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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  
and carrying on business in Hong Kong as “ChinaEdu中教常春藤”)*

**(Stock Code: 839)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2020

The Board is pleased to announce the annual results of the Group for the year ended 31 August 2020.

#### HIGHLIGHTS

	Year ended 31 August 2020 (RMB million, unless specified)	Year ended 31 August 2019 (RMB million, unless specified)	Change (RMB million, unless specified)	Change (Percentage)
Revenue	2,678.1	1,954.9	723.2	+37.0%
Gross profit	1,601.0	1,121.5	479.5	+42.8%
Baseline gross profit margin <sup>(i)</sup>	58.6%	57.4%	+120 basis points	
Operating profit	1,207.1	796.2	410.9	+51.6%
Adjusted net profit attributable to owners of the Company <sup>(ii)</sup>	984.1	764.5	219.6	+28.7%
Normalised net profit attributable to owners of the Company <sup>(ii)</sup>	1,046.5	764.5	282.0	+36.9%
Normalised EBITDA <sup>(ii)</sup>	1,542.1	1,121.8	420.3	+37.5%
Dividend per share				
Interim dividend	HK13.4 cents	HK3.5 cents	HK9.9 cents	+282.9%
Final dividend (proposed)	HK13.9 cents	HK9.0 cents	HK4.9 cents	+54.4%

Total bank balances and cash was recorded RMB4,366.6 million as at 31 August 2020.

Notes:

- i. On a like-for-like basis for institutions excluding any schools newly acquired after the comparative period.
- ii. Please refer to the Financial Review section for methods preparing the adjusted and normalised net profit attributable to owners of the Company and normalised earnings before interest, tax, depreciation and amortisation (“EBITDA”).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The financial results for the years ended 31 August 2020 and 31 August 2019 are as follows:

	<b>Year ended</b>	
	<b>31 August 2020</b>	<b>31 August 2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	<b>2,678,088</b>	1,954,874
Cost of revenue	<b>(1,077,101)</b>	(833,401)
<b>Gross profit</b>	<b>1,600,987</b>	1,121,473
Other income	<b>113,276</b>	80,554
Selling expenses	<b>(134,918)</b>	(52,796)
Administrative expenses	<b>(372,273)</b>	(352,985)
<b>Operating profit</b>	<b>1,207,072</b>	796,246
Investment income	<b>18,356</b>	33,519
Other gains and losses	<b>(33,978)</b>	(59,178)
Fair value change on convertible bonds	<b>(369,260)</b>	(16,525)
Finance costs	<b>(92,609)</b>	(85,762)
<b>Profit before taxation</b>	<b>729,581</b>	668,300
Taxation	<b>(19,230)</b>	18,938
<b>Net profit</b>	<b>710,351</b>	687,238
<b>Net profit attributable to owners of the Company</b>	<b>633,202</b>	592,617
<b>Adjusted net profit attributable to owners of the Company</b>	<b>984,127</b>	764,511
<b>Normalised net profit attributable to owners of the Company</b>	<b>1,046,517</b>	764,511

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

***Calculation of Adjusted and Normalised Net Profit***

		<b>Year ended</b>	
		<b>31 August 2020 RMB'000</b>	<b>31 August 2019 RMB'000</b>
<b>Net profit</b>		<b>710,351</b>	687,238
Adjustments for:	Foreign exchange gain/loss	<b>(42,964)</b>	65,887
	Share-based payments	<b>6,320</b>	48,863
	Imputed interest on deferred cash considerations	<b>18,309</b>	40,619
	Fair value change on convertible bonds	<b>369,260</b>	16,525
<b>Adjusted net profit</b>		<b>1,061,276</b>	859,132
Adjustment for:	One-off boarding fee refund	<b>65,155</b>	–
<b>Normalised net profit</b>		<b>1,126,431</b>	859,132

***Calculation of Adjusted and Normalised Net Profit attributable to owners of the Company***

		<b>Year ended</b>	
		<b>31 August 2020 RMB'000</b>	<b>31 August 2019 RMB'000</b>
<b>Net profit attributable to owners of the Company</b>		<b>633,202</b>	592,617
Adjustments for:	Foreign exchange gain/loss	<b>(42,964)</b>	65,887
	Share-based payments	<b>6,320</b>	48,863
	Imputed interest on deferred cash considerations	<b>18,309</b>	40,619
	Fair value change on convertible bonds	<b>369,260</b>	16,525
<b>Adjusted net profit attributable to owners of the Company</b>		<b>984,127</b>	764,511
Adjustment for:	One-off boarding fee refund attributable to owners of the Company	<b>62,390</b>	–
<b>Normalised net profit attributable to owners of the Company</b>		<b>1,046,517</b>	764,511

## **Revenue**

The Group's revenue reached RMB2,678.1 million for the year ended 31 August 2020, up 37.0% as compared to RMB1,954.9 million for the year ended 31 August 2019. The increase reflected students' strong demand for quality higher and vocational education offered by the Group and the effective execution of the Group's expansion strategy.

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

Revenue from higher education segment increased from RMB1,277.8 million for the year ended 31 August 2019 to RMB1,744.4 million for the year ended 31 August 2020, representing a 36.5% increase.

The significant increase in revenue of higher education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher education institutions and the inclusion of two new institutions, namely Shandong Quancheng University and Chongqing Translators University (which became consolidated affiliated entities of the Group in March 2019 and July 2019 respectively), to the Group.

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

Revenue from vocational education segment increased from RMB677.1 million for the year ended 31 August 2019 to RMB736.3 million for the year ended 31 August 2020, representing a 8.7% increase.

The increase in revenue of vocational education institutions was mainly driven by organic growth in student enrollment and tuition fees of three vocational education institutions.

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

The Group newly included a global education institution during the reporting period. The Group's operation also successfully established global education segment. Revenue from global education segment was RMB197.4 million for the year ended 31 August 2020. No such amount was recorded in the previous year.

## **Cost of Revenue**

The cost of revenue increased from RMB833.4 million for the year ended 31 August 2019 to RMB1,077.1 million for the year ended 31 August 2020, representing a 29.2% increase. The increase was due to the expansion of the Group, the growth of student number and the cost structure of the newly joined independent colleges, namely Shandong Quancheng University and Chongqing Translators University (which became consolidated affiliated entities of the Group in March 2019 and July 2019 respectively), which paid a partnership fee to their public school co-sponsors. Such partnership costs are expected to cease to exist after the independent colleges are converted to full private higher education schools and as a result it is expected to drive the margins to increase.

## **Gross Profit and Gross Profit Margin**

The Group's gross profit was RMB1,601.0 million for the year ended 31 August 2020 as compared to RMB1,121.5 million for the year ended 31 August 2019. The gross profit margin was 59.8% for the year ended 31 August 2020 as compared to 57.4% for the year ended 31 August 2019. On a like-for-like basis for institutions (excluding the school newly acquired after the comparative period), the gross profit margin was 58.6% for the year ended 31 August 2020, up 120 basis points as compared to the same period of last year, which demonstrated the improvement in the schools' operations under the Group's management.

## **Other Income**

Other income primarily included management fee income, academic administration income and government grants. The management fee income was increased from RMB33.6 million during the year ended 31 August 2019 to RMB36.9 million during the year ended 31 August 2020.

## **Selling Expenses**

The Group's selling expenses was RMB134.9 million for the year ended 31 August 2020 as compared to RMB52.8 million for the year ended 31 August 2019. The significant increase in selling expenses incurred for the year ended 31 August 2020 was mainly due to the inclusion of an overseas school which had higher proportion of selling expenses to its costs. Excluding the selling expenses of RMB57.3 million recognised by the newly acquired overseas school, the selling expenses increased from RMB52.8 million for the year ended 31 August 2019 to RMB77.6 million for the year ended 31 August 2020.

## **Administrative Expenses**

The Group's administrative expenses was RMB372.3 million for the year ended 31 August 2020 as compared to RMB353.0 million for the year ended 31 August 2019. It represented about 13.9% of the revenue for the year ended 31 August 2020 and was decreased as compared to that of 18.1% for the year ended 31 August 2019 which was mainly attributable to the implementation of cost saving measures, the acquisition cost synergies and the decrease in share-based payments under share option scheme. During the year ended 31 August 2020, the Group recognised an one-off reversal of share-based payments of RMB29.2 million in respect of unvested share options. The share-based payments were RMB6.3 million for the year ended 31 August 2020 as compared to RMB48.9 million for the year ended 31 August 2019.

## **Operating Profit**

The operating profit amounted to RMB1,207.1 million for the year ended 31 August 2020, increased by 51.6% as compared to RMB796.2 million for the year ended 31 August 2019. The increase was mainly due to the organic growth of the existing schools and the inclusion of new schools.

## **Other Gains and Losses**

The other gains and losses were recorded at net losses of RMB34.0 million for the year ended 31 August 2020 which was mainly attributable to the one-off COVID-19 refund of boarding fee of RMB65.2 million. Excluding this item, there would be net gains of RMB31.2 million.

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

The fair value change on convertible bonds of RMB369.3 million was recognised in profit or loss as a result of the increase in fair value of convertible bonds during the year ended 31 August 2020. The convertible bonds are classified as financial liabilities and are measured at fair values, which are determined based on certain inputs, including share price of the Company, using valuation technique. During the reporting period, the share price of the Company increased significantly and the fair value of the convertible bonds increased accordingly.

## **Finance Costs**

The finance costs of RMB92.6 million for the year ended 31 August 2020 mainly represented the interest expenses on bank and other financial institutions borrowings and imputed interest on deferred cash considerations.

## **Net Profit and Net Profit Margin**

The adjusted net profit was increased by 23.5% to RMB1,061.3 million for the year ended 31 August 2020 from RMB859.1 million for the year ended 31 August 2019, after adjusting for the foreign exchange gain/loss, share-based payments, imputed interest on deferred cash considerations and fair value change on convertible bonds. The adjusted net profit attributable to owners of the Company was increased by 28.7% to RMB984.1 million for the year ended 31 August 2020.

After adding back the one-off refund of boarding fee attributable to owners of the Company of RMB62.4 million, the normalised net profit attributable to owners of the Company was increased by 36.9% to RMB1,046.5 million for the year ended 31 August 2020.

The Group's net profit before any adjustment for the above one-off and non-cash items was RMB710.4 million for the year ended 31 August 2020 as compared to RMB687.2 million for the year ended 31 August 2019.

Due to the inclusion of new schools which had lower net profit margins as compared to the existing and more mature schools of the Group and the one-off refund of boarding fee, the adjusted net profit margin decreased from 43.9% for the year ended 31 August 2019 to 39.6% for the year ended 31 August 2020. On a like-for-like basis for institutions (excluding the school newly acquired after the comparative period), the net profit margin was 46.0% for the year ended 31 August 2020 as compared to 45.6% for the year ended 31 August 2019, up 40 basis points as compared to last year. After adding back the one-off refund of boarding fee, the normalised net profit margin on a like-for-like basis for institutions was 48.6% for the year ended 31 August 2020, up 300 basis points as compared to last year.

## **Earnings before interest, tax, depreciation and amortisation (“EBITDA”)**

EBITDA is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets and prepaid lease payments. EBITDA was increased to RMB1,144.2 million for the year ended 31 August 2020 from RMB990.5 million for the year ended 31 August 2019. Adjusting for the foreign exchange gain/loss, share-based payments and fair value change on convertible bonds, the adjusted EBITDA was increased by 31.7% from RMB1,121.8 million for the year ended 31 August 2019 to RMB1,476.9 million for the year ended 31 August 2020. Further adding back the one-off refund of boarding fee, the normalised EBITDA was increased by 37.5% to RMB1,542.1 million for the year ended 31 August 2020.

## **Property, Plant and Equipment**

Property, plant and equipment as at 31 August 2020 increased by 17.0% to RMB6,846.6 million from RMB5,850.8 million as at 31 August 2019. Increase in property, plant and equipment was mainly due to the construction of Guangdong Baiyun University’s new campus and the acquisition of land and properties adjacent to Shandong Quancheng University.

## **Total Bank Balances and Cash**

Including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash amounted to RMB4,366.6 million as at 31 August 2020 (31 August 2019: RMB4,254.4 million). The Group placed 130,000,000 Shares and received total net proceeds of HK\$2,002.5 million (equivalent to RMB1,798.3 million) in August 2020. The net proceeds will be used for the potential as well as announced acquisitions; and expansion and development of the Group’s existing and new campuses. In August 2020, the Group announced the acquisition of two schools with a total consideration of RMB1,356.0 million, out of which RMB262.8 million has been paid as at 31 August 2020.

## **Capital Expenditures**

Our capital expenditures for the year ended 31 August 2020 were RMB968.6 million and were primarily related to construction of new campus of Guangdong Baiyun University and Guangzhou Songtian University and new buildings at existing schools.

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

As at 31 August 2020, the Group had total bank balances and cash (including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits) of RMB4,366.6 million (31 August 2019: RMB4,254.4 million).



As at 31 August 2020, the Group had bank and other borrowings and convertible bonds of RMB5,106.8 million (31 August 2019: RMB4,266.6 million). Certain bank and other borrowings and proceeds from convertible bonds and placement were not yet utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the year ended 31 August 2020. 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.

As at 31 August 2020, the gearing ratio (which is calculated on the basis of total borrowings and total equity of the Group) and the net gearing ratio (which is calculated on the basis of total borrowings, net of total bank balances and cash, and total equity of the Group) were 57.3% (31 August 2019: 60.9%) and 8.3% (31 August 2019: 0.2%), respectively.

### **Foreign Exchange Risk Management**

During the year ended 31 August 2020, the Group mainly operated in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, 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.

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

As at 31 August 2020 and 31 August 2019, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group. Details of the banking facilities were set out in the announcement of the Company dated 31 May 2018.

Save as disclosed above, there was no other material charge on the Group's assets as at 31 August 2020 and 31 August 2019.

### **Contingent Liabilities**

As at 31 August 2020 and 31 August 2019, the Group had no significant contingent liability.



## BUSINESS OVERVIEW

The Group is a leading global higher and vocational education group with footprints in China, Australia, and the United Kingdom (“UK”), visioning to provide quality education through innovation. As at 31 August 2020, the Group’s school network includes nine universities and professional schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and vocational education provider in China in terms of student enrollment; as at 31 August 2020, the Group enrolled approximately 180,200 students. The Group offers a broad range of programmes and curricula. As at 31 August 2020, the Group offered 12 master’s degree programmes, 238 bachelor’s degree programmes, 71 junior college diploma programmes, 151 vocational education programmes and 115 continuing education programmes. The disciplines provided by us covered around 98% of undergraduate students’ choices and 94% of junior college students’ choices in China in 2019/2020 academic year.

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

#### *King’s Own Institute (Australia)*

In September 2019, the Group announced acquiring King’s Own Institute in Sydney, Australia and the school became a wholly-owned subsidiary of the Company in October 2019.

King’s Own Institute is a tertiary level higher education institution that has three locations in central Sydney, New South Wales, Australia and is accredited in Australia and recognised by Ministry of Education of the PRC. As at 31 August 2020, King’s Own Institute offers 15 accredited postgraduate and undergraduate degree programmes in Accounting, Business, IT and TESOL (Teaching English to Speakers of Other Languages) to both Australian domestic and international students and its programmes have been accredited by relevant industry bodies including Chartered Accountants Australia and New Zealand (CA ANZ), Certified Practising Accountant Australia (CPA Australia), and The Institute of Public Accountants (IPA Australia).

#### *Richmond, The American International University in London (UK)*

In March 2020, the Group announced its global partnership with Richmond, The American International University in London (“Richmond University”) to provide students with unique international learning opportunities.

Established in 1972, Richmond University is an accredited university to award both UK and US degrees, and is recognised by Ministry of Education of the PRC. As at 31 August 2020, Richmond University offers 29 undergraduate and postgraduate programmes, which combine the essences of UK and US teaching, blending the American focus on the Liberal Arts and personal development, with the British emphasis on academic enquiry and professional development.

## Student Enrollment

As at 31 August 2020, the Group operated in three business segments and its school network includes nine universities and professional schools in China, an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK, with a total enrollment of 180,179 students, up 6% from the enrollment as at 31 August 2019. The increase in student enrollment is attributable to the organic growth in students enrolled in our existing schools, as well as those from the three new schools joining the Group, during the year ended 31 August 2020.

<b>Business Segment</b>	<b>As at</b>	
	<b>31 August 2020</b>	<b>31 August 2019</b>
Higher Education Segment	<b>110,467<sup>(1)</sup></b>	102,706 <sup>(2)</sup>
Vocational Education Segment	<b>65,924</b>	67,392
Global Education Segment	<b>3,788</b>	3,364 <sup>(3)</sup>
<b>Total</b>	<b><u>180,179</u></b>	<b><u>170,098</u></b>

After the reporting period, the Group has further expanded its business to the Hainan Province, PRC. As at the date of this announcement, the Group had 13 schools in its school network and its student enrollment has increased to approximately 238,000 students.

*Notes:*

(1) Included 22,158 students enrolled in the continuing education programmes as at 31 August 2020.

(2) Included 20,008 students enrolled in the continuing education programmes as at 31 August 2019.

(3) The schools in this business segment had 3,364 students as at 31 August 2019. Such number is excluded from the total as the Group did not have this segment as at 31 August 2019.

## Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 30% among various programmes on an annual basis, subject to government approval where applicable. The tuition fee adjustment is determined by our school management teams subject to the operating costs and market conditions. The following table sets forth the listed tuition fees and boarding fees of our respective schools' as at 31 August 2020 for the 2019/2020 academic year.

	Listed tuition fees <sup>(1)</sup> in academic year		Boarding fees <sup>(1)</sup> in academic year	
	2019/2020 RMB	2018/2019 RMB	2019/2020 RMB	2018/2019 RMB
<b>Higher Education Segment</b>				
Jiangxi University of Technology				
Bachelor's degree programmes	<b>19,000-26,000</b>	16,000-23,000	<b>1,800-2,500</b>	1,600-2,300
Junior college diploma programmes	<b>14,500-17,000</b>	13,500-16,000	<b>1,800-2,500</b>	1,600-2,300
Continuing education programmes	<b>2,500-6,000</b>	2,500-5,000	N/A	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	<b>20,000-30,000</b>	19,000-30,000	<b>1,500-3,000</b>	1,500
Junior college diploma programmes	<b>30,000</b>	30,000	<b>1,500-3,000</b>	1,500
Continuing education programmes	<b>2,500-6,000</b>	3,000-6,000	N/A	N/A
Chongqing Translators University				
Bachelor's degree programmes	<b>12,000-18,000</b>	13,000-17,000	<b>900-1,300</b>	900-1,300
Guangzhou Songtian University				
Bachelor's degree programmes	<b>26,000-28,000</b>	23,000-25,000	<b>1,500</b>	1,500
Shandong Quancheng University				
Bachelor's degree programmes	<b>11,000-17,000</b>	11,000-14,800	<b>800-1,200</b>	800-1,200
Junior college diploma programmes	<b>8,000-12,000</b>	8,000	<b>800-1,200</b>	800-1,200
Songtian Polytechnic College				
Junior college diploma programmes	<b>13,500-16,500</b>	13,500-16,500	<b>1,500</b>	1,500
<b>Vocational Education Segment</b>				
Xi'an Railway College				
Technician diploma programmes	<b>9,800-10,800</b>	9,800-10,800	<b>1,500</b>	1,500
Zhengzhou Transit School				
Secondary vocational diploma programmes	<b>7,900-8,600</b>	7,900-8,600	<b>1,200</b>	1,000
Baiyun Technician College				
Technician diploma programmes	<b>13,500-15,500</b>	13,500-15,500	<b>1,500</b>	1,500
Post-secondary vocational diploma programmes	<b>12,500-15,000</b>	12,500-15,000	<b>1,500</b>	1,500
Secondary vocational diploma programmes	<b>12,000-14,500</b>	12,000-14,500	<b>1,500</b>	1,500

	Listed tuition fees <sup>(1)</sup> in academic year		Boarding fees <sup>(1)</sup> in academic year	
	2019/2020	2018/2019	2019/2020	2018/2019
	AUD	AUD		
<b>Global Education Segment</b>				
King's Own Institute (Australia) <sup>(2)(4)(6)</sup>				
Master's degree programmes	<b>7,500-8,500</b>	7,250-8,000		
Graduate Certificate Programmes	<b>7,500-8,500</b>	7,250-8,000		
Graduate Diploma Programmes	<b>7,500-8,500</b>	7,250-8,000		
Bachelor's degree programmes	<b>6,500-7,250</b>	6,250-7,000		
Undergraduate diploma programmes	<b>6,500-6,750</b>	6,250-6,500		
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Richmond University (UK) <sup>(3)(5)(6)</sup>				
Master's degree programmes	<b>8,000-21,000</b>	8,000-21,000	<b>6,600-12,400</b>	6,600-12,400
Bachelor's degree programmes	<b>9,250-30,000</b>	9,250-30,000	<b>6,600-12,400</b>	6,600-12,400

*Notes:*

- (1) Tuition fees and boarding fees for general programmes. Some special programmes may have different fees. Fees per annum unless otherwise specified.
- (2) Tuition fees are same for both domestic and international students.
- (3) Tuition fees and boarding fees are different for UK/EU, international, and US students.
- (4) Tuition fees per trimester.
- (5) Tuition fees and boarding fees per semester.
- (6) Tuition fees (and boarding fees if applicable) as at 31 August 2019 for the 2018/2019 academic year of schools in this business segment are listed out for reference only as these two schools were not yet included in our school network in the 2018/2019 academic year.

## Awards and Recognitions Received During the Reporting Period

We received numerous awards and recognitions during the year ended 31 August 2020 in recognition of the quality of education we provide and the achievements of our operation. The following table sets forth some of the awards and recognitions we received.

	<u>Award/Accreditation</u>	<u>Awarding Organisation(s)</u>
<b>Corporate</b>		
The Company/Group	Best Managed Companies	Deloitte China, Bank of Singapore, the Business School of HKUST and Harvard Business Review (China)
	Asia's 200 Best Under A Billion	Forbes
	Best IR Management Company	Sina Finance
	Best IR of HK-listed Company	China New Fortune
<b>Higher Education Segment</b>		
Jiangxi University of Technology	Harmonious/Safe Campus in Jiangxi Province (江西省平安校園)	Education Department of Jiangxi Province (江西省教育廳)
Guangdong Baiyun University	First prize in the 9th Guangdong Provincial Teaching Achievement Award (Higher Education) (第九屆廣東省教學成果獎(高等教育)一等獎)	Education Department of Guangdong Province (廣東省教育廳)
	Outstanding Contribution Award of Contemporary Private School in Guangdong Province (廣東當代民辦學校突出貢獻獎)	Guangdong Provincial Society of Education, et al. (廣東教育學會等)
	Vice-chairman of Education Evaluation Association in Guangdong Province (廣東省教育評估協會副會長單位)	Education Evaluation Association of Guangdong Province (廣東省教育評估協會)

	<u>Award/Accreditation</u>	<u>Awarding Organisation(s)</u>
<b>Higher Education Segment (Cont.)</b>		
Chongqing Translators University	Ranked First in China among Independent Colleges in the Humanities and Law (文法類獨立學院全國第一名)	nseac.com, the Chinese Academy of Science and Education Evaluation, and Research Center for Chinese Science Evaluation (中國科教評價網、中國科教評價研究院、中國科學評價研究中心)
Guangzhou Songtian University	First and Third Prize of the 11th National Advertising and Art Design Competition for College Students in 2019 (2019第十一屆全國大學生廣告藝術大賽一等獎、三等獎)	Education Department of Guangdong Province (廣東省教育廳)
	Second Prize (of University in Guangdong Province) in 2019 National Undergraduate Mathematical Modelling Competition (2019年全國大學生數學建模競賽廣東賽區二等獎)	Education Department of Guangdong Province and China Society for Industrial and Applied Mathematics (廣東省教育廳，中國工業與應用數學學會)
Shandong Quancheng University	The Most Influential University in Shandong Province in 2019 (2019年度山東最具影響力本科院校)	Sina, Weibo and Sina Shandong (新浪，微博和新浪山東)
	Best Social Reputation University in Shandong Province (山東最佳社會聲譽高校)	Internet Media Group of Shandong Province (山東省互聯網傳媒集團)
<b>Vocational Education Segment</b>		
Xi'an Railway College	Second prize in Teaching Achievement Award of Secondary Vocational Education in Shaanxi Province (陝西省中等職業教育教學成果獎二等獎)	Human Resources and Social Security Department of Shaanxi Province (陝西省人力資源與社會保障廳)

	<u>Award/Accreditation</u>	<u>Awarding Organisation(s)</u>
<b>Vocational Education Segment (Cont.)</b>		
Zhengzhou Transit School	Certificate of ISO29990 Quality Management System (ISO29990質量管理體系證書)	DQS Holding GmbH (德世愛普認證(上海)有限公司)
	Certificate of GC-MARK (GC-MARK特色證書)	DQS Holding GmbH (德世愛普認證(上海)有限公司)
	Outstanding Organisation in Education and Teaching in Xinzheng City (新鄭市教育教學工作先進單位)	The People's Government of Xinzheng City (新鄭市人民政府)
Baiyun Technician College	Outstanding Contribution Award to WorldSkills Kazan 2019 (「在第45屆世界技能大賽工作中做出傑出貢獻，予以記大功」)	The People's Government of Guangdong Province (廣東省人民政府)
	Cantonese Cuisine Chef Training Base of Guangdong Province (廣東省粵菜師傅培訓基地)	Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)
	Outstanding Organisation in High Quality Technician Education Development in Guangzhou City in 2019 (2019年廣州市技工教育高質量發展工作優秀單位)	Guangzhou Municipal Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)



## OUTLOOK

We believe that China's private higher and vocational education sector is on a secular growth trend and there is significant potential with opportunities. In China today, there are over 700 private higher education institutions (including private universities, private junior colleges and independent colleges) and thousands of private vocational schools. The ownership and operation of these institutions and schools are scattered; this translates into compelling potential Merger and Acquisition ("M&A") opportunities as well as significant room for enhancing the quality of education at the schools.

On 10 August 2018, the Ministry of Justice of the PRC issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher and vocational education sector. As an industry leader and drawing on the strategic advantages of our scale and history of operations in the education business, brand reputation, education quality, preparation of students for employment and resources for school-enterprise collaboration, we will strive to integrate private education resources and enlarge our market share as we enhance the quality of education in our schools, and ultimately to provide excellent education services to more students.

### Acquisition and Integration

We have formulated our M&A strategy to achieve our growth target taking into account the high entry barrier of the higher education sector. Thus far, our M&A team, strong and with high execution capability, has already reviewed over 500 potential M&A targets since our Listing and some of them are presently in due diligence process. We plan to explore more acquisition opportunities with attractive growth potential and expect more schools to join the Group in the future.

We have a track record of successfully integrating newly acquired schools into our Group. The increasing student enrollment and the newly acquired schools coming with potential for quality improvement are proof of our capability to integrate and identify new schools with promising growth prospects. We believe China's private higher and vocational education sector is on a strong growth trend with attractive potential and opportunities. Going forward, building on our industry leadership and 30 years' education excellence and in fulfilling our mission of 'To Pioneer Excellence and Innovation in Education', we will adhere to our business strategies, endeavor to provide excellent quality education to more students.

## **Independent College Conversions**

Education regulatory authorities in PRC have directed that the conversion of independent colleges into full private universities is a top priority in the establishment of higher education institutions. The Group believes such conversion will present significant opportunities in expanding the enrollment as well as improving the education quality and efficiency of independent colleges, and the Group has strategically acquired three high-quality independent colleges — namely, Chongqing Translators University, Guangzhou Songtian University, and Shandong Quancheng University. Benefiting from regulatory authorities' favorable policy support, the Group is actively promoting the conversion of its three independent colleges. As at the date of this announcement, all three independent colleges have received relevant approval for conversion from their respective provincial or municipal authority.

## **Development of New Campuses**

The “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” (《粵港澳大灣區發展規劃綱要》) designates the Greater Bay Area as an “education and talent highland”. Guangdong Province is also the province in China with the highest and fastest population growth. Higher education in Guangdong Province demonstrates a huge development potential with the economic and population growth creating a strong demand for quality education. The Group plans to further expand in the Greater Bay Area through M&A as well as campus expansion.

### *Guangdong Baiyun University's New Campus*

With a site area of approximately 750 mu, Guangdong Baiyun University's new campus in Guangzhou, Guangdong Province, the PRC, is to be developed in two phases — phase one with a capacity of 8,000 students commenced operation in September 2019, and phase two with a capacity of 18,000 students has been proceeding as planned and is expected to be completed in Summer 2021.

### *Guangzhou Songtian University's New Campus*

In response to the increasing demand for admissions, the Group signed an agreement with Zhaoqing New District Government which will supply the Group with a total area of land up to 1,500 mu for the establishment of a new university campus with a capacity of approximately 30,000 students.

## **International Education**

With the acceleration of globalisation, China has become the largest international student export country and an important destination for study in the world. The Group acquired King's Own Institute (Australia) in October 2019 and entered into a cooperation agreement with Richmond University (UK) in March 2020, to provide quality global education resources such as bachelor and master's degrees in business, art, IT and TESOL to students. The above two universities are located in Sydney, Australia and London, UK respectively, which are some of the most popular destinations among Chinese students and have propitious market prospects.

The Group has extensive experience in operating international education programmes, including exchange programmes and joint-education programmes in 12 languages and in partnership with 129 overseas institutions in 36 countries (As at 31 August 2019: 11 languages, 69 overseas institutions, 17 countries). The Group has four schools in Guangzhou, the capital city of Guangdong Province, which is an important strategic location of the Group and one of the largest provinces in China in sending student abroad. In addition, the Group operates a school specialising in international education and foreign languages in Chongqing. Both with proven growth track records, the Group, King's Own Institute and Richmond University's synergy are also evident in their well-aligned programme offerings and student-centric education cultures, sharing the same vision and an unwavering belief in offering excellent and innovative education with a prime focus on the student experience. The Group is currently developing tailored international bridging programme for Chinese students who intend to study abroad at King's Own Institute and Richmond University.

The acquisition of King's Own Institute and partnership with Richmond University will further enhance the Group's international education capabilities and enable the Group to prepare students for an increasingly globalised world. Both Australia and UK are reputed worldwide for offering first-class higher education and are one of the world's most popular destinations for study. The acquisition and partnership will also open up opportunities for King's Own Institute and Richmond University to recruit more outstanding Chinese students, and as a result, provide the Group with attractive growth potential in the thriving international higher education market for more diversified and higher revenue.

### **Entering into a Framework Agreement for the Establishment of China Education Fund**

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. Huajiao Education Investing Management (Ganzhou) Company Limited and VP Shenzhen are the co-sponsor of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited. During the current reporting period, China Education Fund completed registration with relevant authorities and the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

## **Our Effort in Combating COVID-19 and Results Achieved**

In view of the outbreak of coronavirus disease 2019 (“COVID-19”), the Group and its member schools have taken necessary health precaution to safeguard the safety of our employees and students. During the suspension of on-campus classes caused by the COVID-19 epidemic, the Group offers online learning to students and 96% of the programmes offered have been delivered online. Guangdong Baiyun University, a member school of the Group, was selected by the Steering Committee of the Online Open Courses of Undergraduate Universities in Guangdong Province (廣東省本科高校在線開放課程指導委員會) as an outstanding example of online teaching during the epidemic period, and the only private university among the first group of seven selected universities in Guangdong Province.

All of our schools have commenced school term as at the date of this announcement. The Group will continue to closely monitor to the development of the COVID-19 situation and endeavor to minimise the negative impact on the Group. In view of the effective mitigating actions that have been taken by the Group, the Directors considered that the COVID-19 did not have a material adverse effect on the operation or finance of the Group during the report period, other than the one-off refund of boarding fees during the epidemic as required by educational authorities in China.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Schools Included in the Group’s School Network After the Reporting Period**

After the reporting period, the Group has further expanded its business to the Hainan Province, PRC. In August 2020, the Group announced the acquisition of two schools — Haikou University of Economics, and Affiliated Art School of Haikou University of Economics. The two schools became consolidated affiliated entities of the Company in September 2020.

As at the date of this announcement, the Group had 13 schools in its school network and its student enrollment has increased to approximately 238,000 students.

#### ***Haikou University of Economics (Hainan Province, PRC)***

The university is approved to provide Bachelor’s degree programmes by the Ministry of Education of the PRC in 2008 and had a student enrollment of approximately 42,000 in August 2020. Occupying a total campus area of more than 1,400 mu, the university enjoys one of the largest capacities and the most advanced facilities among private universities in China.

Haikou University of Economics has been highly successful in operating high-quality collaboration programmes especially for arts and film-related programmes. It is designated by Hainan government as a model private university of application-oriented education. In the latest “China’s Private University Rankings” published by the Chinese Academy of Management Science, the university ranks first in Hainan and fourth in China in terms of education quality, respectively.

*Affiliated Art School of Haikou University of Economics (Hainan Province, PRC)*

Affiliated Art School of Haikou University of Economics is a vocational school in the Hainan province, the PRC. The school has a student enrollment of approximately 1,500 as in August 2020. Students graduating from the school may choose to continue their Bachelor's and Junior College programmes in the Haikou University of Economics.

**USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING**

The Group issued 520,202,000 new Shares (after partially exercising the over-allotment option in January 2018) at the issue price of HK\$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 31 August 2020, the Company has fully utilised the net proceeds and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 31 August 2020:

<b>Purpose</b>	<b>Percentage to total amount</b>	<b>Net proceeds amount<sup>(i)</sup> RMB (million)</b>	<b>Utilised amount RMB (million)</b>	<b>Unutilised amount RMB (million)</b>
Acquisition of or cooperation with other universities both domestically and abroad	59.50%	1,621.8	1,621.8	—
New campus development	26.90%	733.2	733.2	—
Repayment of certain portion of bank loans	8.00%	218.1	218.1	—
Working capital supplement	2.40%	65.4	65.4	—
Establishing teacher and staff training centre	1.10%	30.0	30.0	—
Research and development	1.10%	30.0	30.0	—
Provision of scholarships	0.50%	13.6	13.6	—
Maintenance, renovation and upgrading of existing schools	0.50%	13.6	13.6	—
	<u>100%</u>	<u>2,725.7</u>	<u>2,725.7</u>	<u>—</u>

*Note:*

- (i) *Net proceeds (including those from partial exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing.*

## USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS DUE 2024

The Company issued convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK\$2,355 million at initial conversion price of HK\$14.69 per ordinary Share in March 2019. During the year ended 31 August 2020, the conversion price was adjusted from HK\$14.69 per ordinary Share to HK\$14.52 per ordinary Share and from HK\$14.52 per ordinary Share to HK\$14.33 per ordinary Share. Following such adjustments, the conversion shares to be issued upon full conversion of the convertible bonds were increased to 164,340,544 Shares. The net proceeds (after deducting the issuing expenses) from the subscription amounted to approximately RMB2,105.6 million and have been and will be utilised as the intentions previously disclosed in the Company's announcements. As at 31 August 2020, the Company has utilised the net proceeds of approximately RMB1,958.5 million. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits. The Company expects to utilise the unutilised proceeds in the next twelve months.

The following sets forth a summary of the utilisation of the net proceeds from the issue of convertible bonds due 2024 as at 31 August 2020:

Purpose	Percentage to total amount	Net proceeds amount <i>RMB (million)</i>	Utilised amount <i>RMB (million)</i>	Unutilised amount <i>RMB (million)</i>
Construction and development of the Group's schools in the PRC	30%	631.7	631.7	–
Acquisitions of schools in the PRC	45%	947.5	800.4	147.1
Group's overseas development	25%	526.4	526.4	–
	<u>100%</u>	<u>2,105.6</u>	<u>1,958.5</u>	<u>147.1</u>

As at 31 August 2020, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption of the convertible bonds was made by the Company.

Further details of the convertible bonds are set out in the announcements of the Company dated 22 March 2019 and 28 March 2019.



## **USE OF NET PROCEEDS FROM PLACING**

On 10 August 2020, the Company entered into a placing agreement with Blue Sky BVI, White Clouds BVI and UBS AG Hong Kong Branch (the “Placing Agent”) and a subscription agreement with Blue Sky BVI and White Clouds BVI, pursuant to which the Placing Agent agreed to procure independent placees (or failing which itself as principal) to purchase a total of 130,000,000 existing ordinary shares of the Company at HK\$15.50 per share (the “Placing”), and Blue Sky BVI and White Clouds BVI agreed to subscribe for 130,000,000 new ordinary shares of the Company at HK\$15.50 per share (the “Subscription”). The net proceeds of approximately HK\$2,002.5 million (net of related costs, professional fees and out-of-pocket expenses) from the Subscription are expected to be utilised in next twelve months for 1) potential as well as announced acquisitions; and 2) expansion and development of the Group’s existing and new campuses, which is consistent with the intentions previously disclosed in the Company’s announcements.

As at 31 August 2020, the net proceeds has not yet been utilised. Further details of the Placing and Subscription are set out in the Company’s announcements dated 10 August 2020 and 20 August 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

### **Remuneration**

As at 31 August 2020, the Group had 8,833 employees (31 August 2019: 8,718), a 1.3% increase mainly due to inclusion of King’s Own Institute into our school network during the year ended 31 August 2020. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

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

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



## **Recruitment**

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

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

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

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK13.9 cents per ordinary Share for the year ended 31 August 2020 (for the year ended 31 August 2019: HK9.0 cents per ordinary Share) by cash to Shareholders whose names appear on the register of members of the Company on Thursday, 4 March 2021. The distribution equals to 50% of the adjusted net profit attributable to owners of the Company. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid on Monday, 15 March 2021.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting will be held on Tuesday, 23 February 2021. 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, 18 February 2021 to Tuesday, 23 February 2021, 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, 17 February 2021.

### **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 Monday, 1 March 2021 to Thursday, 4 March 2021, 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 Friday, 26 February 2021.

## **PRE-EMPTIVE RIGHTS**

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2020.

## **PUBLIC FLOAT**

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles of the code provisions set out in the CG Code. During the year ended 31 August 2020, the Company had complied with all the code provisions set out in the CG Code.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 August 2020.

## **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 2020.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaeducation.hk](http://www.chinaeducation.hk)). The annual report of the Company for the year ended 31 August 2020 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 2020*

		<b>Year ended 31 August</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>2,678,088</b>	1,954,874
Cost of revenue		<b>(1,077,101)</b>	(833,401)
Gross profit		<b>1,600,987</b>	1,121,473
Other income		<b>113,276</b>	80,554
Investment income		<b>18,356</b>	33,519
Other gains and losses		<b>(33,978)</b>	(59,178)
Fair value change on convertible bonds		<b>(369,260)</b>	(16,525)
Selling expenses		<b>(134,918)</b>	(52,796)
Administrative expenses		<b>(372,273)</b>	(352,985)
Finance costs		<b>(92,609)</b>	(85,762)
Profit before taxation		<b>729,581</b>	668,300
Taxation	4	<b>(19,230)</b>	18,938
Profit for the year	5	<b>710,351</b>	687,238
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		<b>32,688</b>	–
Total comprehensive income for the year		<b>743,039</b>	687,238
Profit for the year attributable to:			
– owners of the Company		<b>633,202</b>	592,617
– non-controlling interests		<b>77,149</b>	94,621
		<b>710,351</b>	687,238
Total comprehensive income for the year			
– owners of the Company		<b>665,890</b>	592,617
– non-controlling interests		<b>77,149</b>	94,621
		<b>743,039</b>	687,238
Earnings per share	7		
Basic (RMB cents)		<b>31.28</b>	29.33
Diluted (RMB cents)		<b>31.05</b>	29.16

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 August 2020*

		<b>At 31 August</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6,846,583</b>	5,850,771
Right-of-use assets		<b>1,510,859</b>	–
Prepaid lease payments		–	1,051,059
Goodwill		<b>1,792,266</b>	1,565,905
Intangible assets		<b>2,298,834</b>	1,708,157
Contract costs		<b>108,910</b>	98,972
Prepayments for investments		<b>262,800</b>	73,837
Deposits paid for right-of-use assets/prepaid lease payments		<b>1,181</b>	1,181
Deposits paid for acquisition of property, plant and equipment		<b>63,129</b>	55,586
Other prepayment		<b>31,303</b>	–
Deferred tax asset		<b>18,158</b>	27,342
		<b>12,934,023</b>	10,432,810
<b>CURRENT ASSETS</b>			
Inventories		<b>1,183</b>	540
Trade receivables, deposits, prepayments and other receivables	8	<b>593,655</b>	570,868
Financial assets at fair value through profit or loss		<b>823,270</b>	660,283
Contract costs		<b>79,289</b>	52,675
Prepaid lease payments		–	24,998
Restricted bank deposits		<b>100,300</b>	100,300
Bank balances and cash		<b>3,443,070</b>	3,496,587
		<b>5,040,767</b>	4,906,251
<b>CURRENT LIABILITIES</b>			
Deferred income		<b>56,579</b>	38,364
Trade payables	9	<b>33,374</b>	23,465
Other payables and accrued expenses		<b>1,446,899</b>	1,506,243
Provisions		<b>262,205</b>	238,292
Lease liabilities		<b>29,969</b>	–
Income tax payable		<b>19,130</b>	20,546
Contract liabilities		<b>1,238,857</b>	1,617,328
Bank and other borrowings		<b>291,662</b>	284,700
		<b>3,378,675</b>	3,728,938

	<b>At 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>NET CURRENT ASSETS</b>	<b>1,662,092</b>	<b>1,177,313</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>14,596,115</b>	<b>11,610,123</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	<b>24,911</b>	31,573
Other payables	<b>23,100</b>	22,943
Bank and other borrowings	<b>2,386,847</b>	1,838,127
Lease liabilities	<b>85,965</b>	–
Deferred tax liability	<b>739,685</b>	565,460
Convertible bonds	<b>2,428,247</b>	2,143,783
	<b>5,688,755</b>	4,601,886
	<b>8,907,360</b>	<b>7,008,237</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>18</b>	17
Reserves	<b>8,573,449</b>	6,594,526
Equity attributable to owners of the Company	<b>8,573,467</b>	6,594,543
Non-controlling interests	<b>333,893</b>	413,694
	<b>8,907,360</b>	<b>7,008,237</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 August 2020*

## 1. GENERAL INFORMATION

China Education Group Holdings Limited (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 “Listing”). The address of the registered office of the Company is the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 1504, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”).

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 the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

### Application of new and amendments to IFRSs

The Group has applied the following new and amendments to IFRSs issued by IASB for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 — 2017 Cycle

In addition, the Group has early applied Amendments to IFRS 3 “Definition of a Business” which will be mandatorily effective for the Group for business combinations and asset acquisitions for which the acquisition is on or after 1 September 2020.

Except as described below, the application of the new and amendments to IFRSs in the current year has had 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.



## 2.1 IFRS 16 “Leases”

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 “Leases” (“IAS 17”), and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 September 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 September 2019.

As at 1 September 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of school premises and staff quarters in the PRC was determined on a portfolio basis; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranges from 5.45% to 6.00%.

	<b>At 1 September 2019 RMB'000</b>
Operating lease commitments disclosed as at 31 August 2019	60,459
Add: Extension options reasonably certain to be exercised	6,720
Less: Recognition exemption — short-term leases	(7,053)
Practical expedient — leases with lease term ending within 12 months from the date of initial application	(7,957)
	<u>52,169</u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of IFRS 16 as at 1 September 2019	<u>41,551</u>
Analysed as	
Current	9,240
Non-current	32,311
	<u>41,551</u>

The carrying amount of right-of-use assets as at 1 September 2019 comprises the following:

	<b>Right-of-use assets RMB'000</b>
<i>Note</i>	
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	41,551
Reclassified from prepaid lease payments	(i) <u>1,076,057</u>
	<u>1,117,608</u>
By class:	
Leasehold lands	1,088,246
Office premises, student dormitories and staff quarters	29,362
	<u>1,117,608</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 September 2019. Line items that were not affected by the changes have not been included:

		Carrying amounts previously reported at 31 August 2019 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 September 2019 RMB'000
	Note			
<b>Non-current Assets</b>				
Prepaid lease payments	(i)	1,051,059	(1,051,059)	–
Right-of-use assets		–	1,117,608	1,117,608
<b>Current Asset</b>				
Prepaid lease payments	(i)	24,998	(24,998)	–
<b>Current Liability</b>				
Lease liabilities		–	9,240	9,240
<b>Non-current liability</b>				
Lease liabilities		–	32,311	32,311

*Note:*

- (i) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 August 2019. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB24,998,000 and RMB1,051,059,000, respectively were reclassified to right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 August 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 September 2019 as disclosed above.

## 2.2 Impacts and changes in accounting policies of application of other new and amendments to IFRSs

### IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 September 2019, without restating comparatives. No adjustment has been made at the date of initial application.

Although the Implementation Rules for the Law for Promoting Private Education (the “Implementation Rules”) has been announced, the details underlying the Implementation Rules has not been finalised, the educational institution of the Group in the PRC has not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the schools could continue to follow previous PRC Enterprise Income Tax (“EIT”) exemption treatment for the tuition related income, when facts and circumstances change or new information become available. The current tax having considered the current income tax exemption granted for tuition related income from relevant local tax authorities represented the most likely amount. The management would reassess any judgements and estimates if the facts and circumstances change or new information becomes available.

#### *Amendments to IFRSs Annual Improvements to IFRS Standards 2015–2017 Cycle*

##### IAS 23 “Borrowing Costs”

For any specific borrowing that remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Group borrows generally when calculating the capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The application of the amendments to IAS 23 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

### **2.3 Early adoption of Amendments to IFRS 3 “Definition of a Business”**

In the current year, the Group has elected to early adopt Amendments to IFRS 3. The Group has applied the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 September 2019.

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The Group has performed concentration test for certain acquisition being accounted for as an asset acquisition.

### 3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher education and vocational education. Higher education institutions mainly deliver master's degree programmes, bachelor's degree programmes, junior college diploma programmes and continuing education programmes in the PRC and overseas (for the year ended 31 August 2019: in the PRC). Vocational education institutions mainly deliver vocational diploma programmes and technician diploma programmes in the PRC. Each category of institution constitutes an operating segment and reportable segment in the PRC.

During the year ended 31 August 2020, upon the acquisition of King's Own Institute ("KOI"), a higher education institution incorporated in Australia, the Group commenced the business engaging in provision of global education service in jurisdiction other than the PRC. The new business is considered as a new operating and reporting segment, namely "Global education" segment.

Specifically, the Group's reportable segments under IFRS 8 are as follow:

- i. Higher education segment providing higher education services in the PRC;
- ii. Vocational education segment providing vocational education services in the PRC; and
- iii. Global education segment providing higher education services outside the PRC.

#### Segment revenues and results

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

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the year ended 31 August 2020</i>				
Revenue	<u>1,744,427</u>	<u>736,254</u>	<u>197,407</u>	<u>2,678,088</u>
Segment results	<u>825,788</u>	<u>392,755</u>	<u>65,364</u>	<u>1,283,907</u>
Investment income				18,356
Other gains and losses				(33,978)
Fair value change on convertible bonds				(369,260)
Finance costs				(92,609)
Unallocated corporate income and expenses				<u>(76,835)</u>
Profit before taxation				<u>729,581</u>

	Higher education RMB'000	Vocational education RMB'000	Total RMB'000
<i>For the year ended 31 August 2019</i>			
Revenue	<u>1,277,755</u>	<u>677,119</u>	<u>1,954,874</u>
Segment results	<u>600,546</u>	<u>334,819</u>	935,365
Investment income			33,519
Other gains and losses			(59,178)
Fair value change on convertible bonds			(16,525)
Finance costs			(85,762)
Unallocated corporate income and expenses			<u>(139,119)</u>
Profit before taxation			<u>668,300</u>

#### Other segment information

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Unallocated RMB'000	Total RMB'000
<i>For the year ended 31 August 2020</i>					
Depreciation of property, plant and equipment	<u>204,144</u>	<u>47,977</u>	<u>2,639</u>	<u>1,623</u>	<u>256,383</u>
Amortisation of intangible assets	<u>–</u>	<u>16,277</u>	<u>–</u>	<u>–</u>	<u>16,277</u>
Depreciation of right-of-use assets	<u>35,471</u>	<u>2,050</u>	<u>11,868</u>	<u>–</u>	<u>49,389</u>
	Higher education RMB'000	Vocational education RMB'000		Unallocated RMB'000	Total RMB'000
<i>For the year ended 31 August 2019</i>					
Depreciation of property, plant and equipment	<u>141,422</u>	<u>44,883</u>		<u>1,593</u>	<u>187,898</u>
Amortisation of intangible assets	<u>–</u>	<u>32,465</u>		<u>–</u>	<u>32,465</u>
Amortisation of prepaid lease payment	<u>14,058</u>	<u>1,998</u>		<u>–</u>	<u>16,056</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 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:

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>Year ended 31 August 2020</i>				
Tuition fees recognised over time	1,600,722	654,661	197,407	2,452,790
Boarding fees recognised over time	119,651	60,459	–	180,110
Ancillary services recognised over time	24,054	21,134	–	45,188
	<u>1,744,427</u>	<u>736,254</u>	<u>197,407</u>	<u>2,678,088</u>
	Higher education RMB'000	Vocational education RMB'000		Total RMB'000
<i>Year ended 31 August 2019</i>				
Tuition fees recognised over time	1,169,670	604,376		1,774,046
Boarding fees recognised over time	88,455	65,026		153,481
Ancillary services recognised over time	19,630	7,717		27,347
	<u>1,277,755</u>	<u>677,119</u>		<u>1,954,874</u>

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

## Geographical information

The Group operates in the PRC and Australia (2019: in the PRC).

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 Year ended 31 August		Non-current assets (Note) At 31 August	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	2,480,681	1,954,874	12,004,320	10,405,468
Australia	197,407	–	909,412	–
Hong Kong	–	–	2,133	–
	<u>2,678,088</u>	<u>1,954,874</u>	<u>12,915,865</u>	<u>10,405,468</u>

*Note:* Non-current assets excluded deferred tax asset.



### Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 August 2020 and 2019.

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

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

## 4. TAXATION

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Current tax		
— EIT	(4,064)	(9,467)
— Australian Corporate Income Tax	(20,410)	—
Overprovision in prior years — EIT	6,568	1,042
Deferred tax	(1,324)	27,363
	<u>(19,230)</u>	<u>18,938</u>

## 5. PROFIT FOR THE YEAR

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	664,204	492,054
— retirement benefit scheme contributions	89,807	87,350
— share-based payments	6,320	48,863
Total staff costs	<u>760,331</u>	<u>628,267</u>
Depreciation of property, plant and equipment	256,383	187,898
Depreciation of right-of-use assets	49,389	—
Amortisation of prepaid lease payments	—	16,056
Amortisation of intangible assets (included in cost of revenue)	16,277	32,465
Auditor's remuneration	4,950	4,800
Short term lease/operating lease rental expense in respect of rented premises	<u>15,290</u>	<u>32,104</u>

## 6. DIVIDENDS

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

	<b>Year ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Final dividend for the year ended 31 August 2019 of HK9.0 cents (2019: HK7.4 cents final dividend for the eight months ended 31 August 2018) per ordinary share	<b>161,080</b>	127,874
Interim dividend for the six months ended 29 February 2020 of HK13.4 cents (2019: HK3.5 cents interim dividend for six months ended 28 February 2019) per ordinary share	<b>249,658</b>	62,160
	<b>410,738</b>	190,034

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2020 of HK13.9 cents per ordinary share (2019: HK9.0 cents per ordinary share), in an aggregate amount of HK\$298,881,000 (2019: HK\$181,818,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. EARNINGS PER SHARE

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

	<b>Year ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the purpose of calculating basic and diluted earnings per share	<b>633,202</b>	592,617
	<b>Year ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,024,125</b>	2,020,202
Effect of dilutive potential ordinary shares:		
Share options granted under Pre-IPO Share Option Scheme	<b>15,394</b>	11,817
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,039,519</b>	2,032,019

The computation of diluted earnings per share for the year ended 31 August 2020 and 2019 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme and the conversion of convertible bonds as the potential ordinary shares are anti-dilutive.

## 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 note.

	<b>At 31 August</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
0 — 90 days	<b>147</b>	561
91 — 120 days	<b>13,125</b>	—
121 — 365 days	<b>31,203</b>	19,667
Over 365 days	<b>15,055</b>	7,705
	<b>59,530</b>	27,933

## 9. 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 each reporting period.

	<b>At 31 August</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
0 — 30 days	<b>17,313</b>	6,540
31 — 90 days	<b>7,222</b>	6,082
91 — 365 days	<b>2,318</b>	6,808
Over 365 days	<b>6,521</b>	4,035
	<b>33,374</b>	23,465

## 10. ACQUISITION OF A BUSINESS/ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSET ACQUISITION

### (a) Acquisition of a business

On 16 October 2019, the Group completed the acquisition of 100% of issued shares of Aspen Higher Education Pty Ltd (“Aspen”) at a consideration of AUD134,300,000 (equivalent to RMB638,677,000) from independent third parties. Aspen and its wholly-owned subsidiary, KOI, are engaged in provision of higher education in Australia. Aspen and KOI became wholly-owned subsidiaries of the Company.

Further details of the acquisition were set out in the announcements of the Company dated 23 September 2019 and 16 October 2019.

**(b) Acquisition of a subsidiary accounted for as asset acquisition**

On 25 December 2018, Renjing Education Consulting (Ganzhou) Company Limited (仁敬教育諮詢(贛州)有限公司), a consolidated affiliated entity, entered into a series of agreements (collectively referred to as the “Haijun Acquisition Agreements”) with independent third parties for the acquisition of aggregate 96.7% equity interest of Yantai Haijun Property Limited (煙台海郡置業有限公司) (“Yantai Haijun”), at cash consideration of RMB246,127,000 and the acquisition was completed on 25 November 2019. Subsequently, the Group further acquired 3.3% equity interest at cash consideration of RMB8,423,000 with considerations fully paid during the current year. As at the date of acquisition, Yantai Haijun did not have significant business except for holding certain lands and completed properties in Yantai, Shandong province. The acquisition of Yantai Haijun has been accounted for by the Group as acquisition of assets.

**11. COMMITMENTS**

	At 31 August 2020 RMB'000	2019 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	2,953,481	341,784
— right-of-use assets/prepaid lease payments	22,150	28,550
	<u>2,975,631</u>	<u>370,334</u>

The Group has entered into agreements (the “Hainan Acquisition Agreement”) with independent third parties for the acquisition of 60% equity interest in Hainan Cyber Education Group Company Limited (海南賽伯樂教育集團有限公司) (“Hainan Cyber Education”) at a consideration of RMB1,356,000,000 during the current reporting period. As at 31 August 2020 and up to the date these consolidated financial statements are authorised for issue, RMB262,800,000 and RMB933,200,000 have been paid by the Group as prepayment for investments and progress payment to the vendors, respectively, with the remaining RMB160,000,000 to be settled following the terms of payment specified in Hainan Acquisition Agreement.

On 29 June 2019, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理華教(深圳)股權投資合夥企業(有限合夥) (formerly known as 惠理中教(深圳)教育產業投資(有限合夥)) (the “China Education Fund”). The Group will make an initial contribution of RMB250,000,000 to the China Education Fund. As at 31 August 2020, the Group made capital contribution amounting to RMB31,303,000 to China Education Fund as committed.

At at 31 August 2020, the Group committed an undrawn loan commitment of RMB55,800,000 (31 August 2019: nil).

**12. EVENT AFTER REPORTING PERIOD**

On 16 September 2020, the Group has completed the acquisition of Hainan Cyber Education and Hainan Cyber Education became a consolidated affiliated entity of the Group. The financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date are being estimated as the preparation of initial accounting for this business combination, for example, valuation of assets acquired and liabilities assumed, is in progress at the time these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 10 August 2020, 13 August 2020 and 17 September 2020, respectively.

## 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
“AUD”	Australian dollars, the lawful currency of Australia
“Baiyun Technician College”	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC member schools
“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
“Chongqing Translators University”	Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院), one of our PRC member schools
“Company”	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“consolidated affiliated entities” or “consolidated affiliated entity”	the entities we control through the Contractual Arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Huajiao Education, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities
“Director(s)”	the director(s) of the Company
“GBP”	Great Britain Pound, the lawful currency of UK

“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“Guangdong Baiyun University”	Guangdong Baiyun University (廣東白雲學院), one of our PRC member schools
“Guangzhou Songtian University”	Guangzhou University Songtian College (廣州大學松田學院), one of our PRC member schools
“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
“Huajiao Education”	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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
“Jiangxi University of Technology”	Jiangxi University of Technology (江西科技學院), one of our PRC member schools
“King’s Own Institute” or “KOI”	Australian Institute of Business and Management Pty Ltd (trading as King’s Own Institute), a company incorporated in New South Wales, Australia and our member school in Australia
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
“Listing Date”	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
“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 of the Company and a controlling shareholder of the Company
“Mr. Yu”	Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Shandong Quancheng University”	University of Jinan Quancheng College (濟南大學泉城學院), one of our PRC member schools
“Shareholder(s)”	holder(s) of our Share(s)
“Shares”	ordinary shares in our Company of par value HK\$0.00001 each
“Songtian Polytechnic College”	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC member schools
“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)
“VP Shenzhen”	Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited
“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



“Xi’an Railway College” Xi’an Railway Technician College (西安鐵道技師學院), one of our PRC member schools

“Zhengzhou Transit School” Zhengzhou Urban Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC member schools

“%” 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, 24 November 2020

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