



中國教育集團控股有限公司

CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 839

To **Pioneer** Excellence and
Innovation **In Education**



INTERIM REPORT

2021/2022



Our Mission

Preparing students for success through
Excellence and Innovation in Education

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Guo (Co-chairman)
Mr. Xie Ketao (Co-chairman)
Dr. Yu Kai (Chief Executive Officer)
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

AUDIT COMMITTEE

Dr. Rui Meng (Chairman)
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

REMUNERATION COMMITTEE

Dr. Gerard A. Postiglione (Chairman)
Dr. Yu Kai
Dr. Rui Meng

NOMINATION COMMITTEE

Mr. Yu Guo (Chairman)
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill

AUTHORISED REPRESENTATIVES

Dr. Yu Kai
Mr. Mok Kwai Pui Bill

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

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18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
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Corporate Information

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COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839



To Pioneer Excellence and
Innovation In Education

Management Discussion and Analysis



Guangzhou College of Applied Science and Technology's new campus

BUSINESS OVERVIEW

The Group is a leading global vocational education group with footprints in China, Australia, and the United Kingdom ("UK"), visioning to provide quality education through innovation. As at 28 February 2022, the Group's school network consists of 12 schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and secondary vocational education provider in China in terms of student enrollment.

Overview of Recent Policies

Roadmap to Achieve Common Prosperity

In October 2021, General Secretary Xi Jinping announced "Making Solid Progress Toward Common Prosperity" (《紮實推動共同富裕》), outlining the roadmap towards achieving common prosperity. The roadmap made vocational education a keystone to

the long-term strategy, pledging improved vocational training and higher income for a greater number of graduates and skilled workers. The Group believes that the nation's efforts to improve the popularity of vocational education and to increase the income of college graduates will make the Group's program offerings more appealing to prospective students.

Opinion on Promoting Vocational Education

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

Management Discussion and Analysis

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

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

The New Vocational Education Law

On 20 April 2022, the Standing Committee of the National People's Congress approved the newly amended Vocational Education Law, which is the first amendment to the Vocational Education Law in its 26 years of existence. The new Vocational Education Law was promulgated by President Xi Jinping on the same day and will take effect from 1 May 2022. The new Vocational Education Law specifies that the State encourages, guides and

supports enterprises and other social forces to run vocational schools, and encourages financial institutions to support the development of vocational education by providing financial services. In order to deepen the participation of enterprises in vocational education, the newly amended Vocational Education Law further specifies that the State promotes enterprises' vital role in running vocational education, advances the in-depth participation of enterprises in vocational education, encourages enterprises to run high-quality vocational education, and provides incentives such as rewards and tax concessions to enterprises that deeply participate in the integration of industry and education and school-enterprise cooperation. The new Vocational Education Law also specifies that regular higher education schools at the junior college, undergraduate and higher levels may provide higher vocational school education.

School Newly-included in the Group's School Network During the Reporting Period

Chengdu Jincheng College

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

Management Discussion and Analysis

Student Enrollment

As at 28 February 2022, the Group operated in three business segments and its school network includes 12 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 approximately 309,000 students, up 23.4% from the enrollment as at 28 February 2021.

The rapid increase in student enrollment of higher vocational education segment was attributable to the organic growth in students enrolled in our existing schools and new campuses, as well as those from the newly included university to the Group. The decrease

in student enrollment of secondary vocational segment and global education segment was mainly due to the drop of the new student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 (“COVID-19”) outbreak disrupting enrollment in relevant regions. The new student enrollment for the secondary vocational segment is also expected to resume as soon as the restrictions in the respective regions are relieved. As international travel restrictions in Australia have been lifted in February 2022, strong recovery of enrollment is expected for the forthcoming reporting period for the global education segment.

Business Segment	As at	
	28 February 2022	28 February 2021
Higher Vocational Education	250,385 ⁽¹⁾	183,409 ⁽²⁾
Secondary Vocational Education	55,855	63,686
Global Education	2,782	3,244
Total	309,022	250,339

Notes:

- (1) Included 78,247 students enrolled in the continuing education programmes as at 28 February 2022. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools.
- (2) Included 55,935 students enrolled in the continuing education programmes as at 28 February 2021.

China Education Fund

On 29 June 2018, the Group entered into agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of 惠理華教(深圳)股權投資合夥企業(有限合夥) (the “China Education Fund”). As at 28 February 2022, the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund. The China Education Fund has not made any investment and is in the process of winding up. The capital contribution will be returned after the process.

OUTLOOK

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

Development of New Campuses

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

Management Discussion and Analysis



Guangdong Baiyun University's new campus

Guangzhou College of Applied Science and Technology's New Campus

The new campus in Zhaoqing, Guangdong Province, the PRC, is to be developed in three phases. Phase one was completed in Fall 2021 and accommodated about 6,000 teachers and students. Phase two is currently under construction and is expected to accommodate about 9,000 new teachers and students in 2022. In response to the increasing demand for admissions, the school signed an agreement with Zhaoqing Municipal Bureau of Natural Resources (肇慶市自然資源局) to acquire the land use rights of a plot of land located in Zhaoqing City, Guangdong Province, with an area of approximately 372 mu for the expansion of its campus, i.e. the third phase of the new campus. After completion of the phase three, it is expected to further expand the scale of Guangzhou College of Applied Science and Technology in the Greater Bay Area.

King's Own Institute's New Campus

King's Own Institute, Australia received regulatory approval for establishment of a new campus in Newcastle, the second largest city in New South Wales after Sydney. The campus has been approved enrollment quota (first batch) of 1,000 international

students and is expected to commence operation in Summer 2022. The campus will offer master's and bachelor's degree programs in accounting, financial management, and information technology, etc.

EVENT AFTER THE REPORTING PERIOD

Issuance of Investment-grade offshore RMB Guaranteed Bonds

On 16 March 2022, the Company issued offshore RMB500 million investment-grade guaranteed bonds due 2025. The bonds, which are guaranteed by the Asian Development Bank and are rated "AA" by Standard & Poor's Global, are the first investment-grade offshore RMB bond issued by a Chinese education company. The bond proceeds will be used mainly for the development of higher education in China.

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

Management Discussion and Analysis

FINANCIAL REVIEW

The financial results for the six months ended 28 February 2022 and 28 February 2021 are as follows:

	Six months ended	
	28 February 2022 RMB'000	28 February 2021 RMB'000
Revenue	2,350,612	1,823,438
Cost of revenue	(957,378)	(745,949)
Gross profit	1,393,234	1,077,489
Other income	94,553	97,462
Selling expenses	(73,177)	(85,683)
Administrative expenses	(372,670)	(208,337)
Operating profit	1,041,940	880,931
Investment income	23,471	28,989
Other expense, other gains and losses	(20,259)	32,240
Fair value change on convertible bonds	317,741	33,726
Finance costs	(134,700)	(93,346)
Profit before taxation	1,228,193	882,540
Taxation	(21,850)	(30,301)
Net profit	1,206,343	852,239
Net profit attributable to owners of the Company	1,168,461	831,444
Adjusted net profit attributable to owners of the Company	908,564	756,681

Non-IFRS Measures

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

We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that these non-IFRS measures provide additional information to investors and others in understanding

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

Management Discussion and Analysis

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

Calculation of Adjusted Net Profit

		Six months ended	
		28 February 2022 RMB'000	28 February 2021 RMB'000
Net profit		1,206,343	852,239
Adjustments for:	Foreign exchange gain/loss	(1,087)	(164,099)
	Share-based payments ⁽ⁱ⁾	18,446	(30,456)
	Imputed interest on deferred cash considerations ⁽ⁱⁱ⁾	2,326	6,731
	Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	(317,741)	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities ^(iv)	16,852	127,764
	Fair value change on construction cost payables for school premises ^(v)	21,307	19,023
Adjusted net profit		946,446	777,476

Calculation of Adjusted Net Profit Attributable to Owners of the Company

		Six months ended	
		28 February 2022 RMB'000	28 February 2021 RMB'000
Net profit attributable to owners of the Company		1,168,461	831,444
Adjustments for:	Foreign exchange gain/loss	(1,087)	(164,099)
	Share-based payments ⁽ⁱ⁾	18,446	(30,456)
	Imputed interest on deferred cash considerations ⁽ⁱⁱ⁾	2,326	6,731
	Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	(317,741)	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities ^(iv)	16,852	127,764
	Fair value change on construction cost payables for school premises ^(v)	21,307	19,023
Adjusted net profit attributable to owners of the Company		908,564	756,681

Management Discussion and Analysis

Calculation of Adjusted EBITDA

		Six months ended	
		28 February 2022 RMB'000	28 February 2021 RMB'000
Profit for the period		1,206,343	852,239
Add:	Finance costs	134,700	93,346
	Taxation	21,850	30,301
	Depreciation of property, plant and equipment	272,270	173,553
	Depreciation of right-of-use assets	29,278	25,602
	Amortisation of intangible assets	4,708	7,307
EBITDA		1,669,149	1,182,348
Adjustments for:	Foreign exchange gain	(1,087)	(164,099)
	Share-based payments ⁽ⁱ⁾	18,446	(30,456)
	Fair value change on convertible bonds ⁽ⁱⁱⁱ⁾	(317,741)	(33,726)
	One-off and other current period expenses related to conversion of independent colleges into private universities ^(iv)	16,852	127,764
	Fair value change on construction cost payables for school premises ^(v)	21,307	19,023
Adjusted EBITDA		1,406,926	1,100,854

Notes:

- i. Share options granted to directors and employees of the Group.
- ii. Non-cash imputed interest accrued because of consideration payments due over one year for the acquisitions.
- iii. Non-cash fair value change on convertible bonds, which are measured at fair value through profit or loss.
- iv. The Group's independent colleges had to pay partnership fees to their public school co-sponsors. One-off fees were recognised for conversion of independent colleges into private universities during the six months ended 28 February 2021. The partnership fees recognised during the current period will cease to exist after all students enrolled by the independent college are graduated.
- v. Non-cash fair value change on long-term construction cost payables for school premises, which are measured at fair value through profit or loss.

Management Discussion and Analysis

Revenue

The Group's revenue reached RMB2,350.6 million for the six months ended 28 February 2022, up 28.9% as compared to RMB1,823.4 million for the six months ended 28 February 2021. The increase reflected students' strong demand for quality education offered by the Group and the effective execution of the Group's expansion strategy.

Higher Vocational Education Segment

Revenue from higher vocational education segment increased from RMB1,349.7 million for the six months ended 28 February 2021 to RMB1,946.3 million for the six months ended 28 February 2022, representing a 44.2% increase. The significant increase in revenue of higher vocational education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher vocational education institutions and the inclusion of one new higher vocational education institution which became a member of the Group in September 2021.

Secondary Vocational Education Segment

Revenue from secondary vocational education segment decreased from RMB358.6 million for the six months ended 28 February 2021 to RMB330.3 million for the six months ended 28 February 2022, representing a 7.9% decrease. The slight decrease in revenue of secondary vocational education institutions was mainly due to the drop of the student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 outbreak which temporarily disrupted student enrollment in certain regions. The new student enrollment for secondary vocational segment is expected to resume as soon as these restrictions in relevant regions are relieved.

Global Education Segment

Revenue from global education segment decreased from RMB115.1 million for the six months ended 28 February 2021 to RMB74.0 million for the six months ended 28 February 2022. The decrease in revenue of global education segment was primarily due to the decrease in student enrollments affected by the coronavirus disease 2019 and the resulting travel bans in Australia and the depreciation of Australian Dollar against Renminbi. As the travel bans have been lifted in February 2022, strong increase of new student is expected for the forthcoming reporting period.

Cost of Revenue

The cost of revenue increased from RMB745.9 million for the six months ended 28 February 2021 to RMB957.4 million for the six months ended 28 February 2022, representing a 28.4% increase. The increase was due to the expansion of the Group and the growth of student number.

The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality have been successfully converted into private universities during the six months ended 28 February 2021. The partnership fees to their public school co-sponsors of RMB16.9 million (for the six months ended 28 February 2021: RMB39.2 million) was recognised as cost of revenue for the six months ended 28 February 2022. Such partnership fees will cease to exist after all students enrolled by the independent colleges prior to the conversion are graduated.

Management Discussion and Analysis

Gross Profit and Return on Equity

The Group's gross profit was RMB1,393.2 million for the six months ended 28 February 2022, up 29.3% as compared to RMB1,077.5 million for the six months ended 28 February 2021. The gross profit margin was 59.3% for the six months ended 28 February 2022 as compared to 59.1% for the six months ended 28 February 2021. On a like-for-like basis (excluding the member newly joined the Group after the comparative period), the gross profit margin after adjusting for the current period expenses related to conversion of independent colleges into private universities was 60.0% for the six months ended 28 February 2022, up about 30 basis points as compared to 59.7% for the same period of last year which demonstrated the improvement in the operations. The adjusted return on equity (which is calculated on the basis of annualised adjusted net profit attributable to owners of the Company to the average of the beginning and ending balance of equity attributable to owners of the Company) of the Group was 15.0% for the six months ended 28 February 2022 and remained sound and fair.

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 for the six months ended 28 February 2021 to RMB47.6 million for the six months ended 28 February 2022. The academic administration income and government grants were RMB12.6 million and RMB16.2 million, respectively, for the six months ended 28 February 2022.

Selling Expenses

The Group's selling expenses was RMB73.2 million for the six months ended 28 February 2022 as compared to RMB85.7 million for the six months ended 28 February 2021. The selling expenses represented about 3.1% of revenue for the six months ended 28 February 2022 and was decreased as compared to that of 4.7% for the six months ended 28 February 2021.

Administrative Expenses

The Group's administrative expenses was RMB372.7 million for the six months ended 28 February 2022 as compared to RMB208.3 million for the six months ended 28 February 2021. The increase was mainly attributable to the increase of student enrollment, the inclusion of a new school, and the recognition of share-based payments under share option schemes. For the six months ended 28 February 2022, the Group recognised share-based payment expenses of RMB18.4 million as compared to net reversal of RMB30.5 million for the six months ended 28 February 2021.

Operating Profit

The operating profit amounted to RMB1,041.9 million for the six months ended 28 February 2022, increased by 18.3% as compared to RMB880.9 million for the six months ended 28 February 2021. The increase was mainly due to the organic growth of the existing schools and the inclusion of new school.

Other Expense, Other Gains and Losses

The other expense, other gains and losses were recorded at net losses of RMB20.3 million for the six months ended 28 February 2022 which was mainly attributable to fair value loss on construction cost payables for school premises of RMB21.3 million. The one-off expenses for conversion of independent colleges into private universities of RMB118.9 million were recognised for the six months ended 28 February 2021. No such expenses were recognised during the current reporting period.

Fair Value Change on Convertible Bonds

The fair value gain on convertible bonds of RMB317.7 million was recognised in profit or loss as a result of the decrease in fair value of convertible bonds during the six months ended 28 February 2022. 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.

Management Discussion and Analysis

Finance Costs

The finance costs mainly represented the interest expenses on bank and other financial institution borrowings. The finance costs were increased from RMB93.3 million for the six months ended 28 February 2021 to RMB134.7 million for the six months ended 28 February 2022.

Net Profit

The Group's net profit was increased by 41.5% to RMB1,206.3 million for the six months ended 28 February 2022 from RMB852.2 million for the six months ended 28 February 2021. The adjusted net profit was increased by 21.7% to RMB946.4 million for the six months ended 28 February 2022 from RMB777.5 million for the six months ended 28 February 2021, after adjusting for the foreign exchange gain, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises. The adjusted net profit attributable to owners of the Company was increased by 20.1% to RMB908.6 million for the six months ended 28 February 2022.

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. EBITDA was increased to RMB1,669.1 million for the six months ended 28 February 2022 from RMB1,182.3 million for the six months ended 28 February 2021. Adjusting for the foreign exchange gain, share-based payments, fair value change on convertible bonds, the one-off

and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises, the adjusted EBITDA was increased by 27.8% from RMB1,100.9 million for the six months ended 28 February 2021 to RMB1,406.9 million for the six months ended 28 February 2022.

Property, Plant and Equipment

Property, plant and equipment as at 28 February 2022 increased by 22.6% to RMB14,864.2 million from RMB12,126.3 million as at 31 August 2021. Increase in property, plant and equipment was mainly due to the construction of new campuses in Guangdong Province and the inclusion of a new higher vocational education institution.

Capital Expenditures

Our capital expenditures for the six months ended 28 February 2022 were RMB1,047.0 million and were primarily related to construction of new campuses in Guangdong Province.

Cash Reserve

Including bank balances and cash, restricted bank deposits and structured deposits and money market funds recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,047.1 million as at 28 February 2022 (31 August 2021: RMB5,048.4 million). The Group placed 78,000,000 Shares and received total net proceeds of HK\$1,170.0 million (equivalent to RMB974.7 million) in October 2021. The net proceeds are designated to be used for the potential acquisitions in the modern-vocational education space.

Management Discussion and Analysis

Liquidity, Financial Resources and Gearing Ratio

As at 28 February 2022, the Group had cash reserve of RMB5,047.1 million (31 August 2021: RMB5,048.4 million).

As at 28 February 2022, the Group had bank and other borrowings of RMB7,537.9 million (31 August 2021: RMB6,091.2 million) and convertible bonds of RMB1,344.1 million (31 August 2021: RMB2,243.6 million).

As at 28 February 2022, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds, net of cash reserve, to total equity of the Group) was 24.2% (31 August 2021: 28.0%). As at 31 August 2021, the debt to asset ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds to total assets of the Group) was 27.6% (31 August 2021: 31.2%). Certain bank and other borrowings and proceeds from placement were not yet fully utilised. In order to have a better use of our financial resources, the Group placed certain structured deposits and money market funds during the six months ended 28 February 2022. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

Treasury Policy

During the six months ended 28 February 2022, the Group has adopted a prudent treasury policy and maintained a robust liquidity structure. In the management of the liquidity risk, the Group monitors and maintains appropriate levels of financial resources to meet its funding needs.

Foreign Exchange Risk Management

During the six months ended 28 February 2022, the Group operated schools in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and some in Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other 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.

Contingent Liabilities

As at 28 February 2022, the Group had no significant contingent liability.

Charges on the Group's Assets

As at 28 February 2022, the bank and other borrowings of the Group amounting to RMB4,669.4 million were secured by tolling right of tuition fee, boarding fee and ancillary income, deposits, plant and equipment under sale and leaseback arrangements and equity interest of certain subsidiaries of the Group.

Saved as disclosed above, there was no other material charge on the Group's assets as at 28 February 2022.

Management Discussion and Analysis

TOP-UP PLACING AND SUBSCRIPTION

January 2021

The net proceeds amounted to approximately HK\$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) from the subscription completed on 3 February 2021 have been utilised, and will be fully utilised in next six months, for (1) potential acquisitions; and (2) expansion and development of the Group's new campuses in the Greater Bay Area, which is consistent with the intentions previously disclosed in the Company's announcements.

The following sets forth a summary of the utilisation of the net proceeds during the six months ended 28 February 2022:

Purpose	Percentage to total amount	Net proceeds amount RMB (million)	Unutilised amount as at 1 September 2021 RMB (million)	Utilised amount during the period RMB (million)	Unutilised amount as at 28 February 2022 RMB (million)
Expansion and development of the Group's new campuses in the Greater Bay Area	70%	1,177.0	60.9	60.9	–
Potential acquisitions	30%	504.4	93.3	–	93.3
	100%	1,681.4	154.2	60.9	93.3

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

October 2021

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

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

The Placing and the Subscription were completed on 22 October 2021 and 27 October 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK\$1,170.0 million (net of related costs, professional fees and out-of-pocket expenses) and will be fully utilised in next twelve months for potential acquisitions in the modern-vocational education space as previously disclosed in the Company's announcements. As at 28 February 2022, none of the net proceeds has been utilised.

Management Discussion and Analysis

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 28 February 2022, the Group had 12,908 employees (28 February 2021: 10,688), a 20.8% increase mainly due to inclusion of employees of the new school during the reporting period. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

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

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

Recruitment

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

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract 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.



To Pioneer Excellence and
Innovation In Education

Other Information

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 28 February 2022 (for the six months ended 28 February 2021: HK19.7 cents).

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

Save as disclosed in this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 28 February 2022.

ISSUE OF NEW SHARES

During the six months ended 28 February 2022, (i) 38,309,387 new Shares were issued on 2 September 2021 to settle part of the consideration of the acquisition of Long Link Investment Limited, and (ii) 78,000,000 new Shares were issued on 27 October 2021 pursuant to the subscription agreement dated 19 October 2021 in respect of placing.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 28 February 2022, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 28 February 2022.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and its main duties are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2022.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 28 February 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and Short Positions in Shares and Underlying Shares

Name of Directors	Number of Shares/Underlying Shares Held			Approximate % of all Shares in Issue ⁽¹⁾
	Personal Interests	Other Interests	Total	
Yu Guo	(L)6,500,000 ⁽²⁾	(L)1,507,900,000 ⁽³⁾⁽⁶⁾ (S)3,919,926 ⁽⁵⁾⁽⁶⁾	(L)1,514,400,000 (S)3,919,926	(L)63.38% (S)0.16%
Xie Ketao	(L)6,500,000 ⁽²⁾	(L)1,507,900,000 ⁽⁴⁾⁽⁶⁾ (S)3,919,926 ⁽⁵⁾⁽⁶⁾	(L)1,514,400,000 (S)3,919,926	(L)63.38% (S)0.16%
Yu Kai	(L)6,500,000 ⁽²⁾	(L)750,700,000 ⁽⁷⁾ (S)1,959,963 ⁽⁷⁾	(L)757,200,000 (S)1,959,963	(L)31.69% (S)0.08%
Xie Shaohua	(L)6,500,000 ⁽²⁾	–	(L)6,500,000	(L)0.27%

L – long position

S – short position

Notes:

- The calculation is based on the total number of 2,389,261,387 Shares in issue as at 28 February 2022.
- These are long position interests in underlying Shares (being physically settled unlisted derivatives) and represent the maximum number of share options which may be vested with the Directors under the Pre-IPO Share Option Scheme of the Company. Details of each of their share options are set out in the section headed "SHARE OPTION SCHEMES AND SHARE AWARD SCHEME" in this report.
- Blue Sky BVI is the beneficial owner of the long position interests in 750,700,000 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu Guo is the settlor and a beneficiary of the Blue Sky Trust. For the remaining long position interests in 757,200,000 Shares/underlying Shares, please refer to note 6 below.
- White Clouds BVI is the beneficial owner of the long position interests in 750,700,000 Shares. White Clouds BVI is a company wholly-owned by Shimmering Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie Ketao is the settlor and a beneficiary of the White Clouds Trust. For the remaining long position interests in 757,200,000 Shares/underlying Shares, please refer to note 6 below.
- Each of Blue Sky BVI and White Clouds BVI entered into an agreement authorising stock borrow with Credit Suisse AG, Hong Kong Branch ("CS") on 21 March 2019 to facilitate the Company's issue of convertible bond in March 2019. As at 28 February 2022, 1,959,963 Shares were lent by each of Blue Sky BVI and White Clouds BVI to CS. Each of Blue Sky BVI and White Clouds BVI beneficially held the short position interests in 1,959,963 Shares.
- Mr. Yu Guo, Mr. Xie Ketao, Blue Sky BVI and White Clouds BVI entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu Guo, Mr. Xie Ketao, Blue Sky BVI and White Clouds BVI is deemed to be interested in the Shares/underlying Shares held by other parties to the concert party agreement.
- Dr. Yu Kai is a beneficiary of the Blue Sky Trust. His long position interests in 750,700,000 Shares and short position interests in 1,959,963 Shares were duplicated with the interests of Mr. Yu Guo held under the Blue Sky Trust as disclosed above.

Other Information

Directors' Interest in Associated Corporation

Name of Directors	Nature of Interests	Name of Associated Corporations	Percentage of Shareholding in the Associated Corporation
Yu Guo	Beneficial owner	Jiangxi University of Technology	100%
	Beneficial owner	Huafang Education	50%
Xie Ketao	Beneficial owner	Guangdong Baiyun University	100%
	Beneficial owner	Huafang Education	50%

Save as disclosed above, as at 28 February 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2022, so far as the Directors are aware, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of Shares/ Underlying Shares Held	Approximate % of all Shares in Issue ⁽¹⁾
Blue Sky BVI	Beneficial Owner ⁽²⁾⁽⁴⁾	(L) 750,700,000	(L) 31.42%
		(S) 1,959,963	(S) 0.08%
	Other interests ⁽⁴⁾⁽⁵⁾	(L) 763,700,000	(L) 31.96%
		(S) 1,959,963	(S) 0.08%
		(L) 1,514,400,000	(L) 63.38%
		(S) 3,919,926	(S) 0.16%
White Clouds BVI	Beneficial Owner ⁽³⁾⁽⁴⁾	(L) 750,700,000	(L) 31.42%
		(S) 1,959,963	(S) 0.08%
	Other interests ⁽⁴⁾⁽⁵⁾	(L) 763,700,000	(L) 31.96%
		(S) 1,959,963	(S) 0.08%
		(L) 1,514,400,000	(L) 63.38%
		(S) 3,919,926	(S) 0.16%
Passionate Jade Holding Limited	Interests in controlled corporation ⁽²⁾	(L) 750,700,000 (S) 1,959,963	(L) 31.42% (S) 0.08%
Shimmery Diamond Holding Limited	Interests in controlled corporation ⁽³⁾	(L) 750,700,000 (S) 1,959,963	(L) 31.42% (S) 0.08%
Cantrust (Far East) Limited	Trustee ⁽²⁾⁽³⁾	(L) 1,501,400,000 (S) 3,919,926	(L) 62.84% (S) 0.16%

L – long position

S – short position

Other Information

Notes:

1. The calculation is based on the total number of 2,389,261,387 Shares in issue as at 28 February 2022.
2. Blue Sky BVI is the beneficial owner of the long position interests in 750,700,000 Shares and the short position interests in 1,959,963 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu Guo is the settlor and a beneficiary of the Blue Sky Trust.
3. White Clouds BVI is the beneficial owner of the long position interests in 750,700,000 Shares and the short position interests in 1,959,963 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie Ketao is the settlor and a beneficiary of the White Clouds Trust.
4. Each of Blue Sky BVI and White Clouds BVI entered into an agreement authorising stock borrow with Credit Suisse AG, Hong Kong Branch ("CS") on 21 March 2019 to facilitate the Company's issue of convertible bond in March 2019. As at 28 February 2022, 1,959,963 Shares were lent by each of Blue Sky BVI and White Clouds BVI to CS. Each of Blue Sky BVI and White Clouds BVI beneficially held the short position interests in 1,959,963 Shares.
5. Mr. Yu Guo, Mr. Xie Ketao, Blue Sky BVI and White Clouds BVI entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu Guo, Mr. Xie Ketao, Blue Sky BVI and White Clouds BVI is deemed to be interested in the Shares/underlying Shares held by other parties to the concert party agreement. The interests of Blue Sky BVI and White Clouds BVI were duplicated with the interests of Mr. Yu Guo and Mr. Xie Ketao as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" in this report.

Save as disclosed above, as at 28 February 2022, the Directors were not aware of any other persons (other than the Directors and the chief executives of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted and effective on 27 November 2017 and valid up to 27 November 2017. A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme during the period under review is as follows:

					Number of share options				
	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	At 01/09/2021 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2022 ⁽¹⁾
Directors									
Yu Guo	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2020	15/12/2020 – 14/12/2027	500,000	–	–	–	500,000
			15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000

Other Information

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2021 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2022 ⁽¹⁾
Xie Ketao	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2020 – 14/12/2027	500,000	–	–	–	500,000
				15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Yu Kai	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2020 – 14/12/2027	500,000	–	–	–	500,000
				15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Xie Shaohua	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2020 – 14/12/2027	500,000	–	–	–	500,000
				15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
				15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Employees	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	450,000	–	–	–	450,000
				15/12/2020 – 14/12/2027	275,000	–	–	–	275,000
				15/12/2021 – 14/12/2027	1,100,000	–	–	–	1,100,000
				15/12/2022 – 14/12/2027	1,100,000	–	–	–	1,100,000
Total					28,925,000	–	–	–	28,925,000

Notes:

- These figures (except those relating to the vested share options) represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest for each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.
- No share option was cancelled during the period under review.

Other Information

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme adopted on 29 November 2017 is valid and effective during the period commencing on 15 December 2017 and ending on 14 December 2027, being the date falling 10 years from the listing date of the Company. A summary of the movements of the share options granted under the Post-IPO Share Option Scheme during the period under review is as follows:

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2021 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2022 ⁽¹⁾
Employees	08/03/2019	12.48	08/03/2020	08/03/2020 – 07/03/2029	355,000	–	–	–	355,000
			08/03/2021	08/03/2021 – 07/03/2029	552,500	–	–	–	552,500
			08/03/2022	08/03/2022 – 07/03/2029	790,000	–	–	–	790,000
			08/03/2023	08/03/2023 – 07/03/2029	987,500	–	–	–	987,500
			08/03/2024	08/03/2024 – 07/03/2029	1,185,000	–	–	–	1,185,000
	16/12/2019	10.76	16/12/2020	16/12/2020 – 15/12/2029	20,000	–	–	–	20,000
			16/12/2021	16/12/2021 – 15/12/2029	30,000	–	–	–	30,000
			16/12/2022	16/12/2022 – 15/12/2029	40,000	–	–	–	40,000
			16/12/2023	16/12/2023 – 15/12/2029	50,000	–	–	–	50,000
			16/12/2024	16/12/2024 – 15/12/2029	60,000	–	–	–	60,000
Total					4,070,000	–	–	–	4,070,000

Notes:

- These figures (except those relating to the vested share options) represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest with each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.
- No share option was cancelled during the period under review.

Share Award Scheme

The Share Award Scheme adopted on 29 November 2017 is valid and effective for the period of 10 years commencing from the listing date of the Company, i.e. from 15 December 2017 to 14 December 2027. No award has been granted or agreed to be granted under the Share Award Scheme since its adoption.

Other Information

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

On 27 December 2021, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and Ministry of Commerce of the PRC (中華人民共和國商務部) jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021) (《外商投資准入特別管理措施（負面清單）》(2021年版), the “Negative List”), which became effective on 1 January 2022. Pursuant to the Negative List, higher education in the PRC is a “restricted” industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-Foreign cooperation, meaning that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, which was promulgated by the State Council on 1 March 2003, taking effect as from 1 September 2003, amended on 18 July 2013, and further amended on 2 March 2019, the “Sino-Foreign Regulation”). In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-Foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national, and (b) the representative of the domestic party shall account for no less than 50% of the total members of the board of directors, the executive council or the joint administration committee of the Sino-Foreign cooperative educational institution. Pursuant to the Negative List, vocational education in the PRC is the “permitted” industry. However, the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (the “Sino-Foreign Vocational Skills Training Measures”) explicitly restrict vocational education to Sino-Foreign cooperation, meaning that foreign investors may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Regulations on Operating Sino-Foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》, issued by the MOE on 2 June 2004 and became effective on 1 July 2004) (the “Implementing Rules”), the foreign investor in a Sino-Foreign Joint Venture Private Higher Education School must be a foreign educational institution with relevant qualification and high quality of education (the “Higher Education Qualification Requirement”). Similarly, pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-Foreign Joint Venture Private Vocational Education School must be a foreign education institution with relevant qualification and high quality of education (the “Vocational Education Qualification Requirement”) (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as “Qualification Requirement”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (the “Implementation Opinions”), which was issued by the MOE on 28 June 2012, the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the “Foreign Ownership Restriction”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

Other Information

The Company's PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and has implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education operations overseas. In 2019, the Company acquired King's Own Institute in Sydney, Australia, a higher education institute that is accredited in Australia to award both bachelor's and master's degrees and is recognised by the MOE. We will continue to disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports.

LAND USE RIGHT CERTIFICATE, BUILDING OWNERSHIP CERTIFICATES AND FIRE CONTROL ASSESSMENT REQUIREMENTS

As disclosed in the section headed "Business — Properties — Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College" in the prospectus of the Company dated 5 December 2017, land use right certificate for a parcel of land has not been obtained (the "Land Issue"), and building ownership certificates for certain buildings have not been obtained and the relevant fire control assessment requirements have not been complied with (the "Building and Fire Control Issues"). We have been in discussion with the relevant parties and in the process of applying for re-compliance of the relevant certificates, permits and fire control assessment procedures (the "Rectification"). Such rectification would involve protracted discussions with various government authorities and time-consuming government administrative processes. As at the date of this report, the application is in progress and we have not obtained any formal approvals from the relevant government authorities for the submissions that we made in relation to the Rectification.

We commissioned qualified independent third parties to undertake a seismic resistance assessment and fire safety assessment on the buildings that do not have building ownership certificates. According to the assessment reports, no material safety issues were identified and the relevant buildings had passed the assessments; buildings can be operated normally as long as they maintain their existing safety conditions.

Furthermore, as disclosed in the prospectus, we acquired the land use right certificate for the first phase of the site of Zhongluotan Land with a site area of 188,666 sq.m. which would be developed into a new campus of Guangdong Baiyun University. The new campus would have ample capacity to accommodate the expansion of the school and to facilitate the relocation of the existing operations of the buildings (the "Old Buildings") affected by the Land Issue, and the Building and Fire Control Issues. The new campus commenced operation in the 2019/2020 academic year and the operations in the Old Buildings would also be gradually relocated to the new campus. We will continue to disclose our progress in the rectification and the relocation of the existing operations of the Old Buildings in our annual and interim report.

In view of the mitigating actions that have been taken by the Group, the Directors considered that the Land Issue, and the Building and Fire Control Issues of the Old Buildings would not have a material adverse effect on the operation of the schools.

Other Information

CONVERTIBLE BONDS DUE 2024

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

During the six months ended 28 February 2022, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds. As at 28 February 2022, the aggregate principal amount of the convertible bonds that remains outstanding was HK\$1,663,000,000. Upon full conversion of the outstanding convertible bonds, the Company may issue 120,945,454 Shares (based on the conversion price of HK\$13.75 per Share), which represent approximately 5.06% of the total number of Shares in issue as at 28 February 2022 and approximately 4.82% of the total number of Shares in issue as enlarged by the number of new Shares issued upon full conversion of the outstanding convertible bonds. Set out below is the dilution effect on equity interest of the substantial Shareholders:

Name of Substantial Shareholders	As at 28 February 2022		Upon full conversion of the outstanding convertible bonds as of 28 February 2022 at the conversion price of HK\$13.75 per Share	
	Number of Shares	Approximate % of all Shares in issue	Number of Shares	Approximate % of all Shares in issue
Blue Sky BVI	750,700,000	31.42%	750,700,000	29.91%
White Clouds BVI	750,700,000	31.42%	750,700,000	29.91%

Other Information

On 28 February 2022, the Group recorded total net assets of approximately RMB15,852.2 million and cash reserve of approximately RMB5,047.1 million. Based on the financial positions of the Group, the Company was able to meet its redemption obligations under the convertible bonds.

Please refer to note 9 and note 18 to the condensed consolidated financial statements for the dilutive impact on earnings per Share and for further details of the convertible bonds respectively.

After the reporting period on 28 March 2022, the Company redeemed HK\$1,544,000,000 principal amount of the convertible bonds at face value of its principal amount. After redemption, the relevant convertible bonds were cancelled and the remaining HK\$119,000,000 principal amount of the convertible bonds, representing approximately 5.05% of the aggregate principal amount of the convertible bonds originally issued, will be due in March 2024.

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

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

2018 IFC Loan

On 31 May 2018, the Company and certain of its wholly-owned subsidiaries as borrowers entered into a loan agreement and related financing documents (the "2018 IFC Loan Agreement") with International Finance Corporation ("IFC"), a member of the World Bank Group, as lender in relation to a long-term loan facility up to US\$200,000,000 (the "2018 IFC Loan") and with a term of up to seven years. The 2018 IFC Loan Agreement imposes, among other things, specific performance obligations on the controlling shareholders of the Company, namely Mr. Yu Guo and Mr. Xie Ketao (collectively referred to as the "Controlling Shareholders").

Pursuant to the 2018 IFC Loan Agreement, so long as any of the 2018 IFC Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain:

- (i) at all times, effective control of the Company; and
- (ii) directly or indirectly, at all times (a) on or before 15 December 2018, at least 60%; and (b) after 15 December 2018, at least 50% of the beneficial ownership of the issued Shares.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the 2018 IFC Loan Agreement. Nevertheless, it will not be an event of default in respect of the above shareholding requirement to the extent that the failure to comply is not a result of a direct or indirect transfer of the Shares by the Controlling Shareholders.

Other Information

In addition, it is also an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 20% or more of the voting share or equity in such entities) of any of them. Nevertheless, if the Controlling Shareholders collectively (whether directly or indirectly) remain as the single largest shareholder of such entity, it would not be a change of control in the context of the above requirement.

If an event of default under the 2018 IFC Loan Agreement occurs and is continuing, the lender may, by notice to the borrowers, require the borrowers to immediately repay the 2018 IFC Loan (or such part of the 2018 IFC Loan) and any other payments pursuant to the 2018 IFC Loan Agreement.

Facility Agreement

On 6 September 2021, Admiral One International Limited (an indirect wholly-owned subsidiary of the Company) as borrower, the Company as guarantor and certain wholly-owned subsidiaries of the Company entered into a facility agreement (the “Facility Agreement”) with certain banks as lenders, pursuant to which the lenders agreed to provide a term loan facility of US\$189,500,000 (the “Facility”) with a term up to seven years.

Pursuant to the terms of the Facility Agreement, the Controlling Shareholders shall remain the single largest direct or indirect shareholder of the Company. A breach of such undertaking will constitute an event of default under the Facility Agreement and the agent of the lenders may, by notice to the borrower, declare that all or part of the outstanding loan, together with accrued interest and all other amounts accrued or outstanding under the Facility Agreement be immediately due and payable by the borrower.

2021 IFC Loan

On 13 September 2021, the Company and certain of its wholly-owned subsidiaries as borrowers entered into a loan agreement and related financing documents (the “2021 IFC Loan Agreement”) with IFC as lender in relation to a long-term loan facility up to US\$150,000,000 (the “2021 IFC Loan”) and with a term of up to seven years. The 2021 IFC Loan Agreement imposes, among other things, specific performance obligations on the Controlling Shareholders.

Pursuant to the 2021 IFC Loan Agreement, so long as the 2021 IFC Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain at all times:

- (1) directly or indirectly at least 50% of the beneficial ownership of the shares of the Company; and
- (2) effective control of the Company.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the 2021 IFC Loan Agreement.

Other Information

In addition, it could also constitute an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 50% or more of the voting shares or equity in such entities) of any of them.

If an event of default under the 2021 IFC Loan Agreement occurs and is continuing, the Lender may, by notice to the borrowers, require the borrowers to immediately repay the 2021 IFC Loan (or such part of the 2021 IFC Loan) and any other payments pursuant to the 2021 IFC Loan Agreement.

On behalf of the Board

Yu Guo and Xie Ketao

Co-Chairmen

Hong Kong, 28 April 2022

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Education Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 32 to 70, which comprise the condensed consolidated statement of financial position as of 28 February 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 April 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 28 February 2022

	NOTES	Six months ended	
		28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Revenue	3	2,350,612	1,823,438
Cost of revenue		(957,378)	(745,949)
Gross profit		1,393,234	1,077,489
Other income	4	94,553	97,462
Investment income		23,471	28,989
Other expense, other gains and losses	5	(20,259)	32,240
Fair value change on convertible bonds		317,741	33,726
Selling expenses		(73,177)	(85,683)
Administrative expenses		(372,670)	(208,337)
Finance costs		(134,700)	(93,346)
Profit before taxation		1,228,193	882,540
Taxation	6	(21,850)	(30,301)
Profit for the period	7	1,206,343	852,239
Other comprehensive (expenses) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(3,212)	3,587
Total comprehensive income for the period		1,203,131	855,826
Profit for the period attributable to:			
Owners of the Company		1,168,461	831,444
Non-controlling interests		37,882	20,795
		1,206,343	852,239
Total comprehensive income attributable to:			
Owners of the Company		1,165,249	835,031
Non-controlling interests		37,882	20,795
		1,203,131	855,826
Earnings per share	9		
Basic (RMB cents)		49.08	38.37
Diluted (RMB cents)		33.21	28.13

Condensed Consolidated Statement of Financial Position

At 28 February 2022

	NOTES	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	14,864,189	12,126,263
Right-of-use assets	10	1,937,771	1,492,957
Goodwill	11	3,896,376	3,211,079
Intangible assets	11	5,080,418	3,221,187
Contract costs		84,206	94,965
Prepayments for investments	12	60,000	474,200
Deposits paid for right-of-use assets		31,181	114,261
Deposits paid for acquisition of property, plant and equipment		42,120	71,214
Other prepayments and deposits	13	14,605	51,503
Deferred tax asset	17	13,120	13,117
Interest in an associate		467	478
		26,024,453	20,871,224
CURRENT ASSETS			
Inventories		1,151	1,362
Trade receivables, deposits, prepayments and other receivables	13	1,033,957	751,878
Financial assets at fair value through profit or loss		1,709,590	1,620,129
Contract costs		68,759	74,108
Restricted bank deposits		101,062	101,062
Bank balances and cash		3,236,487	3,327,191
		6,151,006	5,875,730
CURRENT LIABILITIES			
Deferred income		62,957	57,271
Trade payables	14	22,518	26,956
Other payables and accrued expenses	15	2,159,074	1,935,185
Provisions	15	369,459	378,282
Lease liabilities		25,601	23,670
Income tax payable		100,652	88,543
Contract liabilities		2,362,806	2,265,855
Bank and other borrowings	16	1,646,250	1,473,129
Convertible bond	18	1,247,880	2,243,571
		7,997,197	8,492,462
NET CURRENT LIABILITIES		(1,846,191)	(2,616,732)
TOTAL ASSETS LESS CURRENT LIABILITIES		24,178,262	18,254,492

Condensed Consolidated Statement of Financial Position

At 28 February 2022

	NOTES	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income		17,333	16,113
Other payables	15	625,127	813,266
Bank and other borrowings	16	5,891,607	4,618,114
Lease liabilities		80,905	82,768
Deferred tax liability	17	1,614,959	967,406
Convertible bonds	18	96,177	–
		8,326,108	6,497,667
		15,852,154	11,756,825
CAPITAL AND RESERVES			
Share capital	19	20	19
Reserves		13,335,648	10,919,385
Equity attributable to owners of the Company		13,335,668	10,919,404
Non-controlling interests		2,516,486	837,421
		15,852,154	11,756,825

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2022

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Deferred consideration shares RMB'000	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000		
At 1 September 2020 (audited)	18	3,967,649	181,679	(152,807)	–	98,838	1,463,946	32,688	2,981,456	8,573,467	333,893	8,907,360
Profit for the period	–	–	–	–	–	–	–	–	831,444	831,444	20,795	852,239
Other comprehensive income for the period	–	–	–	–	–	–	–	3,587	–	3,587	–	3,587
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	3,587	831,444	835,031	20,795	855,826
Dividends recognised as distribution (note 8)	–	(263,644)	–	–	–	–	–	–	–	(263,644)	–	(263,644)
Acquisition of a business	–	–	–	–	–	–	–	–	–	–	726,925	726,925
Issue of shares (note 19)	1	1,694,814	–	–	–	(950)	–	–	–	1,693,865	–	1,693,865
Transaction costs attributable to issue of shares (note 18)	–	(10,512)	–	–	–	–	–	–	–	(10,512)	–	(10,512)
Transfer	–	–	–	–	–	–	100,372	–	(100,372)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(186,528)	–	–	–	–	141,222	(45,306)	(257,622)	(302,928)
Recognition of equity-settled share-based payments	–	–	–	–	–	(30,456)	–	–	–	(30,456)	–	(30,456)
At 28 February 2021 (unaudited)	19	5,388,307	181,679	(339,335)	–	67,432	1,564,318	36,275	3,853,750	10,752,445	823,991	11,576,436
At 1 September 2021 (audited)	19	5,018,912	181,679	(339,335)	–	71,627	1,824,228	(43,921)	4,206,195	10,919,404	837,421	11,756,825
Profit for the period	–	–	–	–	–	–	–	–	1,168,461	1,168,461	37,882	1,206,343
Other comprehensive expense for the period	–	–	–	–	–	–	–	(3,212)	–	(3,212)	–	(3,212)
Profit and total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(3,212)	1,168,461	1,165,249	37,882	1,203,131
Dividends recognised as distribution (note 8)	–	(394,908)	–	–	–	–	–	–	–	(394,908)	–	(394,908)
Acquisition of a business (note 23)	–	423,890	–	–	228,901	–	–	–	–	652,791	1,641,183	2,293,974
Issue of shares (note 19)	1	981,097	–	–	–	–	–	–	–	981,098	–	981,098
Transaction costs attributable to issue of shares (note 19)	–	(6,412)	–	–	–	–	–	–	–	(6,412)	–	(6,412)
Transfer	–	–	–	–	–	–	187,585	–	(187,585)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	18,446	–	–	–	18,446	–	18,446
At 28 February 2022 (unaudited)	20	6,022,579	181,679	(339,335)	228,901	90,073	2,011,813	(47,133)	5,187,071	13,335,668	2,516,486	15,852,154

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2022

Notes:

- i. Amounts represent the transfer of the combined paid-in capital of the subsidiaries comprising the Group to the merger reserve upon the Company became the holding company of the Group upon the reorganisation in 2017.
- ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests in prior years; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), controlling equity holders and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition in prior years; (iii) the deemed contribution from equity holders which represents the differences between the carrying amount of the lower-than-market interest rate advances to Mr. Yu and Mr. Xie and the amount received for the settlement in prior years; (iv) capital contribution from Mr. Yu through a company controlled by him in prior years, and (v) the difference between the fair value of consideration paid for further acquisition of subsidiaries in prior years and the amount by which the non-controlling interests are adjusted, after reattribution of relevant reserve.
- iii. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.
 - (i) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.
 - (ii) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2022

	NOTE	Six months ended	
		28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		1,329,498	927,367
Increase in trade receivables, deposits, prepayments and other receivables		(102,138)	(68,162)
Decrease in contract costs		16,108	20,560
Decrease in other payables and accrued expenses		(158,896)	(44,261)
(Decrease) increase in contract liabilities		(368,370)	99,002
Decrease in deferred income		(11,247)	(24,737)
Movements in other working capital items		(12,985)	(4,285)
Cash generated from operations		691,970	905,484
Income tax paid		(12,374)	(5,636)
NET CASH FROM OPERATING ACTIVITIES		679,596	899,848
INVESTING ACTIVITIES			
Purchase of structured deposits		(10,368,310)	(2,601,782)
Payments/deposits paid for acquisition of property, plant and equipment		(1,201,966)	(1,524,040)
Purchase of money market funds		(1,175,257)	(1,222,678)
Net cash outflow from acquisition of a business	23	(901,911)	(477,305)
Loan advanced to third parties		(47,808)	(308,811)
Settlement of consideration payables		(6,836)	(229,729)
Placement of short term deposits		(2,056)	(12,736)
Redemption of structured deposits		9,672,757	2,080,477
Withdrawal of money market funds		2,001,231	149,445
Government grants received		23,291	28,379
Proceeds on disposal of property, plant and equipment		19,224	642
Interest received on banks deposits and loan receivables		15,871	26,845
Payment for deposit for right-of-use assets		–	(30,000)
Payment for right-of-use assets		–	(15,002)
Repayment of loan to a third party		–	300,000
Withdrawal of short term deposits		–	51,966
Withdrawal of pledged bank deposits		–	30,000
NET CASH USED IN INVESTING ACTIVITIES		(1,971,770)	(3,754,329)

Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2022

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(890,741)	(367,525)
Repurchase of convertible bond	(564,403)	–
Repayment of other borrowings	(304,429)	(243,831)
Repayments to connected entities of a non-controlling interest	(240,355)	(64,726)
Interest paid	(198,086)	(138,846)
Repayments to other payables	(140,500)	–
Settlement of long-term construction cost payables for school premises	(36,596)	(28,118)
Repayment of lease liabilities	(13,660)	(12,406)
Transaction costs attributable to issue of shares	(6,412)	(10,512)
New bank borrowings raised	2,343,183	1,268,438
Proceeds from issuance of new shares	981,098	1,693,865
New other borrowings raised	293,050	129,234
Payment for further acquisition of interest in a subsidiary	–	(228,000)
NET CASH FROM FINANCING ACTIVITIES	1,222,149	1,997,573
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70,025)	(856,908)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,315,391	3,391,104
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(22,735)	(23,529)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,222,631	2,510,667
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	3,236,487	2,523,403
Less: bank deposits with maturity over three months	(13,856)	(12,736)
	3,222,631	2,510,667

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets of RMB1,846,191,000 as at 28 February 2022. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors of the Company consider that after taking into account the internal fund resources and issuance of bonds subsequent to the end of the reporting period, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During current interim period, the Group completed the acquisition of 100% equity interest in Long Link Investment Limited (“Long Link”) and its subsidiaries (collectively referred to as the “Long Link Group”). Long Link Group became subsidiaries of the Company upon completion of the acquisition on 14 September 2021. Details of acquisition of Long Link Group are set out in note 23.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 August 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board which are mandatory effective for the annual period beginning on or after 1 September 2021 for the preparation of the Group's condensed consolidated financial statements:

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

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

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. As at 28 February 2022, the Group has secured London Interbank Offered Rate other borrowings which may be subject to interest rate benchmark reform. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 August 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

3. REVENUE AND SEGMENT INFORMATION

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

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

During the year ended 31 August 2021, the names of reportable segments of "Higher Education" and "Vocational Education" were changed to "Higher Vocational Education" and "Secondary Vocational Education" respectively to reflect the substance of the businesses carried out. Prior period segment disclosures have been represented to conform with the current period's presentation.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher vocational education, secondary vocational education and global education. Higher vocational education institutions mainly deliver bachelor's degree programmes, junior college diploma programmes and continuing education programmes in the PRC. Secondary vocational education institutions mainly deliver secondary vocational diploma programmes, post-secondary vocational diploma programmes and technician diploma programmes in the PRC. Global education institutions mainly deliver master's degree programmes, graduate certificate programmes, graduate diploma programmes, bachelor's degree programmes and undergraduate diploma programmes in the overseas. Each category of institution constitutes an operating segment and reportable segment.

Segment revenues and results

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

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the six months ended 28 February 2022 (unaudited)</i>				
Revenue	1,946,313	330,323	73,976	2,350,612
Segment results	930,638	137,591	19,266	1,087,495
Investment income				23,471
Other gains and losses				(20,259)
Fair value change on convertible bonds				317,741
Finance costs				(134,700)
Unallocated corporate income and expenses				(45,555)
Profit before taxation				1,228,193

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the six months ended</i>				
<i>28 February 2021 (unaudited)</i>				
Revenue	1,349,711	358,610	115,117	1,823,438
Segment results	668,262	183,913	40,993	893,168
Investment income				28,989
Other expense, other gains and losses				32,240
Fair value change on convertible bonds				33,726
Finance costs				(93,346)
Unallocated corporate income and expenses				(12,237)
Profit before taxation				882,540

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of investment income, other gains and losses, fair value change on convertible bonds, finance costs, corporate income 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:

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Education services recognised over time	2,325,307	1,799,632
Ancillary services recognised over time	25,305	23,806
	2,350,612	1,823,438

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major services (Continued)

The higher vocational education segment and secondary vocational education segment principally derive the revenue by providing education services (predominantly tuition) and ancillary services. The global education segment principally derives its revenue by providing tuition services.

Geographical information

The Group operates in the PRC and Australia.

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

	Revenue from customers		Non-current assets (Note)	
	Six months ended		At	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)	28 February 2022 RMB'000 (unaudited)	31 August 2021 RMB'000 (audited)
The PRC	2,276,636	1,708,321	25,174,019	20,008,296
Australia	73,976	115,117	834,587	846,366
Hong Kong	–	–	2,727	3,445
	2,350,612	1,823,438	26,011,333	20,858,107

Note: Non-current assets excluded deferred tax assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

4. OTHER INCOME

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Academic administration income	12,562	24,984
Management fee income	47,621	33,610
Government grants (Note)	16,193	21,277
Staff quarter income	2,424	2,381
Utilities income	4,801	5,971
Others	10,952	9,239
	94,553	97,462

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

5. OTHER EXPENSE, OTHER GAINS AND LOSSES

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Other expense		
Fees for conversion of certain independent colleges into private universities	–	(118,879)
Other gains and losses		
Loss on disposal of property, plant and equipment, net	(8,109)	(1,270)
Fair value change on financial assets at fair value through profit or loss ("FVTPL")	19,882	10,124
Foreign exchange gain, net	1,087	164,099
Fair value change on construction cost payables for school premises	(21,307)	(19,023)
Impairment losses under expected credit loss model, net of reversal		
— trade receivables	(12,106)	(8,008)
— other receivables and deposits	(1,350)	1,100
— loan receivable	633	2,232
Share of results of an associate	(11)	(221)
Gain on deregistration of a subsidiary	–	2,086
Gain on repurchase of convertible bonds	1,022	–
	(20,259)	32,240

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

6. TAXATION

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Current tax		
— Enterprise Income Tax ("EIT")	(22,291)	(8,351)
— Australian Corporate Income Tax	(2,045)	(12,249)
— Withholding taxes on interest income	(640)	(407)
	(24,976)	(21,007)
Deferred tax (note 17)	3,126	(9,294)
	(21,850)	(30,301)

According to the Implementation Rules for the Law for Promoting Private Education issued in 2004 (the "2004 Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council.

During the six months ended 28 February 2022, the Group is converting a school in the PRC into a for-profit private school (the "Conversion") in accordance with the relevant provisions of Implementation Rules for the Law for Promoting Private Education issued in 2021. As at 28 February 2022, the Conversion process is still under the application and the tax positions of such school and other schools have not been changed. During the six months ended 28 February 2022, except for one school requiring reasonable returns in accordance with the 2004 Implementation Rules which is chargeable at the standard EIT rate of the region, all schools followed previous EIT exemption treatment for the tuition and certain related incomes according to the current tax practice. If the schools are elected and approved to be for-profit, the schools may not be able to follow previous EIT exemption treatment for the tuition and certain related incomes upon completion of conversion. Consequently, the discontinuation of the preferential tax treatment would cause an increase in the tax expense in the future.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

7. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
— salaries and other allowances	570,871	440,856
— retirement benefit scheme contributions	98,417	67,626
— share-based payments (note 20(a)) (Note)	18,446	(30,456)
Total staff costs	687,734	478,026
Depreciation of property, plant and equipment	272,270	173,553
Depreciation of right-of-use assets	29,278	25,602
Amortisation of intangible assets	4,708	7,307
Short-term leases expense in respect of rented premises	10,473	8,055
Interest income from banks	(15,871)	(14,445)
Interest income from loan receivables	(7,600)	(14,544)

Note: The amount for the six months ended 28 February 2021 included reversal of RMB39,375,000 previously recognised share options expenses due to revision of estimate on the number of share options to be vested as detailed in note 20(a). No such reversal was recorded during six months ended 28 February 2022.

8. DIVIDENDS

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

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Final dividend for the year ended 31 August 2021 of HK20.2 cents (for the six months ended 28 February 2021: HK13.9 cents final dividend for year ended 31 August 2020) per ordinary share	394,908	263,644

No dividend has been proposed since the end of the reporting period ended 28 February 2022 (for the six months ended 28 February 2021: HK19.7 cents per ordinary share amounting to HK\$447,768,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

9. EARNINGS PER SHARE

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

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic earnings per share	1,168,461	831,444
Effect of dilutive potential ordinary shares:		
Fair value change on convertible bonds	(318,763)	(170,663)
Profit for the period attributable to owners of the Company for the purpose of calculating diluted earnings per share	849,698	660,781
	Six months ended	
	28 February 2022 '000	28 February 2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,380,822	2,167,150
Effect of dilutive potential ordinary shares:		
Share options granted under Pre-IPO Share Option Scheme	13,279	17,715
Share options granted under Post-IPO Share Option Scheme	–	78
Convertible bonds	164,228	164,379
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,558,329	2,349,322

The weighted average number of ordinary shares for purpose of calculating basic earnings per share has included the Consideration Shares (as defined in note 12) in relation to the acquisition of Long Link Group (as detailed in note 23) from the acquisition date.

The computation of diluted earnings per share for the six months ended 28 February 2022 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as defined in note 20 as the adjusted exercise price of those options was higher than the average market price for shares for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 28 February 2022, the Group made additions of approximately RMB722,132,000 (for the six months ended 28 February 2021: RMB1,538,726,000) for construction costs for new school premises and student dormitories and RMB283,303,000 (for the six months ended 28 February 2021: RMB72,333,000) for acquisition of office equipment, furniture and fixtures and motor vehicles. In addition, the Group acquired schools which included RMB1,991,012,000 (for the six months ended 28 February 2021: acquired schools which included RMB2,437,168,000) in property, plant and equipment through acquisition of a business as set out in note 23.

In addition, the Group acquired schools which included RMB382,945,000 in right-of-use assets through acquisition of a business as set out in note 23.

11. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000	Intangible assets		Total RMB'000
		Brand names RMB'000 (Note i)	Student rosters RMB'000 (Note ii)	
COST				
At 1 September 2021 (audited)	3,270,338	3,207,493	101,673	3,309,166
Acquisition of a business (note 23)	693,259	1,885,293	–	1,885,293
Exchange realignment	(7,962)	(21,354)	–	(21,354)
At 28 February 2022 (unaudited)	3,955,635	5,071,432	101,673	5,173,105
AMORTISATION AND IMPAIRMENT				
At 1 September 2021 (audited)	59,259	–	87,979	87,979
Charge for the period	–	–	4,708	4,708
At 28 February 2022 (unaudited)	59,259	–	92,687	92,687
CARRYING VALUES				
At 28 February 2022 (unaudited)	3,896,376	5,071,432	8,986	5,080,418
At 1 September 2021 (audited)	3,211,079	3,207,493	13,694	3,221,187

Notes:

- i. Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.
- ii. Student roster has finite estimated useful lives and it is amortised based on expected usage of student roster.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

12. PREPAYMENTS FOR INVESTMENTS

On 26 July 2021, the Group entered into an agreement (the "Acquisition Agreement") with the prepayment for investments as at 31 August 2021 amounting to RMB414,200,000 for purpose of acquiring of entire equity interest in Long Link Group at a total consideration of RMB2,328,591,000 which would be settled in cash amounting to RMB1,675,800,000 and consideration shares amounting to RMB652,791,000 (the "Consideration Shares"), with 38,309,387 Consideration Shares been allotted and issued at the contractual issue price of HK\$15.88 per share during six months ended 28 February 2022. The acquisition of Long Link has been completed during the six months ended 28 February 2022 as detailed in note 23. The prepayments for investments as at 28 February 2022 and 31 August 2021 amounting to RMB60,000,000 were for the purpose of acquisition of a school in the PRC. Up to the date these condensed consolidated financial statements are authorised for issue, the acquisition of the school in the PRC has not been completed subject to fulfillment of certain completion criteria.

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
Trade receivables (Note i)	44,640	21,715
Less: allowance for credit losses	(14,376)	(6,484)
	30,264	15,231
Receivables from education bureaus	123,144	55,213
Management fee income receivables	5,228	6,660
Staff advances	11,965	12,864
Other receivables, net of allowance	60,807	39,683
Deposits (Note vi)	83,196	50,549
Other prepayment (Note v)	31,303	31,303
Prepayments and prepayments on behalf of students	48,346	21,359
Loan receivables, net of allowance (Note ii)	155,388	100,613
Indemnification assets (Note iii)	341,004	349,828
Amounts due from a vendor of acquired school (Note iv)	157,917	120,078
	1,048,562	803,381
Current	1,033,957	751,878
Non-current	14,605	51,503
	1,048,562	803,381

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

- i. For schools in the PRC, the students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September except for adult education which normally commences in January, February or March. Meanwhile, for higher education institution outside the PRC, the students are required to pay tuition fees in advance for the upcoming trimesters, which normally commences in March, July and November. The outstanding receivables represent amounts related to students who have applied for the delayed payments of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collaterals or other credit enhancements over its trade receivable balances.
- ii. The loan receivables are non-trade in nature, bearing interest at 12% per annum, unsecured and repayable within twelve months from the end of the reporting period. Except for the loan receivable with carrying amount of RMB44,247,000 (31 August 2021: RMB41,832,000) which is denominated in RMB same as the functional currency of the relevant group entity, all other loan receivables are denominated in Great Britain Pound. As at 28 February 2022, the Group granted a loan commitment of RMB109,154,000 without unutilised facilities (31 August 2021: granted a loan commitment of RMB90,996,000 of which RMB27,564,000 had not yet been drawn down).
- iii. Indemnification assets are recognised upon business combination as assets of the Group and on the same basis as the indemnified items, representing provisions for certain compliance matters as detailed in note 15, which are recognised as liabilities of certain acquisition targets in prior years. The indemnification assets are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability.
- iv. The amounts represent payments made by the Group for settlement of litigation of acquired schools that are recoverable from the vendor pursuant to the acquisition agreement. The amounts are interest free, unsecured and the management of the Group expects that the amounts would be settled together with deferred consideration payable to the vendor.
- v. On 29 June 2018, 華教教育科技(江西)有限公司 (Huajiao Education Technology (Jiangxi) Company Limited) 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) (the "China Education Fund"). The Group had made part of the committed capital contribution amounting to RMB31,303,000 to the China Education Fund in prior years. As at 28 February 2022, the China Education Fund is in the process of winding up and the directors of the Company expected to receive the prepayment within twelve months after the end of the reporting period and presented such prepayment as current assets.
- vi. As at 28 February 2022, included in the amounts are deposits secured for long-term borrowings under sale and leaseback arrangements that are accounted for as financing arrangements amounting to RMB27,700,000, which are repayable beyond twelve months after the end of the reporting period and are presented as non-current assets (31 August 2021: RMB20,200,000).

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For the six months ended 28 February 2022

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
0 – 90 days	5,000	–
91 – 120 days	10,341	13,339
121 – 365 days	127,222	53,785
Over 365 days	10,845	3,320
	153,408	70,444

Allowance for credit losses

The movement in the allowance for credit losses in respect of trade receivables, other receivables and loan receivables and loan commitments during six months ended 28 February 2022 is as follows:

	Trade receivables RMB'000	Other receivables and deposits RMB'000	Loan receivables and loan commitments RMB'000	Total RMB'000
At 31 August 2021 (audited)	6,484	10,738	4,664	21,886
Net impairment loss (reversal of impairment loss) recognised during the period	12,106	1,350	(633)	12,823
Write off during the period	(4,214)	–	–	(4,214)
At 28 February 2022 (unaudited)	14,376	12,088	4,031	30,495

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For the six months ended 28 February 2022

14. TRADE PAYABLES

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

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

	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
0 – 30 days	2,952	4,792
31 – 90 days	17,820	12,319
91 – 365 days	1,495	9,779
Over 365 days	251	66
	22,518	26,956

15. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS

	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
Discretionary government subsidies receipt in advance (Note i)	148,264	125,832
Receipt on behalf of ancillary services providers	291,624	277,875
Long term construction cost payables for school premises (Note ii)	403,613	418,902
Construction cost payables for school premises (Note iii)	387,674	554,002
Retention money payables	65,284	43,765
Accrued staff benefits and payroll	102,149	97,208
Accrued operating expenses	11,597	18,390
Fees payable for conversion of certain independent colleges into private universities (Note vi)	121,791	178,446
Dividend payables	390,603	–
Interest payable	39,455	57,600
Other payables and accruals	253,321	160,016
Other tax payables	14,936	20,155
Deferred cash consideration payables (Note iv)	435,505	441,013
Amount due to connected entities of a non-controlling interest (Note v)	118,385	355,247
	2,784,201	2,748,451

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15. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS (Continued)

	At 28 February 2022 RMB'000 (unaudited)	At 31 August 2021 RMB'000 (audited)
Current	2,159,074	1,935,185
Non-current	625,127	813,266
	2,784,201	2,748,451
Provisions (Note vii)	369,459	378,282

Notes:

- i. The amounts represent scholarships and government subsidies to be distributed from time to time or upon demand to eligible students and teachers of the schools based mainly on the financial conditions or academic achievements of students and teachers, on behalf of the government.
- ii. Long term construction cost payables for school premises arose from arrangements between the Group and other constructors for building student dormitories and academic building, pursuant to which the constructors are entitled to future cash payments with payment terms ranging from 40 to 42 years after completion of construction, typically with guaranteed amounts and variable premium proportionate to boarding fees and tuition fees earned by respective buildings they constructed and are designated at FVTPL calculated by discounting the expected future cash flow, with change in fair value recognised in profit or loss. Included in long term construction cost payables for school premises are amounts of RMB397,595,000 (31 August 2021: RMB412,884,000) which are payable beyond twelve months after the end of the reporting period and are presented as non-current liabilities as at 28 February 2022.
- iii. The construction cost payables included retention money payables in respect of construction of school premises in an amount of RMB106,535,000 (31 August 2021: RMB105,207,000) which is payable beyond twelve months after the end of the reporting period and presented as non-current liabilities as at 28 February 2022.
- iv. The amounts represent consideration payables for the acquisitions of certain schools in prior years and current period. Amount of approximately RMB365,505,000 (31 August 2021: RMB342,860,000) which is repayable within twelve months after the end of the reporting period in accordance with acquisition agreements were included in other payables as current liabilities. An amount of RMB70,000,000 (31 August 2021: RMB98,153,000) is presented as non-current liabilities as at 28 February 2022 which is repayable beyond twelve months after the end of the reporting period. Including in the balance is an amount of RMB5,189,000 (31 August 2021: RMB9,172,000) classified as financial liabilities at FVTPL while the remaining balances are measured at amortised cost. The directors of the Company are of the opinion that the total contingent considerations measured at FVTPL are not expected to be reduced.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

15. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS (Continued)

Notes: (Continued)

- v. The entire amounts as at 28 February 2022 (31 August 2021: RMB262,818,000) represent payables to entities controlled by a substantial shareholder of a non-controlling interest of a subsidiary of the Company, and are interest free, unsecured and repayable within twelve months from the end of reporting period. As at 31 August 2021, amount of RMB92,429,000 is repayable beyond twelve months from the end of the reporting period is presented as non-current liabilities.
- vi. The amount includes fees payable for conversions of Guangzhou College of Applied Science and Technology and Chongqing Institute of Foreign Studies, consolidated affiliated entities of the Group, from independent colleges into full private universities. Included in the amount is RMB50,997,000 (31 August 2021: RMB104,593,000) which is payable beyond twelve months after the end of the reporting period and is presented as non-current liabilities as at 28 February 2022.
- vii. The amount of provisions assumed through acquisitions of businesses, representing (a) provisions for compliance matters, mainly on social insurance benefit, housing provident fund, lack of building ownership certificates for certain school premises and idle lands, and (b) provisions for legal cases, is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The aforementioned compliance matters and legal cases are indemnified by respective vendors. Indemnification assets of approximately RMB341,004,000 (31 August 2021: RMB349,828,000) are recognised upon acquisitions of businesses in prior years and current period and adjusted according to subsequent development of the indemnified matters.

	Compliance matters RMB'000	Legal cases RMB'000	Total RMB'000
At 31 August 2021	253,896	124,386	378,282
Additional provision during the period	1,038	3,923	4,961
Settlement during the period	(9,196)	(4,588)	(13,784)
At 28 February 2022	245,738	123,721	369,459

16. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to RMB2,636,233,000 (for the six months ended 28 February 2021: obtained bank and other borrowings amounting to RMB1,397,672,000). The proceeds of new bank and other borrowings were used to finance acquisitions of schools, construction of new campus and daily operation of the Group. Except for the borrowings amounted to RMB2,713,008,000 (31 August 2021: RMB2,759,388,000), which carry interest rate at fixed rate from 3.40% to 9.02% per annum (31 August 2021: 4.59 % to 9.02% per annum), the remaining borrowings are variable-rate borrowings which bear interest rate from 3.04% to 6.18% per annum (31 August 2021: 2.90% to 6.18% per annum), with reference to the Benchmark Borrowing Rate of The People's Bank of China Loan Prime Rate of the People's Bank of China or London Inter-bank Offering Rate.

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16. BANK AND OTHER BORROWINGS (Continued)

During the current interim period, the Group repaid bank and other borrowings amounting to RMB1,195,170,000 (for the six months ended 28 February 2021: repaid bank and other borrowings amounting to RMB611,356,000).

As at 28 February 2022, bank and other borrowings amounting to RMB4,669,432,000 (31 August 2021: RMB3,461,766,000) are secured by tolling right of tuition fee, boarding fee and ancillary income of certain schools of the Group, deposits, plant and equipment under sale and leaseback arrangements and equity interest of several subsidiaries of the Group.

17. DEFERRED TAXATION

The following is the deferred tax (asset) liabilities recognised and movement thereon during the current period:

	Tax losses	Accelerated tax depreciation	Fair value adjustments of intangible assets, right-of-use assets and property, plant and equipment on business combinations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 August 2021 (audited)	(13,117)	–	967,406	954,289
Acquisition of a business (note 23)	–	100,571	556,208	656,779
Credit to profit or loss (note 6)	(306)	–	(2,820)	(3,126)
Exchange realignment	303	–	(6,406)	(6,103)
At 28 February 2022 (unaudited)	(13,120)	100,571	1,514,388	1,601,839

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18. CONVERTIBLE BONDS

On 28 March 2019, the Company completed the issue of convertible bonds with the aggregate principal amount of HK\$2,355,000,000 (equivalent to approximately RMB2,007,190,000), at the interest rate of 2% per annum with maturity date on 28 March 2024.

The bonds entitled the holders to convert into ordinary shares of the Company on or after 8 May 2019 to the close of business on the seventh day prior to the maturity date at an initial conversion price of HK\$14.69 per share (subsequently adjusted to HK\$13.75 per share), but would be subject to adjustment of anti-dilution protection. If the bonds had not been converted, they would be redeemed at 100% of its principal amount on maturity date. The Company would, at the option of the bondholders on giving not less than 30 nor more than 60 days' notice, redeem all or some of the bondholder's bonds on 28 March 2022, at 100% of the principal amount of the bonds. The bond may also be redeemed all, but not some only, by the Company on giving not less than 30 nor more than 60 days' notice to the bondholders at the principal amount together with unpaid interest (i) at any time after 18 April 2022 but prior to the maturity date provided that the closing price of the shares, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect; (ii) if at any time that 90% of the bonds had been converted and/or redeemed and/or cancelled; or (iii) for taxation reasons.

During the six months ended 28 February 2022, the Company repurchased certain convertible bonds with principal amount of HK\$692,000,000 at the consideration of RMB565,425,000. Subsequent to the end of the current interim period, the Company redeemed convertible bonds with principal amount of HK\$1,544,000,000 and details are set out in note 25.

The convertible bonds of RMB96,177,000 as at 28 February 2022, which are not subject to redemption by the holders will be due in March 2024, are presented under non-current liabilities.

The convertible bonds of RMB1,247,880,000 as at 28 February 2022 are presented under current liabilities as the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The comparative figure of the convertible bonds of RMB2,243,571,000 on the condensed consolidated statement of financial position as at 31 August 2021 is reclassified and presented under current liabilities on the same basis. This resulted in the Group's total current liabilities and net current liabilities increased by RMB2,243,571,000, and the total assets less current liabilities and non-current liabilities decreased by the same amount. The reclassification has had no effect on reported profit or loss, total comprehensive income, equity and earnings per share of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

19. SHARE CAPITAL

	Number of shares	Share capital	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.0001 each			
Authorised			
At 1 September 2020, 28 February 2021, 1 September 2021 and 28 February 2022	50,000,000,000	HK\$500,000	
Issued and fully paid			
At 1 September 2020	2,150,222,000	HK\$21,502	18
Issuance of new shares (Note i)	122,000,000	HK\$1,220	1
Share issued under share option scheme (Note ii)	330,000	HK\$3	—*
At 28 February 2021	2,272,552,000	HK\$22,725	19
As 1 September 2021	2,272,952,000	HK\$22,729	19
Acquisition of a business (Note i)	38,309,387	HK\$383	—*
Issuance of new shares (Note i)	78,000,000	HK\$780	1
At 28 February 2022	2,389,261,387	HK\$23,892	20

* The amount is less than RMB1,000.

Notes:

(i) Issuance of new shares

On 26 January 2021, the Company entered into a placing agreement ("2021 Placing Agreement") with Blue Sky Education International Limited and White Clouds Education International Limited (the "Vendors") and UBS AG Hong Kong Branch (the "Placing Agent") and a subscription agreement ("2021 Subscription Agreement") with the Subscribers, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 122,000,000 existing shares to certain placees at HK\$16.60 per share of the Company (the "2021 Placing"), and the Subscribers agreed to subscribe for 122,000,000 new shares of the Company at HK\$16.60 per share (the "2021 Subscription"), respectively. The 2021 Placing and the 2021 Subscription were completed on 29 January 2021 and 3 February 2021 respectively, in accordance with the terms and conditions of the 2021 Placing Agreement and the 2021 Subscription Agreement. The proceeds, net of related fees and expenses, from the 2021 Subscription amounted to HK\$2,012,618,000 (equivalent to RMB1,681,408,000). The new shares rank pari passu with the existing shares in all respects.

As detailed in note 23, on 26 July 2021, the Group has entered into the Acquisition Agreement in respect of the acquisition of entire equity interest in Long Link, part of the consideration being 58,996,455 Consideration Shares at the contractual issue price of HK\$15.69 per share. Certain conditions have to be fulfilled or waived before the Company issues the consideration shares. On 2 September 2021, 38,309,387 Consideration Shares have been allotted and issued, the excess of the quoted market price at the acquisition date of the Consideration Shares amounting to RMB423,890,000 over the par value is credited to the share premium. The new shares rank pari passu with the existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

19. SHARE CAPITAL (Continued)

Notes: (Continued)

(i) Issuance of new shares (Continued)

On 19 October 2021, the Company entered into placing agreements ("2021 Second Placing Agreement") with the Vendors and the Placing Agent and subscription agreements ("2021 Second Subscription Agreement") with the Vendors, pursuant to which the Agent agreed to place, on a fully underwritten basis, 78,000,000 existing shares to certain placees at HK\$15.10 per share (the "2021 Second Placing"), and the Vendors agreed to subscribe for 78,000,000 new shares of the Company at HK\$15.10 per share (the "2021 Second Subscription"), respectively. The 2021 Second Placing and the 2021 Second Subscription were completed on 22 October 2021 and 27 October 2021 respectively, in accordance with the terms and conditions of the 2021 Second Placing Agreement and the 2021 Second Subscription Agreement. The proceeds, net of related fees and expenses, from the 2021 Second Subscription amounted to approximately HK\$1,170,000,000 (equivalent to RMB974,686,000). The new shares rank pari passu with the existing shares in all respects.

(ii) Shares issued under Pre-IPO and Post-IPO Share Option Schemes (as defined in note 20)

On 15 January 2021 and 1 February 2021, 300,000 and 30,000 ordinary shares were issued at exercise price of HK\$6.45 and HK\$12.48 per ordinary share, respectively, to share option holders who had exercised their options with an aggregate consideration of HK\$2,309,000 (equivalent to RMB1,945,000) of which RMB2,895,000 was credited to share premium. The amount of RMB950,000 was transferred from the share options reserve to share premium upon the exercise of share options. The new shares rank pari passu with the existing shares in all respects.

20. SHARE-BASED PAYMENTS

(a) Share option schemes of the Company

The Company has adopted two share option schemes, namely pre initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and post initial public offering share option scheme (the "Post-IPO Share Option Scheme").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 27 November 2017 for the primary purpose of providing incentives to directors and eligible employees. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company, up to a total of 45,500,000 share on such terms as determined by the directors of the Company. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

As at 28 February 2022, the number of shares in respect of which options had been granted and outstanding under the Pre-IPO Share Option Scheme was 28,925,000 (31 August 2021: 28,925,000) representing 1.21% (31 August 2021: 1.27%) of the shares of the Company in issue at that date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

20. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

During the six months ended 28 February 2021, there are 6,000,000 and 825,000 share options held by directors and employees, respectively, were not vested ultimately as the performance targets have not been satisfied as determined by the remuneration committee of the Company during the vesting period. The Group recognised a reversal of previously recognised share options expenses of RMB39,375,000. There are 8,000,000 and 1,100,000 share options held by directors and employees, respectively, vested ultimately during six months ended 28 February 2022. During the six months ended 28 February 2022, the Group recognised a total expense of RMB16,402,000 (for the six months ended 28 February 2021: RMB5,990,000) for the remaining unvested share options based on the managements estimation of the share options that will eventually be vested. No share option has been granted, exercised, cancelled or lapsed during the current interim period under Pre-IPO Share Option Scheme.

Furthermore, during the six months ended 28 February 2021, there are 300,000 share options held by an employee being exercised. In respect of the share options exercised during the six months ended 28 February 2021, the weighted average share price immediately before the date on which the share options were exercised was HK\$16.02. The exercise price for share options granted is HK\$6.45 per underlying share.

At the end of the interim period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the original estimates, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to a resolution passed on 29 November 2017 for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company consider, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and is valid and effective from 10 years the date of listing of the Company's share on the Main Board of the Stock Exchange (the "Listing"). Under the Post-IPO Share Option Scheme, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the ordinary shares in issue on the date of Listing.

The overall limit on the number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the ordinary shares in issue from time to time (the "Post-IPO Option Scheme Limit"). Post-IPO Share Option Scheme Limit may be refreshed at any time by obtaining prior approval of the shareholders of the Company in general meeting. However, Post-IPO Share Option Scheme Limit cannot exceed 10% of the ordinary shares in issue as at the date of such approval.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

20. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

At 28 February 2022, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO Share Option Scheme was 4,070,000 (31 August 2021: 4,070,000), representing 0.17% (31 August 2021: 0.18%) of the shares of the Company in issue at that date. No share options are granted, lapsed, exercised or cancelled during the six months ended 28 February 2022.

Furthermore, during the six months ended 28 February 2021, 30,000 share options held by employees were exercised. In respect of the share options exercised during the six months ended 28 February 2021, the weighted average share price immediately before the date on which the share options were exercised was HK\$16.89. As at 28 February 2022, the weighted average exercise price for share options granted is HK\$12.40 per underlying share (31 August 2021: HK\$12.40 per underlying share).

During the six months ended 28 February 2022, the Group recognised a total expense of RMB2,044,000 (for the six months ended 28 February 2021: RMB2,929,000) in relation to share options granted under Post-IPO Share Option Scheme by the Company.

(b) Share award scheme of the Company

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 29 November 2017. The objective of the Share Award Scheme is for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and is valid and effective from 10 years from the date on Listing.

No share award has been granted since the adoption of the Share Award Scheme.

21. CAPITAL COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment, right-of-use assets mainly for the construction of new campus and additional interest in an associate amounting to RMB1,161,880,000 (31 August 2021: RMB1,181,316,000).

The Group was committed to make an initial contribution of RMB250,000,000 to the China Education Fund and as at 28 February 2022, the Group made capital contribution amounting to RMB31,303,000 (31 August 2021: RMB31,303,000) to China Education Fund as committed as disclosed in note 13(v). As at 28 February 2022, the China Education Fund is in the process of winding up and the management of the Group expect the commitment to be released upon the completion of winding up procedures.

As at the end of the current interim period, the Group has no undrawn loan commitment (31 August 2021: undrawn loan commitment of RMB35,461,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at FVTPL (Money market funds)	At 28 February 2022: RMB957,000 (unaudited) (31 August 2021: RMB825,352,000 (audited))	Level 1	Quoted price from financial institutions	N/A	N/A
Financial assets at FVTPL (Structured deposits)	At 28 February 2022: RMB1,708,633,000 (unaudited) (31 August 2021: RMB794,777,000 (audited))	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties	Estimated return and discount rate	The higher the estimated return, the higher the fair value, vice versa (Note i) The higher the discount rate, the lower the fair value, vice versa (Note ii)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial liabilities					
Financial liabilities designated as at FVTPL (Convertible bonds)	At 28 February 2022: RMB1,344,057,000 (unaudited) (31 August 2021: RMB2,243,571,000 (audited))	Level 3	Binomial model, the key inputs are: — Underlying share price, conversion price, risk free interest rate, time to maturity, expected volatility of share price, discount rate, and expected dividend yield.	Expected volatility of share price and discount rate taking into account the historical share price of the Company for the period of time close to the expected time to exercise	The higher the volatility, the higher the fair value, vice versa (Note iii) The higher the discount rate, the lower the fair value, vice versa (Note iv)
Financial liabilities at FVTPL (Deferred cash considerations for business acquisitions)	At 28 February 2022: RMB5,189,000 (unaudited) (31 August 2021: RMB9,172,000 (audited))	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of the acquired businesses.	Expected cash outflow and discount rate	The higher the cash outflow, the higher the fair value, vice versa The higher the discount rate, the lower the fair value, vice versa (Note v)
Long term construction cost payables for school premises	At 28 February 2022: RMB403,613,000 (unaudited) (31 August 2021: RMB418,902,000 (audited))	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of counterparty.	Expected cash outflow and discount rate	The higher the expected cash outflow, the higher the fair value, vice versa (Note vi) The higher the discount rate, the lower the fair value, vice versa (Note vii)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

- i. As at 28 February 2022, if the estimated return was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would increase/decrease by RMB565,000/RMB565,000 (31 August 2021: RMB790,000/RMB790,000), respectively.
- ii. As at 28 February 2022, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would decrease/increase by RMB219,000/RMB219,000 (31 August 2021: RMB208,000/RMB208,000), respectively.
- iii. As at 28 February 2022, if the expected volatility of share price was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds would increase/decrease by RMB85,000/RMB29,000 (31 August 2021: RMB36,327,000/RMB39,697,000), respectively.
- iv. As at 28 February 2022, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds would decrease/increase by RMB4,419,000/RMB4,776,000 (31 August 2021: RMB40,591,000/RMB50,926,000), respectively.
- v. As at 28 February 2022, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of deferred cash considerations for business acquisitions would decrease/increase by RMB29,000/RMB29,000 (31 August 2021: RMB78,000/RMB79,000), respectively.
- vi. As at 28 February 2022, if the expected variable cash outflow was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction costs payables for school premises would increase/decrease by RMB4,062,000/RMB4,624,000 (31 August 2021: RMB4,498,000/RMB4,498,000), respectively.
- vii. As at 28 February 2022, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction costs payables for school premises would decrease/increase by RMB18,441,000/RMB20,133,000 (31 August 2021: RMB19,506,000/RMB21,198,000), respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 measurements of the financial assets (liabilities) during both periods:

	Structured deposits RMB'000	Convertible bonds RMB'000	Deferred cash considerations RMB'000	Long term construction cost payables for school premises RMB'000	Total RMB'000
At 1 September 2020 (audited)	453,250	(2,428,247)	(44,536)	–	(2,019,533)
Settlement of contingent considerations	–	–	6,211	–	6,211
Acquisition of a business	–	–	–	(412,809)	(412,809)
Fair value gain (loss)	8,992	33,726	–	(19,023)	23,695
Exchange difference credited to profit or loss	–	136,937	–	–	136,937
Interest paid	–	20,846	–	–	20,846
Finance costs	–	–	(3,925)	–	(3,925)
Settlement during the period	–	–	–	28,118	28,118
Purchase of structured deposits	2,601,782	–	–	–	2,601,782
Redemption of structured deposits	(2,080,477)	–	–	–	(2,080,477)
Exchange realignment	–	–	(207)	–	(207)
At 28 February 2021 (unaudited)	983,547	(2,236,738)	(42,457)	(403,714)	(1,699,362)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 Measurements (Continued)

	Structured deposits RMB'000	Convertible bonds RMB'000	Deferred cash considerations RMB'000	Long term construction cost payables for school premises RMB'000	Total RMB'000
At 1 September 2021 (audited)	794,777	(2,243,571)	(9,172)	(418,902)	(1,876,868)
Settlement of contingent considerations	–	–	4,629	–	4,629
Acquisition of a business (note 23)	200,000	–	–	–	200,000
Fair value change					
— Others	18,303	266,426	–	(21,307)	263,422
— Exchange realignment	–	51,315	–	–	51,315
Interest paid	–	16,348	–	–	16,348
Finance costs	–	–	(920)	–	(920)
Settlement during the period	–	–	–	36,596	36,596
Purchase of structured deposits	10,368,310	–	–	–	10,368,310
Redemption of structured deposits	(9,672,757)	–	–	–	(9,672,757)
Repurchase of convertible bonds	–	564,403	–	–	564,403
Gain on repurchase of convertible notes	–	1,022	–	–	1,022
Settlement of consideration share	–	–	–	–	–
Exchange realignment	–	–	274	–	274
At 28 February 2022 (unaudited)	1,708,633	(1,344,057)	(5,189)	(403,613)	(44,226)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 Measurements (Continued)

Of the total gains or losses for the current interim period included in profit or loss, gain of RMB4,369,000, gain of RMB317,741,000, nil and loss of RMB24,265,000 (for the six months ended 28 February 2021: gain of RMB3,172,000, gain of RMB33,726,000, nil and loss of RMB19,023,000) relating to structured deposits, convertible bonds and long term construction cost payables for school premises, respectively, that are measured at fair value at the end of the reporting period. The fair value gains or losses on these financial instruments are included in "other expenses, other gains and losses", except for fair value change of convertible bonds which is presented separately on the face of condensed consolidated statement of profit or loss and other comprehensive income.

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group develops the valuation internally or, when considers necessary, engages third party qualified valuers to perform the valuation. The finance team of the Group works closely with the third party qualified valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company when needed to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Fair value of financial instruments that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

23. ACQUISITION OF A BUSINESS

Acquisition of Long Link Group

As detailed in Note 1A, the Group completed the acquisition of Long Link Group which became subsidiaries of the Company.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

23. ACQUISITION OF A BUSINESS (Continued)

Acquisition of Long Link Investment Limited (“Long Link”)

Consideration transferred

	RMB'000
Cash paid	1,675,800
Consideration paid and payable by Consideration Shares (Note)	652,791
	2,328,591

Note: Pursuant to the Acquisition Agreement, the Consideration Shares, shall be paid in three instalments, which shall be satisfied by the allotment and issue of an aggregate of 58,996,455 of new ordinary shares within 15 working days upon satisfaction (or waiver, as the case may be) of each payment condition including completion of shares transfer and assets title transfer listed under the Acquisition Agreement. The number of the allotment and issue of Consideration Shares is based on the contractual issue price of HK\$15.69, determined as the average of the closing price of the five trading days before the announcement of the acquisition. Details of the Consideration Shares were set out in the announcements of the Company dated 26 July 2021.

The consideration payable in Consideration Shares is initially recognised at deferred consideration shares as equity instrument as the number of Consideration Shares to be issued are fixed. The amount of the deferred consideration shares at the date of acquisition of Long Link of RMB652,791,000 is determined by reference to the quoted market price of HK\$13.32 (equivalent to RMB11.06) per each ordinary share of the Company at the date of obtaining the control of Long Link. During the six months ended 28 February 2022, consideration of RMB423,890,000 have been settled by the allotment and issue of 38,309,387 new ordinary shares of the Company.

The directors of the Company considered 20,687,068 Consideration Shares of the Company will be issued within one year from 28 February 2022 in accordance with the terms of the Acquisition Agreement with the expectation the Vendor will fulfil the requirements under the Acquisition Agreement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

23. ACQUISITION OF A BUSINESS (Continued)

Acquisition of Long Link Investment Limited (“Long Link”) (Continued)

Assets acquired and liabilities recognised at the date of acquisition were as follow (determined on a provisional basis):

	RMB'000
Property, plant and equipment	1,991,012
Intangible assets	1,885,293
Right-of-use assets	382,945
Deposit paid for acquisition of property, plant and equipment	18,918
Trade receivables, deposits, prepayments and other receivables	100,566
Financial assets at FVTPL	200,000
Bank balances and cash	359,689
Other payables and accrued expenses	(338,623)
Amount due to a subsidiary of the Company	(140,500)
Contract liabilities	(467,596)
Other borrowings	(58,410)
Deferred tax liabilities	(656,779)
	<u>3,276,515</u>

The fair values of intangible assets (representing brand name amounting to RMB1,885,293,000) was determined based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management of the Group included discount rates, growth rates and useful lives of the intangible assets. The fair value and the gross contractual amounts of trade receivables, deposits and other receivables at the date of acquisition amounted to RMB94,724,000.

Non-controlling interests

The non-controlling interests (49%) in subsidiaries of Long Link recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of relevant subsidiaries of Long Link and amounted to RMB1,641,183,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

23. ACQUISITION OF A BUSINESS (Continued)

Acquisition of Long Link Investment Limited ("Long Link") (Continued)

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	2,328,591
Plus: non-controlling interest	1,641,183
	3,969,774
Less: fair value of identifiable net assets acquired (100%)	(3,276,515)
Goodwill arising on acquisition	693,259

Goodwill arose in the acquisition of Long Link because the consideration paid for the acquisition effectively included amounts in relation to better geographic arrangement and networking effect as benefits of expected synergies, better revenue growth prospect, future market development, and the assembled workforce of Long Link. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	1,675,800
Less: cash and cash equivalent balances acquired	(359,689)
Less: Prepayment for acquisition of business in prior period	(414,200)
	901,911

No pro forma information for the acquisition of Long Link are prepared as Long Link would have no significant contribution to the Group's revenue or financial performance for the period from 1 September 2021 to 14 September 2021 and the pro forma revenue and results of operations of the Group for the acquisition of Long Link Group approximate the Group's revenue and results for the six months ended 28 February 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2022

24. RELATED PARTY TRANSACTIONS

(a) Related parties balances

Balances with related parties are set out in note 15.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the period are as follows:

	Six months ended	
	28 February 2022 RMB'000 (unaudited)	28 February 2021 RMB'000 (unaudited)
Short-term benefits	9,156	8,309
Post-employment benefits	216	168
Expense of (net reversal of) share-based payments (Note)	16,648	(33,385)
	26,020	(24,908)

The remuneration of directors and key executives are determined having regard to the performance of individuals and market trends.

Note: The amount for the six months ended 28 February 2021 included reversal of RMB39,375,000 previously recognised share options expenses due to revision of estimate on the number of share options to be vested as detailed in note 20(a).

25. EVENTS AFTER REPORTING PERIOD

On 16 March 2022, the Company and Standard Chartered Bank, Bank of Communications Co., Ltd. Hong Kong Branch, CMB Wing Lung Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch (the "Joint Lead Managers") entered into a subscription agreement, pursuant to which the Joint Lead Managers agreed to subscribe and pay for, or to procure subscriptions and payments for and the CNY500,000,000 4.00% Guaranteed Bonds due 2025 ("Guaranteed Bonds") to be issued by the Company due 2025 bearing interest at the rate of 4.0% per annum in an aggregate principal amount of RMB500,000,000. The issuance of the Guaranteed Bonds was completed on 16 March 2022 while the listing of the Guaranteed Bonds on the Singapore Exchange Securities Trade Limited became effective on 23 March 2022. Further details are set out in the announcements of the Company in relation to the Guaranteed Bonds dated 17 March 2022.

On 28 March 2022, the Group redeemed the convertible bonds with the principal amount of HK\$1,544,000,000 with cash consideration at face value of its principal amount (the "Redemption"). The Redemption were funded by internal resources of the Group. After the Redemption, the relevant convertible bonds have been cancelled and cannot be converted into the shares of the Company. Details of the redemption were set out in the announcements of the Company dated 9 March 2022 and 28 March 2022.

Glossary

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Blue Sky BVI"	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company
"Board"	the board of directors of the Company
"Chengdu Jincheng College"	Chengdu Jincheng College (成都錦城學院), one of our PRC member schools
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC member schools
"Guangzhou College of Applied Science and Technology"	Guangzhou College of Applied Science and Technology (廣州應用科技學院), 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
"Huafang Education"	Huafang Education Investment Group (Ganzhou) Company Limited (華方教育投資集團(贛州)有限公司), one of our consolidated affiliated entities
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC member schools

Glossary

“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
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of our Share(s)
“Shares”	ordinary shares in our Company of par value HK\$0.00001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”	United States dollars, the lawful currency of the United States
“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
“White Clouds BVI”	White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder of the Company
“%”	per cent

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