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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2025

The Board is pleased to announce the interim results of the Group for the six months ended 28 February 2025.

HIGHLIGHTS

	Six months ended 28 February 2025 RMB million	Six months ended 29 February 2024 RMB million	Change RMB million	Change Percentage
Revenue	3,673	3,284	+389	+11.8%
Gross profit	1,978	1,839	+139	+7.6%
Operating profit ⁽ⁱ⁾	1,524	1,475	+49	+3.3%
Net profit	1,091	1,188	-97	-8.2%
Adjusted net profit ⁽ⁱ⁾	1,182	1,217	-35	-2.9%
Adjusted EBITDA ⁽ⁱ⁾	2,100	1,956	+144	+7.4%

Cash reserve was recorded RMB5,092 million as at 28 February 2025.

Note:

- i. Please refer to the Financial Review section for methods preparing the operating profit, adjusted net profit and adjusted earnings before interest, tax, depreciation and amortisation (“EBITDA”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the six months ended 28 February 2025 and 29 February 2024 are as follows:

	Six months ended		
	28 February 2025	29 February 2024	Change
	<i>RMB million</i>	<i>RMB million</i>	<i>Percentage</i>
Revenue	3,673	3,284	+11.8%
Cost of revenue	<u>(1,695)</u>	<u>(1,445)</u>	<u>+17.3%</u>
Gross profit	1,978	1,839	+7.6%
Other income	207	201	+3.0%
Selling expenses	(95)	(89)	+6.7%
Administrative expenses	<u>(566)</u>	<u>(476)</u>	<u>+18.9%</u>
Operating profit	1,524	1,475	+3.3%
Investment income	53	54	−1.9%
Other gains and losses	(92)	(21)	+338.1%
Finance costs	<u>(237)</u>	<u>(225)</u>	<u>+5.3%</u>
Profit before taxation	1,248	1,283	−2.7%
Taxation	<u>(157)</u>	<u>(95)</u>	<u>+65.3%</u>
Net profit	<u>1,091</u>	<u>1,188</u>	<u>−8.2%</u>
Adjusted net profit	<u>1,182</u>	<u>1,217</u>	<u>−2.9%</u>
Net profit attributable to owners of the Company	<u>967</u>	<u>1,071</u>	<u>−9.7%</u>
Adjusted net profit attributable to owners of the Company	<u>1,048</u>	<u>1,092</u>	<u>−4.0%</u>

Non-IFRS Measures

To supplement the condensed consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (“IFRS”), the Company also uses adjusted net profit, adjusted net profit attributable to owners of the Company and adjusted EBITDA as additional financial measures.

The Company presents these financial measures because they are used by the management to evaluate the Group’s financial performance by eliminating the impact of items that the management does not consider indicative of the performance of the Group’s business. The Company believes that the non-IFRS measures presented provide additional information to the Company’s management and investors to better understand and evaluate the Group’s consolidated operational performance. These measures assist both management and investors in comparing financial results across periods and with peer companies. However, the presentation of these non-IFRS measures have limitations as analytical tools because they exclude certain items that impact the Group’s financial results. Therefore, when assessing the Group’s financial and operational performance, non-IFRS measures should not be considered in isolation or as substitutes for profit for the period or any other performance measure calculated in accordance with IFRS. Furthermore, because other companies may calculate non-IFRS measures differently, they may not be directly comparable to similarly titled measures used by other companies.

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

Calculation of Adjusted Net Profit

		Six months ended	
		28 February	29 February
		2025	2024
		RMB million	RMB million
Net profit		1,091	1,188
Adjustments for:	Foreign exchange gain/loss	66	5
	Expenses related to converting independent colleges into private universities ⁽ⁱ⁾	–	4
	Fair value change on construction cost payables for school premises ⁽ⁱⁱ⁾	25	20
Adjusted net profit		1,182	1,217

Calculation of Adjusted Net Profit Attributable to Owners of the Company

		Six months ended	
		28 February	29 February
		2025	2024
		RMB million	RMB million
Net profit attributable to owners of the Company		967	1,071
Adjustments for:	Foreign exchange gain/loss	66	5
	Expenses related to converting independent colleges into private universities ⁽ⁱ⁾	–	4
	Fair value change on construction cost payables for school premises ⁽ⁱⁱ⁾	15	12
Adjusted net profit attributable to owners of the Company		1,048	1,092

Calculation of Adjusted EBITDA

		Six months ended	
		28 February 2025	29 February 2024
		RMB million	RMB million
Profit for the period		1,091	1,188
Add:	Finance costs	237	225
	Taxation	157	95
	Depreciation of property, plant and equipment	478	380
	Depreciation of right-of-use assets	46	39
EBITDA		2,009	1,927
Adjustments for:	Foreign exchange gain/loss	66	5
	Expenses related to converting independent colleges into private universities ⁽ⁱ⁾	–	4
	Fair value change on construction cost payables for school premises ⁽ⁱⁱ⁾	25	20
Adjusted EBITDA		2,100	1,956

Notes:

- i. 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 ceased to exist during the current period because all students enrolled by the independent college had graduated prior to the current period.
- ii. 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.

Revenue

The Group's revenue reached RMB3,673 million for the six months ended 28 February 2025, increased by 11.8% as compared to RMB3,284 million for the six months ended 29 February 2024.

Domestic Market Segment

Revenue from domestic market segment increased from RMB3,179 million for the six months ended 29 February 2024 to RMB3,544 million for the six months ended 28 February 2025, representing an 11.5% increase. The increase in revenue was mainly driven by the growth in student number and revenue per student in the domestic market.

International Market Segment

Revenue from international market segment amounted to RMB129 million for the six months ended 28 February 2025, up 22.9% as compared to the RMB105 million generated in the six months ended 29 February 2024. The increase in revenue was mainly driven by a rise in student enrollment.

Cost of Revenue

The cost of revenue increased from RMB1,445 million for the six months ended 29 February 2024 to RMB1,695 million for the six months ended 28 February 2025, representing a 17.3% increase. The increase was mainly due to the growth of student number. Furthermore, with the expansion of the campus and the increase in curriculum, the investment in teachers and teaching were increased.

Gross Profit

The Group's gross profit was RMB1,978 million for the six months ended 28 February 2025, representing a 7.6% increase as compared to RMB1,839 million for the six months ended 29 February 2024.

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 RMB87 million and RMB49 million, respectively, for the six months ended 28 February 2025 as compared to RMB61 million and RMB63 million, respectively, for the six months ended 29 February 2024.

Selling Expenses

The Group's selling expenses were RMB95 million for the six months ended 28 February 2025 as compared to RMB89 million for the six months ended 29 February 2024. The selling expenses represented about 2.6% of revenue for six months ended 28 February 2025, which was comparable to 2.7% for the six months ended 29 February 2024.

Administrative Expenses

The Group's administrative expenses were RMB566 million for the six months ended 28 February 2025, increased by 18.9% as compared to RMB476 million for the six months ended 29 February 2024. 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 RMB1,524 million for the six months ended 28 February 2025, increased by 3.3% as compared to RMB1,475 million for the six months ended 29 February 2024.

Other Gains and Losses

The other gains and losses were recorded at net losses of RMB92 million for the six months ended 28 February 2025 which was mainly attributable to the foreign exchange loss of RMB66 million. During the six months ended 28 February 2025, no impairment indicators were identified for the Group's cash-generating units and no impairment losses were recognised on goodwill or intangible assets.

Finance Costs

The finance costs were RMB237 million for the six months ended 28 February 2025, increased by 5.3% as compared to RMB225 million for the six months ended 29 February 2024. For the six months ended 28 February 2025, the finance costs mainly represented i) the interest expenses on bank and other borrowings and bonds of RMB271 million (2024: RMB257 million) and ii) deduction of interest expenses capitalised in the cost of property, plant and equipment of RMB41 million (2024: RMB35 million).

Net Profit and Return on Equity

The Group's net profit was RMB1,091 million for the six months ended 28 February 2025 as compared to RMB1,188 million for the six months ended 29 February 2024. The adjusted net profit decreased slightly by 2.9% to RMB1,182 million for the six months ended 28 February 2025 from RMB1,217 million for the six months ended 29 February 2024, after adjusting for the foreign exchange gain/loss, expenses related to converting independent colleges into private universities and fair value change on construction cost payables for school premises. The adjusted net profit attributable to owners of the Company decreased by 4.0% to RMB1,048 million for the six months ended 28 February 2025.

The decrease in net profit, adjusted net profit, and adjusted net profit attributable to owners of the Company was attributable to increased investments in teachers and teaching for the expansion of the campus and the increase in curriculum, and the increased depreciation related to campuses and buildings that commenced to use during the period.

The adjusted return on equity (which is calculated on the basis of annualised adjusted net profit attributable to owners of the Company to the average of the beginning and ending balance of equity attributable to owners of the Company) of the Group was 12.9% for the six months ended 28 February 2025 and remained sound and fair.

EBITDA

EBITDA was RMB2,009 million for the six months ended 28 February 2025, increase 4.3% as compared to RMB1,927 million for the six months ended 29 February 2024. Adjusting for the foreign exchange gain/loss, expenses related to converting independent colleges into private universities and fair value change on construction cost payables for school premises, the adjusted EBITDA was increased by 7.4% from RMB1,956 million for the six months ended 29 February 2024 to RMB2,100 million for the six months ended 28 February 2025.

Despite a decline in net profit, EBITDA and adjusted EBITDA rose compared to the same period of last year, indicating an improvement in core operating performance.

Property, Plant and Equipment

Property, plant and equipment as at 28 February 2025 increased by 3.3% to RMB22,425 million from RMB21,706 million as at 31 August 2024. Increase in property, plant and equipment was mainly due to the construction of new buildings at existing campuses.

Capital Expenditures

Our capital expenditures for the six months ended 28 February 2025 were RMB1,207 million (2024: RMB2,032 million) and were primarily related to the construction of new buildings at existing campuses.

Cash Reserve

Including cash and cash equivalents, restricted bank deposits and structured deposits recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,092 million as at 28 February 2025 (31 August 2024: RMB6,626 million).

Liquidity, Financial Resources and Gearing Ratio

As at 28 February 2025, the Group had bank and other borrowings and bonds of RMB9,853 million (31 August 2024: RMB10,237 million).

As at 28 February 2025, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and bonds, net of cash reserve, to total equity of the Group) was 24.6% (31 August 2024: 19.5%). As at 28 February 2025, the debt to asset ratio (which is calculated on the basis of total amount of bank and other borrowings and bonds to total assets) of 25.9% (31 August 2024: 26.4%). Certain borrowings and proceeds from placement were not yet fully utilised. In order to have a better use of our financial resources, the Group placed certain structured deposits during the six months ended 28 February 2025. The structured deposits were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

Treasury Policy

During the six months ended 28 February 2025, 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, structured deposits and bank and other borrowings denominated in US Dollars, Hong Kong Dollars and Australian Dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Contingent Liabilities

As at 28 February 2025, the Group had no significant contingent liability.

Charges on the Group's Assets

As at 28 February 2025, the bank and other borrowings of the Group amounting to RMB7,152 million (31 August 2024: RMB7,440 million) were secured by tolling right of tuition fee, boarding fee and ancillary income, fixed assets under sale and leaseback arrangements and equity interest of certain subsidiaries of the Group.

Subsequent Events after the Reporting Period

Save as disclosed in this announcement, there was no important event affecting the Group which occurred after 28 February 2025 up to the date of this announcement.

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. The Group's education management system has received ISO-9001 certification, and Deloitte has named the Group one of China's "Best Managed Companies" for six consecutive years. 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.

During the reporting period, the Group closely aligned with national strategic requirements, committed itself to high-quality education and internal development, and enhanced the ecosystem of industry-education integration, thus continuously strengthening its core competitiveness. Through initiatives such as enhancing the development of a "dual-qualified" teaching workforce, modernizing curriculum frameworks, comprehensively promoting the deep integration of artificial intelligence and education and teaching, constructing open regional centers for industry-education integration, broadening pathways for student development, and innovating mechanisms for international exchange and cooperation, the Group has systematically upgraded the key competencies of its vocational institutions, consistently delivering highly skilled technical talents to society. Furthermore, the Group has continuously increased investments in campus infrastructure and research, actively supporting its undergraduate institutions in their applications for master's degree awarding rights, thereby further enhancing their academic reputation and attractiveness.

Looking ahead, the Group remains optimistic about the long-term prospects of the education industry. The ongoing demand for high-quality education and vocational training aligns closely with national development strategies and individual career aspirations. Guided by the philosophy of "leading excellence and innovation in education" and driven by clear strategic planning, continuous innovation, and exceptional adaptability, the Group is confident it will maintain its leadership position in the evolving educational landscape. The Group aims to achieve transformative growth, cultivate strategic emerging talents aligned with contemporary development needs, and create sustained long-term value for students, faculty, shareholders, and all stakeholders.

Financing from the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB)

On 28 November 2024, the Company as borrower entered into a loan agreement and related financing documents with ADB as lender in relation to a facility of up to RMB284,900,000 with a term of up to 60 months; and Yantai Institute of Science and Technology ("Yantai Institute"), a subsidiary of the Company, as borrower entered into a loan agreement and related financing documents with ADB as lender in relation to a facility of up to RMB569,800,000 with a term of up to 84 months (the "ADB Facilities").

On 28 November 2024, Yantai Institute as borrower entered into a loan agreement and related financing documents with AIIB as lender in relation to a facility of up to RMB574,728,000 with a term of up to 84 months (the "AIIB Facility").

Further details of the ADB Facilities and AIIB Facility are set out in the announcement of the Company dated 28 November 2024.

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 are expect to be fully utilised for (1) potential acquisitions; and/or (2) expansion and development of the Group's new campuses in the Greater Bay Area. The Group did not have material acquisition during the six months ended 28 February 2025, and therefore results in delay in the use of proceeds. The Company expects that such unutilised proceeds shall be fully utilised by April 2026. 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 six months ended 28 February 2025:

Purpose	Percentage to total amount	Net proceeds amount <i>RMB million</i>	Unutilised proceeds as at 1 September 2024 <i>RMB million</i>	Utilised proceeds during the period <i>RMB million</i>	Unutilised proceeds as at 28 February 2025 <i>RMB million</i>	Expected timeline for using the unutilized proceeds <i>RMB 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	By April 2026
	<u>100%</u>	<u>1,681.4</u>	<u>93.3</u>	<u>–</u>	<u>93.3</u>	By April 2026

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 are expect to be fully utilised for potential acquisitions in the modern-vocational education space. The Group did not have material acquisition during the six months ended 28 February 2025, and therefore results in delay in the use of proceeds. The Company expects that such unutilised proceeds shall be fully utilised by April 2026. The purposes for the use of proceeds are consistent with the intentions previously disclosed in the Company's announcements. As at 28 February 2025, 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.

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 28 February 2025, the Group had 19,149 employees (29 February 2024: 17,810), a 8% increase from 2024'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, 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 and by position. Schools participate in social insurance plans under the guidance of relevant policies and provide a variety of benefits for employees. Our employees are also members of retirement benefits schemes administrated by their respective jurisdictions.

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.

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

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 28 February 2025 (for the six months ended 29 February 2024: RMB18.77 cents).

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

During the six months ended 28 February 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 28 February 2025, the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "CG Code"), save and except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Yu Kai currently serves as both the Co-chairman and the Chief Executive Officer of the Company. Although such practice deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership to advance long-term strategy, and allowing for further deepening the monetization capabilities and optimizing operating efficiency of the Group. In addition, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, given that (i) decisions to be made by the Board requires approval by at least a majority of the Directors; (ii) all the Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among others, that he/she acts for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of two executive Directors and three INEDs and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management levels.

The Board will continue to review and consider segregating the roles of Co-chairman and Chief Executive Officer at an appropriate time, taking into account the circumstances of the Group as a whole.

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 BY DIRECTORS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 28 February 2025. The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company for the six months ended 28 February 2025.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and its main duties are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2025.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 28 February 2025 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The interim report of the Company for the six months ended 28 February 2025 will be dispatched to the shareholders by post or by electronic means and published on the same websites in due course.

THE SHARE SCHEMES

The Company adopted the Post-IPO Share Option Scheme and Share Award Scheme on 29 November 2017 to incentivize eligible participants for their contributions to the Group. The principal terms of both share schemes are detailed in the Company's Annual Report 2023/2024 for the year ended 31 August 2024 ("2023/2024 financial year").

Post-IPO Share Option Scheme

As at the beginning of the period (i.e. 1 September 2024) and of the previous 2023/2024 financial year (i.e. 1 September 2023), the number of share options available for grant pursuant to the scheme mandate limit under the Post-IPO Share Option Scheme, both were 199,900,000 shares of the Company ("Shares").

As at the end of the period (i.e. 28 February 2025) and of the previous 2023/2024 financial year (i.e. 31 August 2024), the number of share options available for grant pursuant to the scheme mandate limit under the Post-IPO Share Option Scheme, both were 199,900,000 Shares.

No Post-IPO share options have been granted or agreed to be granted by the Company during the period and the previous 2023/2024 financial year. As at 28 February 2025 and 31 August 2024, the total number of Shares available for issue under the Post-IPO Share Option Scheme both were 3,295,000 Shares which represent approximately 0.12% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) as at the 28 February 2025 and 31 August 2024 respectively.

Share Award Scheme

As at the beginning of the period (i.e. 1 September 2024) and of the previous 2023/2024 financial year (i.e. 1 September 2023), the number of share awards available for grant pursuant to the scheme mandate limit under the Share Award Scheme, both were 40,000,000 Shares.

As at the end of the period (i.e. 28 February 2025) and of the previous 2023/2024 financial year (i.e. 31 August 2024), the number of share awards available for grant pursuant to the scheme mandate limit under the Share Award Scheme both were 40,000,000 Shares.

As no share awards have been granted or agreed to be granted by the Company since the conditional adoption of the Share Award Scheme, the total number of Shares available for issue under the Share Award Scheme as at the date of this announcement was NIL.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2025

		Six months ended	
		28 February 2025	29 February 2024
	NOTES	RMB million (unaudited)	RMB million (unaudited)
Revenue	3	3,673	3,284
Cost of revenue		(1,695)	(1,445)
Gross profit		1,978	1,839
Investment income		53	54
Other income	4	207	201
Other gains and losses		(92)	(21)
Selling expenses		(95)	(89)
Administrative expenses		(566)	(476)
Finance costs		(237)	(225)
Profit before taxation		1,248	1,283
Taxation	5	(157)	(95)
Profit for the period	6	1,091	1,188
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		3	(2)
Total comprehensive income for the period		1,094	1,186
Profit for the period attributable to:			
Owners of the Company		967	1,071
Non-controlling interests		124	117
		1,091	1,188
Total comprehensive income attributable to:			
Owners of the Company		970	1,069
Non-controlling interests		124	117
		1,094	1,186
Earnings per share	8		
Basic (RMB cents)		35.63	41.97
Diluted (RMB cents)		35.63	41.97

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2025

		At 28 February 2025	At 31 August 2024
	NOTES	RMB million (unaudited)	RMB million (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		22,425	21,706
Right-of-use assets		2,444	2,476
Goodwill		2,492	2,494
Other intangible assets		4,045	4,084
Deposits paid for acquisition of property, plant and equipment/ right-of-use assets		272	210
Contract costs		65	59
Deferred tax asset		15	18
Restricted bank deposits		–	12
		<u>31,758</u>	<u>31,059</u>
CURRENT ASSETS			
Trade receivables, deposits, prepayments and other receivables	9	1,108	1,092
Financial assets at fair value through profit or loss		1,221	295
Contract costs		51	58
Restricted bank deposits		57	81
Cash and cash equivalents		3,814	6,238
		<u>6,251</u>	<u>7,764</u>
CURRENT LIABILITIES			
Trade payables	10	29	41
Contract liabilities		3,623	4,635
Other payables and accrued expenses		2,627	2,787
Deferred income		53	52
Provisions		267	278
Lease liabilities		31	19
Income tax payable		67	79
Bank and other borrowings and bonds		2,205	2,497
		<u>8,902</u>	<u>10,388</u>
NET CURRENT LIABILITIES		<u>(2,651)</u>	<u>(2,624)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,107</u>	<u>28,435</u>

	At 28 February 2025 <i>RMB million</i> (unaudited)	At 31 August 2024 <i>RMB million</i> (audited)
NON-CURRENT LIABILITIES		
Other payables	567	597
Deferred income	62	70
Lease liabilities	102	109
Deferred tax liability	1,380	1,386
Bank and other borrowings and bonds	7,648	7,740
	<u>9,759</u>	<u>9,902</u>
	<u>19,348</u>	<u>18,533</u>
CAPITAL AND RESERVES		
Share capital	—*	—*
Reserves	16,539	15,848
	<u>16,539</u>	<u>15,848</u>
Equity attributable to owners of the Company	16,539	15,848
Non-controlling interests	2,809	2,685
	<u>19,348</u>	<u>18,533</u>

* Less than RMB1 million

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2025

1. BASIS OF PREPARATION

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

In preparing the condensed 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 RMB2,651 million as at 28 February 2025. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors of the Company consider that after taking into account the internal fund resources, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2025 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2024.

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standard Board which are mandatory effective for the Group's annual period beginning on 1 September 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of all the amendments to IFRS Accounting Standards in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 the customers. Specifically, the Group’s reportable segments under IFRS 8 “Operating Segments” are as follows:

- Domestic Market segment focuses in the domestic Mainland China 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 Mainland China.

Segment revenues and results

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

	Domestic Market RMB million	International Market RMB million	Total RMB million
<i>For the six months ended 28 February 2025 (unaudited)</i>			
Revenue	<u>3,544</u>	<u>129</u>	<u>3,673</u>
Segment results	<u>1,518</u>	<u>23</u>	1,541
Investment income			53
Other gains and losses			(92)
Finance costs			(237)
Unallocated corporate income and expenses			<u>(17)</u>
Profit before taxation			<u>1,248</u>
<i>For the six months ended 29 February 2024 (unaudited)</i>			
Revenue	<u>3,179</u>	<u>105</u>	<u>3,284</u>
Segment results	<u>1,455</u>	<u>15</u>	1,470
Investment income			54
Other gains and losses			(21)
Finance costs			(225)
Unallocated corporate income and expenses			<u>5</u>
Profit before taxation			<u>1,283</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, finance costs and unallocated corporate income and expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

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

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Education services recognised over time	3,646	3,263
Ancillary services recognised over time	27	21
	<u>3,673</u>	<u>3,284</u>

Geographical information

The Group mainly operates in the Mainland China 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)	
	Six months ended		At	At
	28 February 2025	29 February 2024	28 February 2025	31 August 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Mainland China	3,544	3,179	31,058	30,291
Australia	129	105	683	736
Hong Kong, China	–	–	2	2
	<u>3,673</u>	<u>3,284</u>	<u>31,743</u>	<u>31,029</u>

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

4. OTHER INCOME

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Income from on-campus management and service to venders	87	61
Other service income	18	21
Government grants (<i>Note</i>)	49	63
Others	53	56
	207	201

Note: Government grants mainly represent subsidies for procurement of laboratory apparatus and equipment and conducting educational programmes for both periods.

5. TAXATION

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Income tax charge (credit):		
Current tax		
— Enterprise Income Tax	159	91
— Australian Corporate Income Tax	1	1
Deferred tax	(3)	3
	157	95

6. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	1,033	879
— retirement benefit scheme contributions	160	141
Total staff costs	1,193	1,020
Depreciation of property, plant and equipment	478	380
Depreciation of right-of-use assets (net of capitalised as cost of construction in progress)	46	39
Foreign exchange losses, net (included in other gains and losses)	66	5

7. DIVIDENDS

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

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Final dividend for the year ended 31 August 2024 of RMB10.28 cents (six months ended 29 February 2024: RMB13.53 cents final dividend for the year ended 31 August 2023) per ordinary share	279	342

The 2024 final dividend was settled in cash, with an alternative to receive the dividend (or part thereof) in form of scrip shares. Subsequent to 28 February 2025, the 2024 final dividend has been settled by cash of HK\$89 million (equivalent to RMB82 million) and the issue of 86,521,644 ordinary shares of the Company.

No dividend has been proposed since the end of the reporting period ended 28 February 2025 (six months ended 29 February 2024: RMB18.77 cents).

8. EARNINGS PER SHARE

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

	Six months ended	
	28 February 2025	29 February 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	<u>967</u>	<u>1,071</u>
	<i>million</i>	<i>million</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>2,714</u>	<u>2,552</u>

The computation of diluted earnings per share for each of the six months ended 28 February 2025 and 29 February 2024 did not assume the exercise of the Company's share options granted under the Company's share option schemes as the adjusted exercise prices of those share options were higher than the average market prices of the shares of the Company for these periods.

9. TRADE RECEIVABLES AND RECEIVABLES FROM EDUCATION BUREAUS

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

	At 28 February 2025	At 31 August 2024
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(audited)
0–90 days	39	28
Over 90 days	<u>77</u>	<u>35</u>
	<u>116</u>	<u>63</u>

10. TRADE PAYABLES

The credit period granted by suppliers on purchase of consumables and provision of services ranged from 30 days to 60 days.

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

	At 28 February 2025 <i>RMB million</i> (unaudited)	At 31 August 2024 <i>RMB million</i> (audited)
0–30 days	4	5
31–90 days	20	31
Over 90 days	5	5
	<u>29</u>	<u>41</u>

11. CAPITAL COMMITMENTS

	At 28 February 2025 <i>RMB million</i> (unaudited)	At 31 August 2024 <i>RMB million</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and right-of-use assets	<u>814</u>	<u>1,044</u>

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
“Board”	the board of directors of the Company
“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
“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
“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 C3 to the Listing Rules
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of our Share(s)

“Shares”	the ordinary share(s) in the capital of the Company with a par value of 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
“%”	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
Chan Yuen Fung
Company Secretary

Hong Kong, 30 April 2025

As at the date of this announcement, the executive directors of the Company are 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.