,000, representing a year-on-year increase of approximately 7%, among which, the number of full-time students of higher education enrolled in such member schools stood at approximately 199,000, representing a year-on-year increase of approximately 13%.

2. Education Quality and Social Reputation Reach New Heights to Lead High-Quality Development

China Education Group has always focused on serving major national strategies, closely followed the trend of industrial upgrading and technological changes, accelerated the transformation and upgrading of majors and opened more scarce majors that meet the market demand in its member schools to establish a majors system closely linked to the industrial chain and innovation chain, and realize the synergistic effect of majors development and industrial development, so as to cultivate skilled talents adaptive to new industries and new businesses. During the reporting period, focusing on intelligent manufacturing, digital creativity and virtual reality, the member schools of China Education Group provided, at the higher vocational education level, an aggregate of 372 application-oriented undergraduate majors, an increase of 13 year-on-year; 182 junior college majors, an increase of 13 year-on-year; and 205 continuing education majors, an increase of 13 year-on-year. During the period from 2019 to 2023, an aggregate of 5 national new engineering/art-based research and practice projects, 3 national first-class undergraduate programmes, 75 provincial first-class undergraduate programmes and 34

provincial first-class undergraduate majors were granted. As at August 2023, the member schools were granted 9 projects of the national Natural Science Foundation (自然科學基金), 4 projects of the national Social Science Foundation (社會科學基金) and 12 humanities and social sciences projects of the Ministry of Education.

During the reporting period, China Education Group supported its member schools in the construction of relevant disciplines and the cultivation of cross-disciplinary talents in various ways, for example, supporting and encouraging teachers to go deep into practice in enterprises in conjunction with the requirements of professional development to improve their teaching ability with a practical approach, strengthen the building of a “dual-qualified” (雙師型) teaching team, and improve the teaching ability and teaching management capacity of teachers. Jiangxi School was approved by the Ministry of Education for 2 international cooperative scientific research projects under the “Chunhui Program” (春暉計劃), being the only private undergraduate college in Jiangxi Province. Sichuan School was approved to start up 15 projects on the higher education talent cultivation quality and teaching reform in Sichuan Province, ranking top in terms of project numbers among peers in the province and 1 project of the provincial Natural Science Foundation, and 14 massive open online courses was included on the platform “Smart Education of China • Higher Education”. Guangzhou School was approved to start up 4 provincial Model Political Education Projects (課程思政示範項目). Hainan School won 1 first prize and 1 second prize of the provincial Teaching Achievement Award (教學成果獎), and 2 second prizes of the provincial Scientific Research Achievement Award (科研成果獎). Zhaoqing School was awarded with 2023 Guangdong Characteristic Demonstrative Employment and Entrepreneurship Programme (2023年廣東省就業創業特色示範課程). Shandong School was approved for 1 provincial key project on undergraduate teaching reform research, and won 2 second prizes of the “Tenth Shandong Higher Education Young Teachers Teaching Competition” (山東省第十屆高校青年教師教學比賽). Chongqing School was approved for 1 new Youth Project (青年項目) of the Ministry of Education, and 12 new research projects on higher education teaching reform in Chongqing. Guangzhou Polytechnic School won the first prize of the 2nd BETT National Business English Translation Teachers’ Golden Class Competition (Junior Colleges) (第二屆BETT全國商務英語翻譯教師金課大賽(專科組)). Shaanxi School obtained 1 certificate for the conclusion of a key teaching and research topic of Shaanxi technical education.

During the reporting period, the member schools of China Education Group adhered to the concept of high-quality development, and continued to increase resource investment, which brought the education quality and social reputation to a new level. Jiangxi School won the first prize in the National College Business Elite Challenge “Jingchuang Education Cup” Innovation and Entrepreneurship Competition (全國高校商業精英挑戰

賽“精創杯”創新創業競賽) and the grand prize in the National English Competition for College Students 2022. Guangzhou School was awarded the “Green School of Guangdong Province” (廣東省綠色學校). Sichuan School was the first in Central and Western China and second in China among peers according to the National College Competition Rankings 2022 (2022年全國普通高校大學生競賽排行榜), and students won a Gold Award in the Global Branding Planning Competition 2023 (Singapore). Hainan School was awarded the Impactful Entrepreneurial College 2022 (2022年度影響力創業型典範高校). Shandong School was awarded the Best Brand Impact College in Shandong 2022 (2022年山東最佳品牌影響力高校). Students from Chongqing School won the first prize during the 2022 “HEP” Cup National Business English Practice Contest. Students from Zhaoqing School, the only private undergraduate college in Guangdong selected as a Demonstrative Innovation and Entrepreneurship Education School for College Students in Guangdong Province (2022–2025) (廣東省大學生創新創業教育示範學校(2022–2025年)), won the team championship during the French Shuttlecock Open 2023. Guangzhou Polytechnic School was honoured as the Most Trusted Guangdong Higher Vocational College by Secondary Schools (廣東省最受中學信賴高職院校) during the 2022 grand ceremony of education “Power of Role Models” by EOL. Guangzhou Vocational School was honoured as an outstanding contribution unit (參賽工作突出貢獻單位) during the WorldSkills Competition 2022 Special Edition, and its students received the title of “The 21st National Youth Post Master” (第21屆全國青年崗位能手) and gained gold medals in fashion technology and fashion technology (selected) during the 3rd Vocational Skills Competition of Guangdong Province (& Guangdong Qualification Trials of the 2nd National Skills Competition) (廣東省第三屆職業技能大賽(暨第二屆全國技能大賽廣東省選拔賽)). Students from Shaanxi School won the first prize in Robotic Process Automation during the BRICS Vocational Skills Competitions 2022. Zhengzhou School was honoured with the “20th Anniversary of the promulgation and implementation of the Law on the Promotion of Privately-run Schools — Excellent Privately-run Vocational School in Henan” (《民辦教育促進法》頒佈實施20週年·河南優秀民辦職業學校).

3. Further Develop in the Bohai Rim Economic Circle and the Greater Bay Area to Provide a Model for the Collaborative Regional Development of Vocational Education

China Education Group continues to increase its investment in the key industrial and economic clusters in China to cultivate application-oriented talents meeting the needs of the new era by providing majors and programmes closely aligned with the development needs of the society in order to better support the development of the local economy. During the reporting period, the construction of phase III of the new campus of Zhaoqing School in Guangdong Province has been progressing smoothly; and Shandong School, with the strong support of the local government, has formally commenced the construction

of a new campus in Yantai City, Phase I of which, with a planned area of more than 700 mu, is scheduled to be put into use in 2024/25 academic year. With excellent geographical location and beautiful natural environment, the new campus of Shandong School will be beneficial to meet the demand for talents in the Bohai Rim Economic Circle, the Yellow River Delta High-Efficiency Eco-Economic Zone, the Shandong Peninsula Blue Economic Zone, and the Jiaodong Peninsula High-End Industrial Cluster. In the future, the new campus of Shandong School to be built in the Bohai Rim Economic Circle will interact with the leading high-quality campuses of the member schools of China Education Group located in the three major industrial clusters, i.e., the Chengdu-Chongqing Twin Cities Economic Circle, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Zone to promote the integrated and modernised development of vocational education and provide demonstration and guidance for the collaborative regional development of vocational education.

During the reporting period, Chongqing School, Jiangxi School, Hainan School and other schools continued to invest in infrastructure and upgraded existing campuses with the addition of modern libraries, multi-functional teaching buildings, integrated sports halls, art centres, etc., and the construction or renovation of approximately 200 smart classrooms and more than 270 on-campus and off-campus training rooms/laboratories, including the brain-computer interface technology research and application lab, artificial intelligence laboratory, digital intelligence and financial innovation laboratory, and intelligent manufacturing integrated learning centre. China Education Group also continued to increase investment in smart campuses. In Guangzhou Polytechnic School, for example, an information security management centre has been established comprising face recognition systems, vehicle barrier gate systems, vehicle recognition systems, and AI cameras. The construction of the smart campus began to take shape and made the school the first higher vocational college in Guangdong province to have multi-operator 5G networks. Besides, the school actively promoted education and teaching with smart campus empowerment, and won a third prize in the smart education category during the “Bloom Cup” 5G Application Competition organised by the MIIT.

The high-quality development for public benefit of China Education Group has received strong support from domestic and international financial institutions. In April 2023, China Education Group successfully issued offshore RMB500 million investment-grade guaranteed bonds (phase II) guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank and rated “AA” by S&P Global Ratings.

4. Actively Promote Enterprise and School Cooperation, and Optimise and Innovate Employment Services

Reform of the modern vocational education system is encouraged to be aligned with the frontiers of industrial development to construct open-ended regional industry-education integration practice centres that integrate practical teaching, social training, real production and technical service functions. Insisting on the direction of the education reform for application-oriented undergraduate colleges and universities, the member schools of China Education Group thoroughly implement the spirit of the relevant guiding documents, vigorously promote region-based, sector-driven and industry-oriented school operation and cooperate with hundreds of enterprises to establish off-campus practice bases. During the reporting period, according to the requirements of the Ministry of Education on the standards for modern industrial colleges, China Education Group has actively promoted the construction of industrial colleges, and established ten modern industrial colleges such as college of optoelectronics, college of e-commerce, college of new-generation information technology, and college of digital creativity, which have facilitated the organic integration of the education chain, the talent chain with the industry chain and the innovation chain, and also improved the ability of schools to cultivate high-quality application-oriented talents and serve the economic and social development.

Given the changing and challenging social environment and employment situation, China Education Group continues to optimise and innovate its career services to promote the employment of graduates in an orderly manner. During the reporting period, China Education Group established cooperation relationship with 3,516 enterprises, an increase of 41 over the last financial year. Member schools delivered 72,000 application-oriented graduates to the society, representing an increase of 16.1% over the previous year. During the reporting period, China Education Group had 120 new, cumulatively 253, industry-academia co-operation projects, and 90 new, cumulatively 99, supply-demand matching employment and education projects approved by the Ministry of Education. Jiangxi School was approved as a pilot base for the innovation of the employment system of colleges and universities in Jiangxi Province. By establishing the positioning of application-oriented talent cultivation to serve local employment needs, it strives to construct a basic employment and entrepreneurship pattern of “one point, three areas and multiple lines”, i.e., to be based on Jiangxi, focus on the Yangtze River Delta, the Pearl River Delta and the Southeast Fujian Economic Zone, and extend to multiple lines, aiming to establish a new paradigm of college and university employment work system.

5. Expand International Education Cooperation Networks and Further Strengthen the Collaboration of Domestic and Overseas Resources

As stated by President Xi Jinping in “Solidly Promoting the Development of China as a Leading Country in Education” (《扎實推動教育強國建設》), it is vital to improve the strategy of opening up education, coordinate and focus on “bringing in” and “going out”, and make effective use of the world’s first-class education resources and innovation elements to make China an important education centre with strong influence in the world. China Education Group is firmly committed to promoting the international development of school education, fostering innovation in education and teaching, realizing the sharing of international educational resources and expanding the network of global university partners, so as to broaden students’ horizons, optimize education and teaching models and cultivate innovative talents with global vision. During the reporting period, China Education Group continued to strengthen international cooperation between its PRC member schools and Australia School and United Kingdom School. As of October 2023, member schools in China has passed the assessment of The Quality Assurance Agency of the United Kingdom for Higher Education (英國高等教育質量保證署) in six majors including accounting, financial management, visual communication design, computer science and technology, film science and software engineering. The number of students participating in international education programmes in Australia School and United Kingdom School has maintained growth; China Education Group continues to develop in-depth cooperation with institutions in the United Kingdom, Canada, Australia, New Zealand, Singapore and other countries to connect high-quality international education resources for domestic students. In the future, China Education Group will take advantage of the Group’s global platform to continue to further promote cooperation between schools at home and abroad, provide high-quality courses and learning platforms with international vision for domestic and foreign students, and better meet the growing needs of domestic and foreign students for international education.

6. Attach Great Importance to the Optimization of the Talent Cultivation and Management System in a People-Oriented Manner

China Education Group has always pursued the people-oriented concept. While increasing hardware investment, it attaches great importance to talent cultivation and optimization of internal management system. Through systematic training plan, open resource sharing and standardized management platform, member schools of China Education Group can realize the sharing and complementarity of advantageous resources, so that teachers and students can fully enjoy high-quality resources. During the reporting period, China Education Group organized training in education and teaching, human resources management, logistics management, financial management, information management,

etc., and engaged experts or industrial elites as lecturers to deeply analyze the outstanding problems in the evaluation practice process and propose constructive plans, so as to improve the professional level of teaching staff and the administrative management ability of management cadres. China Education Group adheres to the “student-oriented” teaching strategies and the quality management philosophy of “continuous improvement”, continuously improves the talent training and teaching quality standards, and creates a superior teaching environment and teaching conditions for teachers and students. Through the combination of internal evaluation and external evaluation, member schools monitor the process of teaching and teaching management, and constantly stabilize the quality of teaching. For example, during the reporting period, Jiangxi School conducted a survey in relation to 46 sub-categories of 7 categories in the education and teaching process, and the data showed that students were very satisfied with campus culture, teaching style and style of study, and major and curriculum setting. During the reporting period, China Education Group was awarded “China Best Managed Companies” (中國卓越管理公司) by Deloitte for five consecutive years, and is the only selected academic education enterprise, representing that China Education Group’s education management system has been well recognized by the society.

7. Fulfill Social Responsibility to Promote Common Prosperity as a National Goal

China Education Group has always adhered to the fundamental principle of “Educating People with Good Morals” to realize the well-rounded and comprehensive education, continuously improving the sense of social responsibility and historical mission of students. During the reporting period, member schools of China Education Group organized a number of social practice activities. The San Xia Xiang activity of Chongqing School in the summer vacation of 2022 won 14 national awards and 6 municipal awards, including “San Xia Xiang on Camera” (鏡頭中的三下鄉) and “1,000 Schools and 1,000 Projects” (千校千項), and was successfully selected into the top 100 of the 8th National College Students Summer Vacation Practice Research Report (第八屆全國大學生暑假實踐調研報告). Sichuan School organized a total of 930 teams in the social practice of “San Xia Xiang” (三下鄉) in the winter and summer vacations of 2023, with a total of 11,000 participants, forming more than 800 valuable practical achievements such as news reports, research reports and publicity videos of social practice, which were followed up and reported by national, provincial and municipal media for more than 100 times. Zhaoqing School’s San Xia Xiang Project, “Gathering at Longmen to Warm Youth’s Hearts” (聚千年龍門，共暖少年心), was selected as the volunteer service demonstration team of “Colorful Holidays” (七彩假期) of young volunteers from universities nationwide in 2023; the team of “One Summer in Rural Areas, Walking with Law” (鄉約一夏，與法同行) of the San Xia Xiang Project was selected as the special social practice activity team of “Youth’s Journey in China under Law” (法治中國青春行). The team of the Art and

Architecture College under Guangzhou Polytechnic School won the title of National Key Team of San Xia Xiang in 2022; the team of the Management and Law College won the title of Key Team of San Xia Xiang in Guangdong Province.

China Education Group adheres to the concept of originating from the society and returning to the society, provides scholarships for students with economic difficulties and excellent academic achievements, and strengthens the protection of the rights and interests of students and teachers. The member schools of China Education Group have funded nearly 84,000 students in recent three years. The member schools of China Education Group have trained nearly 28,000 migrant workers accumulatively within three years, involving projects including online business operation, graphic images, database application, automobile beauty, cooking, efficient cultivation technology of crop planting, etc. For its contribution to promoting social equity, China Education Group has been recognized as an “inclusive business” by the International Finance Corporation of the World Bank Group.

8. Steady Improvement in Operating Results Contributing to Sustained High-Quality Development

In 2022/23, China Education Group grew steadily in financial performance, with adjusted net profit increasing by 9.8% year-on-year to RMB2,077 million, and adjusted net profit attributable to owners of the Company increasing by 6.0% year-on-year to RMB1,908 million. The adjusted EBITDA increased by 17.7% year-on-year from RMB2,856 million for the year ended 31 August 2022 to RMB3,361 million for the year ended 31 August 2023. At the same time, China Education Group has increased its investment in member schools used for capital expenditure of RMB2,637 million such as campus expansion. As of 31 August 2023, China Education Group had total assets of RMB35,754 million, representing a year-on-year increase of 6.5%. Cash reserve amounted to RMB5,802 million, representing a year-on-year increase of RMB281 million. The healthy performance growth, sufficient expansion investment and steady cash reserve may strongly support the sustainable high-quality development of China Education Group.

9. Outlook

Industrial reform and structural adjustment promote the renewal and upgrading of vocational education in all aspects, and also provide great opportunities for the development of private higher education and vocational education, and endow them with greater historical mission. Relying on strong policy support and more than 30 years of experience in private higher education and vocational education, China Education Group will firmly establish a high-quality development path, earnestly fulfill China Education Group's mission and social responsibility to "pioneer excellence and innovation in education", actively participate in the construction of the industry-education consortium and the industry-education integration community, cultivate more high-quality technical and skilled talents, skilled craftsmen and great craftsmen, and lay a solid foundation for accelerating the construction of a powerful country in terms of education, science and technology and talents, so as to provide education to the satisfaction of the general public, comprehensively promote educational equity, and lay a solid foundation for the construction of a national strategic talent team.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the years ended 31 August 2023 and 2022 are as follows:

	Years ended	
	31 August 2023	31 August 2022
	<i>RMB million</i>	<i>RMB million</i>
Revenue	5,616	4,756
Cost of revenue	<u>(2,452)</u>	<u>(2,002)</u>
Gross profit	3,164	2,754
Other income	286	254
Selling expenses	(182)	(170)
Administrative expenses	<u>(775)</u>	<u>(724)</u>
Operating profit	2,493	2,114
Investment income	77	61
Other gains and losses	(540)	(197)
Fair value change on convertible bonds	–	299
Finance costs	<u>(469)</u>	<u>(308)</u>
Profit before taxation	1,561	1,969
Taxation	<u>(20)</u>	<u>(33)</u>
Net profit	<u>1,541</u>	<u>1,936</u>
Net profit attributable to owners of the Company	<u>1,380</u>	<u>1,845</u>
Adjusted net profit attributable to owners of the Company	<u>1,908</u>	<u>1,800</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 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 on our results for the relevant periods. In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, readers should not view the non-IFRS measures in isolation or as a substitute for our profit for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

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

Calculation of Adjusted Net Profit

	Years ended	
	31 August 2023	31 August 2022
	<i>RMB million</i>	<i>RMB million</i>
Net profit	1,541	1,936
Adjustments for:		
Foreign exchange gain/loss	66	123
Share-based payments ⁽ⁱ⁾	17	20
Imputed interest on deferred cash considerations ⁽ⁱⁱ⁾	–	4
Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	–	(299)
Current period expenses related to conversion of independent colleges into private universities ^(iv)	19	34
Fair value change on construction cost payables for school premises ^(v)	39	3
Non-cash impairment loss recognised in respect of goodwill and intangible assets, net of deferred tax ^(vi)	395	70
	<hr/>	<hr/>
Adjusted net profit	2,077	1,891
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Calculation of Adjusted Net Profit Attributable to Owners of the Company

		Years ended	
		31 August 2023	31 August 2022
		RMB million	RMB million
Net profit attributable to owners of the Company		1,380	1,845
Adjustments for:	Foreign exchange gain/loss	66	123
	Share-based payments ⁽ⁱ⁾	17	20
	Imputed interest on deferred cash considerations ⁽ⁱⁱ⁾	–	4
	Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	–	(299)
	Current period expenses related to conversion of independent colleges into private universities ^(iv)	19	34
	Fair value change on construction cost payables for school premises ^(v)	31	3
	Non-cash impairment loss recognised in respect of goodwill and intangible assets, net of deferred tax ^(vi)	395	70
Adjusted net profit attributable to owners of the Company		1,908	1,800

Calculation of Adjusted EBITDA

		Years ended	
		31 August 2023	31 August 2022
		RMB million	RMB million
Profit for the year		1,541	1,936
Add:	Finance costs	469	308
	Taxation	20	33
	Depreciation of property, plant and equipment	662	550
	Depreciation of right-of-use assets	65	69
	Amortisation of intangible assets	5	9
EBITDA		2,762	2,905
Adjustments for:	Foreign exchange gain/loss	66	123
	Share-based payments ⁽ⁱ⁾	17	20
	Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	–	(299)
	Current period expenses related to conversion of independent colleges into private universities ^(iv)	19	34
	Fair value change on construction cost payables for school premises ^(v)	39	3
	Non-cash impairment loss recognised in respect of goodwill and intangible assets ^(vi)	458	70
Adjusted EBITDA		3,361	2,856

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 and did not result in cash outflow.
- iv. The Group's independent colleges pay partnership fees to their public school co-sponsors. All independent colleges of our Group have been converted 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 did not generate any cash outflows. Our management believes that the non-cash impairment item and related deferred tax do not impact our operations. Please refer to the paragraphs below headed "Other Gains and Losses" for the details of impairment loss recognised in respect of goodwill and intangible assets.

Revenue

The Group's revenue reached RMB5,616 million for the year ended 31 August 2023, up 18.1% as compared to RMB4,756 million for the year ended 31 August 2022.

Domestic Market Segment

Revenue from domestic market segment increased from RMB4,567 million for the year ended 31 August 2022 to RMB5,396 million for the year ended 31 August 2023, representing a 18.2% increase. The significant increase in revenue was mainly driven by the growth in student enrollment and revenue per student of higher vocational education institutions.

International Market Segment

Revenue from international market segment increased from RMB189 million for the year ended 31 August 2022 to RMB220 million for the year ended 31 August 2023, representing a 16.4% increase. The significant increase in revenue of international market segment was mainly driven by the increase in the number of new students.

Cost of Revenue

The cost of revenue increased from RMB2,002 million for the year ended 31 August 2022 to RMB2,452 million for the year ended 31 August 2023, representing a 22.5% increase. The increase was mainly due to the growth of student number. Furthermore, to improve the connotation construction of the schools and promote the high-quality development of the schools, the investment in teachers and teaching were increased.

Gross Profit

The Group's gross profit was RMB3,164 million for the year ended 31 August 2023, up 14.9% as compared to RMB2,754 million for the year ended 31 August 2022.

Other Income

Other income mainly included income from on-campus management and service to vendors and government grants. The income from on-campus management and service to vendors and government grants were RMB100 million and RMB58 million, respectively, for the year ended 31 August 2023 as compared to RMB105 million and RMB59 million, respectively, for the year ended 31 August 2022.

Selling Expenses

The Group's selling expenses were RMB182 million for the year ended 31 August 2023 as compared to RMB170 million for year ended 31 August 2022. The selling expenses represented about 3.2% of revenue for the year ended 31 August 2023 and was decreased as compared to that of 3.6% for the year ended 31 August 2022.

Administrative Expenses

The Group's administrative expenses were RMB775 million for the year ended 31 August 2023 as compared to RMB724 million for the year ended 31 August 2022. The increase was mainly attributable to the increase of student enrollment and the new campuses and buildings commencing to use and starting to recognise depreciation.

Operating Profit

The operating profit amounted to RMB2,493 million for the year ended 31 August 2023, increased by 17.9% as compared to RMB2,114 million for the year ended 31 August 2022.

Other Gains and Losses

The other gains and losses were recorded at net losses of RMB540 million for the year ended 31 August 2023 which was mainly attributable to the impairment loss recognised in respect of goodwill and intangible assets of RMB458 million.

During the year ended 31 August 2023, while the revenue of the Group has grown significantly year-over-year, the Company estimated the value in use of one of cash generating units ("CGU") and concluded that the carrying amounts of the relevant assets of the CGU were impaired to their recoverable amount as at 31 August 2023. The impairment amounted to about 1.3% of the Group's total assets as at 31 August 2023.

An independent valuer was engaged to perform the impairment analysis. The recoverable amount was determined based on a value in use calculation. In measuring value in use, an entity mainly bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. There was no subsequent change in valuation method adopted since the CGU was acquired by the Group in 2018.

The value in use calculation was based on estimating future cash flows expected to arise from the CGU and applying a specific discount rate to calculate the present value. As at 31 August 2023, the discount rates applied was 17.02% (2022: 17.10%). The cash flows beyond the five-year forecast period are extrapolated using steady growth rates of 2% as at 31 August 2023 (2022: 2%). The compound annual growth rates of revenue in the next five years were 11.11% as at 31 August 2023 (2022: 15.58%).

There were no material changes in the value of inputs or key assumptions adopted in the valuation except for the downward revision of revenue in the forecast period due to an observed shift in customer trends and preferences. During the year ended 31 August 2023, the management of the Company noticed that although the COVID-related restrictions have been lifted, the business of the CGU of the year has grown over the prior year, it has not fully recovered to the pre-pandemic levels. The management of the Company also noticed that business of similar providers in the region in which the CGU located also decreased compared to the pre-pandemic levels.

Taking into account the above reasons, the Company has reduced the compound annual growth rates of revenue of the CGU for the impairment analysis, resulting in the recognition of the impairment losses on goodwill and intangible assets.

Fair Value Change on Convertible Bonds

During the year ended 31 August 2022, the Company redeemed and repurchased convertible bonds with principal amounts of HK\$1,544 million and HK\$807 million, respectively. During the year ended 31 August 2023, the principal amount of the convertible bonds (due March 2024) that remains outstanding was HK\$4 million. The convertible bonds are classified as financial liabilities and are measured at fair values. During the year ended 31 August 2023, no fair value change on convertible bonds was recognised in profit or loss (the year ended 31 August 2022: the fair value gain of RMB299 million as a result of the decrease in fair value of convertible bonds).

Finance Costs

The finance costs were increased from RMB308 million for the year ended 31 August 2022 to RMB469 million for the year ended 31 August 2023. For the year ended 31 August 2023, the finance costs mainly represented i) the interest expenses on bank and other borrowings and bonds of RMB529 million (the year ended 31 August 2022: RMB351 million) and ii) deduction of interest expenses capitalised in the cost of property, plant and equipment of RMB67 million (the year ended 31 August 2022: RMB62 million). The increase in the interest expenses on bank and other borrowings and bonds was attributed to the rise in interest rates on our US Dollar-denominated floating-rate borrowings. These finance costs are expected to reduce once the US Dollar interest rates begin to decline.

Net Profit and Return on Equity

The adjusted net profit was increased by 9.8% to RMB2,077 million for the year ended 31 August 2023 from RMB1,891 million for the year ended 31 August 2022, after adjusting for the foreign exchange gain/loss, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, 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 Group's net profit was decreased to RMB1,541 million for the year ended 31 August 2023 from RMB1,936 million for the year ended 31 August 2022. The drop in net profit was mainly attributable to the impairment loss recognized in respect of goodwill and intangible assets, net of deferred tax, of RMB395 million recognised for the current year as compared to that of RMB70 million recognised for the year ended 31 August 2022. The adjusted net profit attributable to owners of the Company was increased by 6.0% to RMB1,908 million for the year ended 31 August 2023.

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 12.9% for the year ended 31 August 2023 and remained sound and fair.

EBITDA

Adjusting for the foreign exchange gain/loss, share-based payments, fair value change on convertible bonds, 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 17.7% from RMB2,856 million for the year ended 31 August 2022 to RMB3,361 million for the year ended 31 August 2023. EBITDA was decreased to RMB2,762 million for the year ended 31 August 2023 from RMB2,905 million for the year ended 31 August 2022.

Property, Plant and Equipment

Property, plant and equipment as at 31 August 2023 increased by 12.5% to RMB17,668 million from RMB15,700 million as at 31 August 2022. Increase in property, plant and equipment was mainly due to the construction of new buildings of existing campuses and new campuses in Guangdong Province.

Capital Expenditures

Our capital expenditures for the year ended 31 August 2023 were RMB2,637 million (the year ended 31 August 2022: RMB2,144 million) and were primarily related to the construction of new buildings of existing campuses and new campuses in Guangdong Province.

Cash Reserve

Including bank balances and cash, restricted bank deposits, structured deposits and money market funds recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,802 million as at 31 August 2023 (31 August 2022: RMB5,521 million). The Group placed 147,000,000 Shares and received total net proceeds of HK\$1,598 million (equivalent to RMB1,406 million) in January 2023.

Liquidity, Financial Resources and Gearing Ratio

As at 31 August 2023, the Group had cash reserve of RMB5,802 million (31 August 2022: RMB5,521 million).

As at 31 August 2023, the Group had bank and other borrowings and bonds of RMB8,603 million (31 August 2022: RMB8,888 million) and convertible bonds of RMB3 million (31 August 2022: RMB3 million).

As at 31 August 2023, 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 15.3% (31 August 2022: 20.3%). As at 31 August 2023, 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 24.1% (31 August 2022: 26.5%). 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 2023. 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 2023, 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

The primary functional currency of the Group is RMB. For the Group's operation in the PRC, the major revenue and expenditures are denominated in RMB. For the Group's operations outside the PRC, the major revenue and expenditures are denominated in functional currencies of the relevant territories. The Group also has certain foreign currency bank balances, money market funds, 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 2023, the Group had no significant contingent liability.

Charges on the Group's Assets

As at 31 August 2023, the bank and other borrowings of the Group amounting to RMB6,138 million (31 August 2022: RMB5,831 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 2023.

BUSINESS OVERVIEW

The Group is a leading provider of vocational education services. The Group is committed to developing more high-quality skilled professionals and enhancing the core competencies of vocational schools by cultivating a "dual-qualified" teaching workforce, establishing open regional academia-industry practice centers, expanding student development pathways, and innovating international exchange and cooperation mechanisms. For five consecutive years, Deloitte has named the Group one of China's "Best Managed Companies". The Group operates in China, Australia, and the United Kingdom and has been listed on the main board of the Hong Kong Stock Exchange since 2017. The World Bank Group has designated the Group as an "inclusive business" due to its successful promotion of social equity.

Issuance of Investment Grade Guaranteed Bonds

During the year ended 31 August 2023, the Company issued offshore RMB500 million investment grade guaranteed bonds due 2026. The bonds, which are guaranteed by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank and are rated “AA” by Standard & Poor’s Global.

The bond proceeds will be mainly used for the construction and expansion of the onshore schools operated by the Group. The issuance of the guaranteed bonds was completed on 19 April 2023 while the listing of the guaranteed bonds on the Singapore Exchange Securities Trading Limited became effective on 20 April 2023. Further details of the guaranteed bonds are set out in the announcements of the Company dated 12 April and 13 April 2023.

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 2023, 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 2023:

Purpose	Percentage to total amount	Net proceeds amount <i>RMB</i> <i>(million)</i>	Unutilised amount as at 1 September 2022 <i>RMB</i> <i>(million)</i>	Utilised amount during the year <i>RMB</i> <i>(million)</i>	Unutilised amount as at 31 August 2023 <i>RMB</i> <i>(million)</i>
Expansion and development of the Group's new campuses in the Greater Bay Area	70%	1,177.0	–	–	–
Potential acquisitions	30%	504.4	93.3	–	93.3
	<u>100%</u>	<u>1,681.4</u>	<u>93.3</u>	<u>–</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

The net proceeds amounted to approximately HK\$1,170.0 million (net of related costs, professional fees and out-of-pocket expenses) from the subscription completed on 27 October 2021 will be fully utilised in next twelve months for potential acquisitions in the modern-vocational education space. The Group did not have material acquisition during the financial year ended 31 August 2023, 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. As at 31 August 2023, none of the net proceeds has been utilised.

Further details of the top-up placing and the subscription are set out in the Company's announcements dated 19 October 2021 and 27 October 2021.

January 2023

On 9 January 2023, Blue Sky, White Clouds 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 and White Clouds 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 147,000,000 Shares at the placing price of HK\$10.94 per Share (the “Placing”).

On the same day, Blue Sky, White Clouds and the Company entered into a subscription agreement (the “Subscription Agreement”), pursuant to which Blue Sky and White Clouds agree to subscribe for, and the Company agrees to issue to Blue Sky and White Clouds the subscription shares equivalent to the number of placing shares at HK\$10.94 per Share upon the terms and conditions set out in the Subscription Agreement (the “Subscription”).

The Placing and the Subscription were completed on 12 January 2023 and 17 January 2023 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\$1,598 million (equivalent to RMB1,406 million) (net of related costs, professional fees and out-of pocket expenses) will be fully utilised in next twelve months for the expansion of school network (including campus development and potential mergers and acquisitions) and working capital purposes as 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 2023:

Purpose	Percentage to total amount	Net	Unutilised	Utilised	Unutilised
		proceeds	amount	amount	amount
		28 February	as at	during	as at
		2023	2023	the year	31 August
		RMB	RMB	RMB	RMB
		(million)	(million)	(million)	(million)
Expansion of school network (including campus development and potential mergers and acquisitions)	90%	1,265	1,265	661	604
General working capital	10%	141	141	141	–
	100%	1,406	1,406	802	604

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\$1,470 and the net subscription price is approximately HK\$10.87 per Share. The subscription shares have a market value of approximately HK\$1,764 million based on the closing price of HK\$12 of the Shares on 9 January 2023, being the date of the Subscription Agreement.

Further details of the Placing and the Subscription are set out in the Company's announcements dated 10 January 2023 and 17 January 2023.

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 31 August 2023, the Group had 16,468 employees (31 August 2022: 13,655), a 20.6% increase from 2022's due to organic growth in employees in our existing schools and new campuses.

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 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 plans (pension, housing provident fund, medical, unemployment, work injury and maternity insurance) 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 follows the Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as other relevant laws and regulations of its 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 candidate's academic qualification, relevant work experience, past performance and professionalism, 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 according to job responsibilities and employment conditions, 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 RMB13.53 cents (equivalent to HK14.81 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 27 November 2023, i.e. RMB0.9135 equivalent to HKD1.00) per ordinary Share for the year ended 31 August 2023 (for the year ended 31 August 2022: RMB33.57 cents per ordinary Share) to Shareholders whose names appear on the register of members of the Company on Wednesday, 21 February 2024. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid on or around Wednesday, 27 March 2024. Together with the interim dividend of RMB16.38 cents per ordinary Share, the total dividend distribution equals to approximately 40% of the adjusted net profit attributable to owners of the Company for the year ended 31 August 2023. Together with the Shares repurchased during the year ended 31 August 2023, the capital that the Company returned to Shareholders during the year will account for approximately 42% of the adjusted net profit attributable to owners of the Company for the year ended 31 August 2023.

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 Tuesday, 30 January 2024. Notice convening the forthcoming annual general meeting will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the Forthcoming Annual General Meeting

The register of members of the Company will be closed from Thursday, 25 January 2024 to Tuesday, 30 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 January 2024.

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, 16 February 2024 to Wednesday, 21 February 2024, 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, 15 February 2024.

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 2023, the conversion price of the convertible bonds was adjusted from HK\$13.75 per Share to HK\$12.65 per Share due to the allotment and issue of 20,687,068 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 2022.

During the year ended 31 August 2023, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption or purchase or cancellation was made by the Company. As at 31 August 2023, the aggregate principal amount of the convertible bonds that remains outstanding was HK\$4,000,000. Upon full conversion of the outstanding convertible bonds, the Company may issue 316,206 Shares (based on the conversion price of HK\$12.65 per Share), which represent approximately 0.0124% of the total number of Shares in issue as at 31 August 2023 and approximately 0.0124% of the total number of Shares in issue as enlarged by the number of new Shares issued upon full conversion of the outstanding convertible bonds. Set out below is the dilution effect on equity interest of the substantial Shareholders:

Name of Substantial Shareholders	As at 31 August 2023		Upon full conversion of the outstanding convertible bonds as of 31 August 2023 at the conversion price of HK\$12.65 per Share	
	Number of Shares	Approximate % of all Shares in issue	Number of Shares	Approximate % of all Shares in issue
Blue Sky	772,184,000	30.26%	772,184,000	30.26%
White Clouds	772,184,000	30.26%	772,184,000	30.26%

On 31 August 2023, the Group recorded total net assets of approximately RMB18,304 million and cash reserve of approximately RMB5,802 million. Based on the financial positions of the Group, the Company was able to meet its redemption obligations under the convertible bonds.

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 Company's 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 2023, the Company repurchased a total of 3,923,000 ordinary Shares in September 2022 on the Stock Exchange with an aggregate consideration paid (before expenses) amounting to HK\$22,181,280.09. The highest and lowest price paid per Share of such repurchases are HK\$6.28 and HK\$5.35 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. Please refer to the Company's next day disclosure returns dated 6, 19, 27 and 28 September 2022 and 16 November 2022 for details of such repurchases and cancellation.

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 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLIC FLOAT

As at the date of this announcement, based on the information publicly available to the Company and within the knowledge of the Directors, 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 2023, 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 have complied with the required standards set out in the Model Code throughout the year ended 31 August 2023.

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 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 November 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The annual report of the Company for the year ended 31 August 2023 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 2023

	NOTES	Year ended 31 August	
		2023 RMB million	2022 RMB million
Revenue	3	5,616	4,756
Cost of revenue		(2,452)	(2,002)
Gross profit		3,164	2,754
Investment income		77	61
Other income		286	254
Other gains and losses		(540)	(197)
Fair value change on convertible bonds		–	299
Selling expenses		(182)	(170)
Administrative expenses		(775)	(724)
Finance costs		(469)	(308)
Profit before taxation		1,561	1,969
Taxation	4	(20)	(33)
Profit and total comprehensive income for the year	5	1,541	1,936
Profit and total comprehensive income for the year attributable to:			
— owners of the Company		1,380	1,845
— non-controlling interests		161	91
		1,541	1,936
Earnings per share	7		
Basic (RMB cents)		55.31	77.04
Diluted (RMB cents)		55.22	61.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2023

		At 31 August	
		2023	2022
	NOTES	RMB million	RMB million
NON-CURRENT ASSETS			
Property, plant and equipment		17,668	15,700
Right-of-use assets		2,334	2,101
Goodwill		3,627	3,835
Other intangible assets		4,840	5,100
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		188	71
Contract costs		61	81
Other prepayment and deposits		25	78
Deferred tax asset		27	13
Restricted bank deposits		11	422
		<u>28,781</u>	<u>27,401</u>
CURRENT ASSETS			
Trade receivables, deposits, prepayments and other receivables	8	1,123	1,058
Financial assets at fair value through profit or loss		570	215
Contract costs		59	68
Restricted bank deposits		44	41
Cash and cash equivalents		5,177	4,793
		<u>6,973</u>	<u>6,175</u>
CURRENT LIABILITIES			
Trade payables	9	52	56
Contract liabilities		3,821	3,178
Other payables and accrued expenses		2,269	1,992
Deferred income		58	61
Provisions		325	371
Lease liabilities		27	26
Income tax payable		96	98
Bank and other borrowings		1,581	1,831
Convertible bonds		3	–
		<u>8,232</u>	<u>7,613</u>

	At 31 August	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
NET CURRENT LIABILITIES	(1,259)	(1,438)
TOTAL ASSETS LESS CURRENT LIABILITIES	27,522	25,963
NON-CURRENT LIABILITIES		
Other payables	514	613
Deferred income	64	15
Lease liabilities	46	67
Deferred tax liability	1,572	1,631
Bank and other borrowings and bonds	7,022	7,057
Convertible bonds	–	3
	9,218	9,386
	18,304	16,577
CAPITAL AND RESERVES		
Share capital	–*	–*
Reserves	15,574	14,008
Equity attributable to owners of the Company	15,574	14,008
Non-controlling interests	2,730	2,569
	18,304	16,577

* *Less than RMB1 million.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie, who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (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.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets of RMB1,259 million as at 31 August 2023. 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 end of the reporting period. 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 for the first time, which are mandatorily effective for the annual periods beginning on 1 September 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

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.

3. REVENUE AND SEGMENT INFORMATION

The Group mainly engages in the provision of vocational education services.

Revenue represents services income from education and ancillary services in the domestic and international markets.

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 geographical locations of customers. In the current year, the Group reorganised its internal reporting structure, which resulted in changes to the composition of its operating and reportable segments. The "higher vocational education" segment and the "secondary vocational education" segment in the previous reporting structure are combined and presented as the "domestic market" segment while "global education" segment is renamed as "international market" segment to better reflect the relevant businesses of the Group, assessments of performance across different operating units and allocations of resources thereto. Prior year segment disclosures are restated to conform with the current year presentation.

Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" in the current year are as follows:

- Domestic market segment focuses in the domestic PRC market, comprising education services (including tuition fees and boarding fees) delivered by higher vocational education institutions and secondary vocational education institutions as well as ancillary services; and
- International market segment focuses in the international market, comprising education services (including tuition fees and boarding fees) delivered by institutions outside of the PRC.

Segment revenues and results

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

	Domestic Market <i>RMB million</i>	International Market <i>RMB million</i>	Total <i>RMB million</i>
<i>For the year ended 31 August 2023</i>			
Revenue	<u>5,396</u>	<u>220</u>	<u>5,616</u>
Segment results	<u><u>2,482</u></u>	<u><u>34</u></u>	<u>2,516</u>
Investment income			77
Other gains and losses			(540)
Finance costs			(469)
Unallocated corporate income and expenses			<u>(23)</u>
Profit before taxation			<u><u>1,561</u></u>
<i>For the year ended 31 August 2022 (as restated)</i>			
Revenue	<u>4,567</u>	<u>189</u>	<u>4,756</u>
Segment results	<u><u>2,148</u></u>	<u><u>51</u></u>	<u>2,199</u>
Investment income			61
Other gains and losses			(197)
Fair value change on convertible bonds			299
Finance costs			(308)
Unallocated corporate income and expenses			<u>(85)</u>
Profit before taxation			<u><u>1,969</u></u>

	Domestic Market <i>RMB million</i>	International Market <i>RMB million</i>	Unallocated <i>RMB million</i>	Total <i>RMB million</i>
<i>For the year ended 31 August 2023</i>				
Depreciation of property, plant and equipment	<u>654</u>	<u>5</u>	<u>3</u>	<u>662</u>
Depreciation of right-of-use assets (net of capitalised as cost of construction in progress)	<u>46</u>	<u>15</u>	<u>4</u>	<u>65</u>
Amortisation of intangible assets	<u>5</u>	<u>–</u>	<u>–</u>	<u>5</u>
Impairment losses on goodwill and intangible assets recognised in profit or loss	<u>458</u>	<u>–</u>	<u>–</u>	<u>458</u>
<i>For the year ended 31 August 2022 (as restated)</i>				
Depreciation of property, plant and equipment	<u>543</u>	<u>3</u>	<u>4</u>	<u>550</u>
Depreciation of right-of-use assets	<u>46</u>	<u>20</u>	<u>3</u>	<u>69</u>
Amortisation of intangible assets	<u>9</u>	<u>–</u>	<u>–</u>	<u>9</u>
Impairment losses on goodwill recognised in profit or loss	<u>70</u>	<u>–</u>	<u>–</u>	<u>70</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 gains and losses, fair value change on convertible bonds, finance costs and corporate income and expenses (including 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:

	Domestic Market <i>RMB million</i>	International Market <i>RMB million</i>	Total <i>RMB million</i>
<i>Year ended 31 August 2023</i>			
Education services recognised over time	5,361	220	5,581
Ancillary services recognised over time	35	–	35
	<u>5,396</u>	<u>220</u>	<u>5,616</u>
<i>Year ended 31 August 2022 (as restated)</i>			
Education services recognised over time	4,531	189	4,720
Ancillary services recognised over time	36	–	36
	<u>4,567</u>	<u>189</u>	<u>4,756</u>

The Group's contracts with students 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 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 mainly operates in the PRC and Australia.

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

	Revenue from customers		Non-current assets (Note)	
	Year ended 31 August		At 31 August	
	2023	2022	2023	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
The PRC	5,396	4,567	27,868	26,021
Australia	220	189	849	865
Hong Kong, China	—	—	1	2
	5,616	4,756	28,718	26,888

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 2023 or 2022.

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

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

4. TAXATION

	Year ended 31 August	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Income tax charge (credit):		
Current tax		
— Enterprise Income Tax ("EIT")	93	26
— Australian Corporate Income Tax	7	6
Overprovision in prior years — EIT	(7)	(3)
Deferred tax	(73)	4
	20	33

5. PROFIT FOR THE YEAR

	Year ended 31 August	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	1,473	1,190
— retirement benefit scheme contributions	226	201
— share-based payments	17	20
Total staff costs	<u>1,716</u>	<u>1,411</u>
Depreciation of property, plant and equipment	662	550
Depreciation of right-of-use assets (net of capitalised as cost of construction in progress)	65	69
Amortisation of intangible assets (included in cost of revenue)	5	9
Auditor's remuneration	<u>6</u>	<u>6</u>

6. DIVIDENDS

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

	Year ended 31 August	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Final dividend for the year ended 31 August 2022 of RMB33.57 cents (2022: HK20.2 cents final dividend for the year ended 31 August 2021) per ordinary share	806	395
Interim dividend for the six months ended 28 February 2023 of RMB16.38 cents (2022: nil) per ordinary share	<u>415</u>	<u>—</u>
	<u>1,221</u>	<u>395</u>

The 2022 final dividend and 2023 interim dividend were settled in cash, with an alternative to receive the dividend (or part thereof) in form of scrip shares. The 2022 final dividend and 2023 interim dividend have been settled by cash of RMB1,217 million and the issue of 456,035 ordinary shares of the Company in aggregate.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2023 of RMB13.53 cents per ordinary share (2022: RMB33.57 cents per ordinary share), in an aggregate amount of RMB345 million (2022: RMB800 million), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

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	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
0–90 days	26	10
91–120 days	3	15
Over 120 days	42	35
	<u>71</u>	<u>60</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	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
0–30 days	6	2
31–90 days	44	31
Over 90 days	2	23
	<u>52</u>	<u>56</u>

10. CAPITAL COMMITMENTS

	At 31 August	
	2023	2022
	<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	<u>986</u>	<u>1,370</u>

As at 31 August 2022, the Group also committed for an undrawn loan commitment of RMB9 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”	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”, 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” 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”

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, 27 November 2023

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.