



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

Stock Code : 839

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

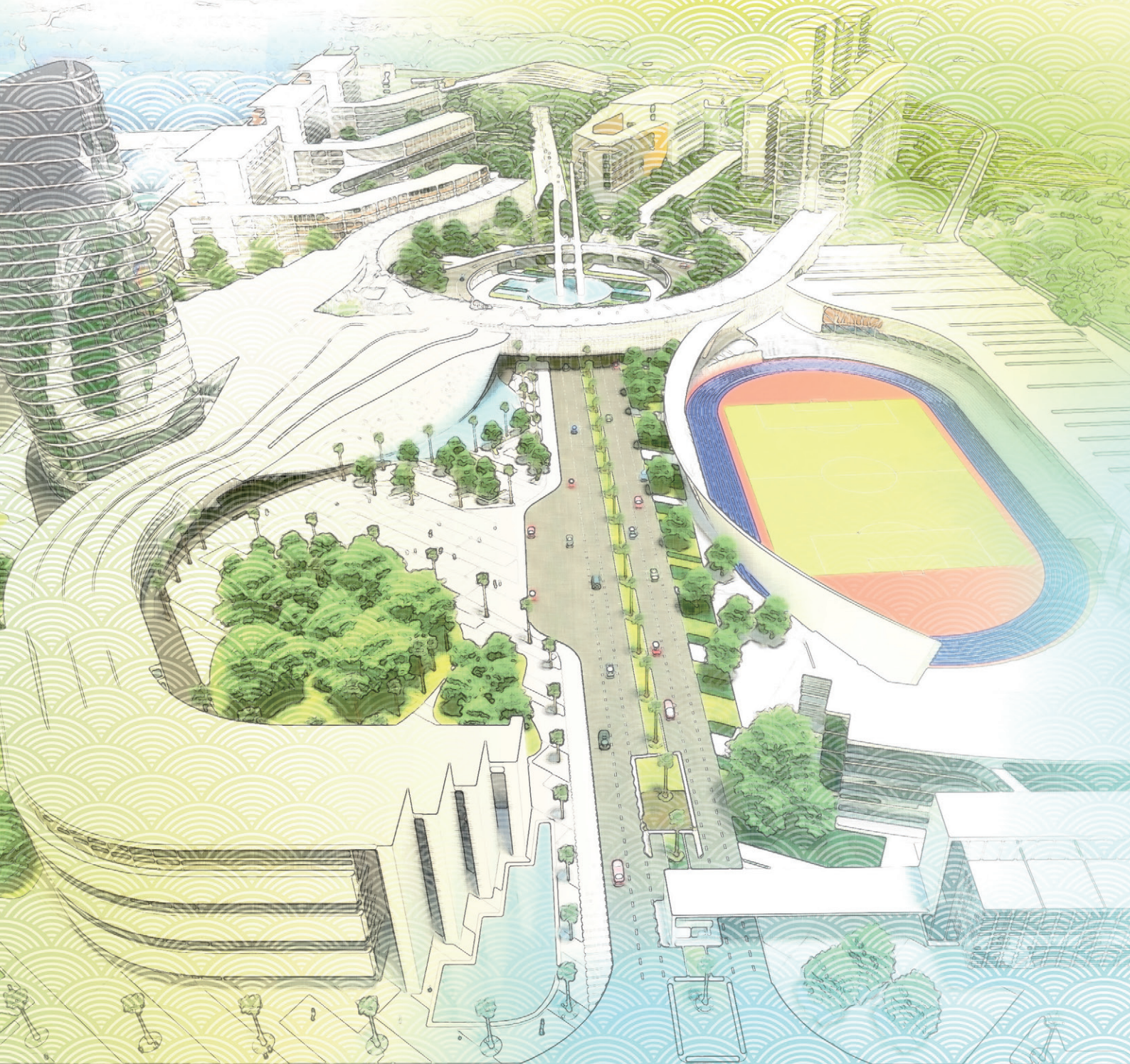


INTERIM REPORT

2020/2021

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

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Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
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27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Corporate Information

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COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839

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



博学思巧 创新驱动 心舟千里 竟渡志无穷

卓长云飞 科技风行 浮水万物 争逐暮不老

图书馆

Management Discussion and Analysis



Guangzhou College of Applied Science and Technology's New Campus

BUSINESS OVERVIEW

The Group is a leading global higher and vocational education group with footprints in China, Australia, and the United Kingdom ("UK"), visioning to provide quality education through innovation. As at 28 February 2021, the Group's school network consists of eleven universities and professional schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and vocational education provider in China in terms of student enrollment; as at 28 February 2021, the Group enrolled approximately 250,300 students. The Group offers a broad range of programmes and curricula. As at 28 February 2021, the Group offered 12 master's degree programmes, 292 bachelor's degree programmes, 103 junior college diploma programmes, 168 vocational education programmes and 159 continuing education programmes. The disciplines provided by us covered around 98% of undergraduate students' choices and 94% of junior college students' choices in China in 2020/2021 academic year.

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

Haikou University of Economics (Hainan Province, PRC)

In August 2020, the Group announced acquiring Haikou University of Economics and the school became a consolidated affiliated entity of the Company in September 2020.

The university is approved to provide Bachelor's degree programmes by the MOE of the PRC in 2008 and had a student enrollment of approximately 46,000 in February 2021. Occupying a total campus area of more than 1,400 mu, the university enjoys one of the largest capacities and the most advanced facilities among private universities in China.

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

Management Discussion and Analysis

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

In August 2020, the Group announced acquiring Affiliated Art School of Haikou University of Economics and the school became a consolidated affiliated entity of the Company in September 2020.

Affiliated Art School of Haikou University of Economics is a vocational school in the Hainan province, the PRC. The school has a student enrollment of approximately 2,500 as in February 2021. Students graduating from the school may choose to continue their Bachelor's and Junior College programmes in Haikou University of Economics.

Student Enrollment

As at 28 February 2021, the Group operated in three business segments and its school network includes eleven universities and professional schools in China, an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK, with a total enrollment of approximately 250,300 students, up 37.7% from the enrollment as at 29 February 2020. The rapid increase in student enrollment is attributable to the organic growth in students enrolled in our existing schools and new campus, as well as those from the three new schools included in the Group's school network during the year ended 28 February 2021.

Business Segment	As at	
	28 February 2021	29 February 2020
Higher Education Segment	183,409 ⁽¹⁾	111,759 ⁽²⁾
Vocational Education Segment	63,686	67,828
Global Education Segment	3,244	2,239
Total	250,339	181,826

Notes:

- (1) Included 55,935 students enrolled in the continuing education programmes as at 28 February 2021. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools and those from the new member school — Haikou University of Economics.
- (2) Included 23,790 students enrolled in the continuing education programmes as at 29 February 2020.

Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 30% among various programmes on an annual basis, subject to government approval where applicable. The tuition fee adjustment is determined by our school management teams subject to the operating costs and market conditions. The following table sets forth the listed tuition fees and boarding fees of our respective schools' as at 28 February 2021 for the 2020/2021 academic year.

A total of RMB65.2 million of boarding fee for the range of 2.5 months to 5 months was refunded to our students during the outbreak of COVID-19 in 2019/2020 academic year as requested by relevant authorities.

Management Discussion and Analysis

	Listed tuition fees ⁽¹⁾ in academic year		Boarding fees ⁽¹⁾ in academic year	
	2020/2021 RMB	2019/2020 RMB	2020/2021 RMB	2019/2020 RMB
Higher Education Segment				
Jiangxi University of Technology				
Bachelor's degree programmes	22,000–29,000	19,000–26,000	1,800–2,700	1,800–2,500
Junior college diploma programmes	15,500–16,500	14,500–17,000	1,800–2,700	1,800–2,500
Continuing education programmes	1,400–5,000	2,500–6,000	N/A	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	26,000–30,000	20,000–30,000	1,500–3,000	1,500–3,000
Junior college diploma programmes	N/A ⁽²⁾	30,000	N/A ⁽²⁾	1,500–3,000
Continuing education programmes	600–6,000	2,500–6,000	N/A	N/A
Haikou University of Economics ⁽³⁾				
Bachelor's degree programmes	23,900–99,900	23,900–49,800	2,200–2,800	2,200
Junior college diploma programmes	13,600–25,900	12,900–25,900	2,200–2,800	2,200
Continuing education programmes	2,200–3,800	2,200–3,800	N/A	N/A
Chongqing Institute of Foreign Studies ⁽⁴⁾				
Bachelor's degree programmes	13,000–18,000	12,000–18,000	1,200–1,300	900–1,300
Guangzhou College of Applied Science and Technology ⁽⁵⁾				
Bachelor's degree programmes	26,000–30,000	26,000–28,000	1,500–3,000	1,500
Shandong Quancheng University				
Bachelor's degree programmes	15,000–20,000	11,000–17,000	800–1,200	800–1,200
Junior college diploma programmes	9,800–12,000	8,000–12,000	800–1,200	800–1,200
Songtian Polytechnic College				
Junior college diploma programmes	15,000–16,800	13,500–16,500	1,500–3,000	1,500
Vocational Education Segment				
Xi'an Railway College				
Technician diploma programmes	10,800	9,800–10,800	1,500	1,500
Zhengzhou Transit School				
Secondary vocational diploma programmes	8,600	7,900–8,600	1,200	1,200
Affiliated Arts School of Haikou University of Economics ⁽³⁾				
Secondary vocational diploma programmes	8,000–14,880	6,332–11,732	1,467–2,800	1,468–2,800

Management Discussion and Analysis

	Listed tuition fees ⁽¹⁾ in academic year		Boarding fees ⁽¹⁾ in academic year	
	2020/2021 RMB	2019/2020 RMB	2020/2021 RMB	2019/2020 RMB
Baiyun Technician College				
Technician diploma programmes	13,500–15,500	13,500–15,500	1,500	1,500
Post-secondary vocational diploma programmes	12,500–15,000	12,500–15,000	1,500	1,500
Secondary vocational diploma programmes	12,000–14,500	12,000–14,500	1,500	1,500
	AUD	AUD	AUD	AUD
Global Education Segment				
King's Own Institute (Australia) ⁽⁶⁾⁽⁷⁾				
Master's degree programmes	7,750–8,500	7,500–8,500	N/A	N/A
Graduate Certificate Programmes	7,750–8,500	7,500–8,500	N/A	N/A
Graduate Diploma Programmes	7,750–8,500	7,500–8,500	N/A	N/A
Bachelor's degree programmes	6,750–8,000	6,500–7,250	N/A	N/A
Undergraduate diploma programmes	6,750–7,250	6,500–6,750	N/A	N/A
	GBP	GBP	GBP	GBP
Richmond University (UK) ⁽⁸⁾⁽⁹⁾				
Master's degree programmes	8,000–21,000	8,000–21,000	6,600–12,400	6,600–12,400
Bachelor's degree programmes	9,250–30,000	9,250–30,000	6,600–12,400	6,600–12,400

Notes:

- (1) Tuition fees and boarding fees for general programmes. Some special programmes may have different fees. Fees per annum unless otherwise specified.
- (2) The university has ceased offering this programme starting from the 2020/2021 academic year.
- (3) These schools were not yet included in our school network in the 2019/2020 academic year; their tuition fees and boarding fees for the 2019/2020 academic year are listed out for reference only.
- (4) This school has been renamed from "Chongqing Nanfang Translators College of Sichuan International Studies University" after the school obtained approval from MOE for conversion. For details, please refer to the Company's announcement on 12 January 2021.
- (5) This school has been renamed from "Guangzhou University Songtian College" after the school obtained approval from MOE for conversion. For details, please refer to the Company's announcement on 13 January 2021.
- (6) Tuition fees are same for both domestic and international students.
- (7) Tuition fees per trimester.
- (8) Tuition fees and boarding fees are different for UK/EU, international, and US students.
- (9) Tuition fees and boarding fees per semester.

Management Discussion and Analysis

Awards and Recognitions Received During the Reporting Period

The Group received numerous awards and recognitions during the reporting period in recognition of the quality of education we provide and the achievements of our operation. For example:

Guangdong Baiyun University: is recognized as the "2020-2023 Demonstrating School in Guangdong University Student Innovation and Entrepreneurship Education (廣東省大學生創新創業教育示範學校 (2020-2023年))", by Education Department of Guangdong Province (廣東省教育廳). In addition, the university's Mechanical Manufacturing and Automation programmes received the IEET accreditation (IEET工程教育認證) from the Institute of Engineering Education Taiwan (中華工程教育學會) and Education Department of Guangdong Province (廣東省教育廳).

Haikou University of Economics: Four bachelor's degree programmes — Economics, Electronic Information Engineering, Human Resources Management and Tourism Management, are approved as the "First-class/exemplar programmes in the Provinces (省級一流專業建設點)" by the MOE, in addition to the four bachelor's degree programmes the university previously received approval.

Guangzhou College of Applied Science and Technology: received the "First Prize (of University in Guangdong Province) in the 2020 National Undergraduate Electronic Design Contest (2020年全國大學生電子設計競賽廣東省賽區一等獎)" from Education Department of Guangdong Province (廣東省教育廳).

Shandong Quancheng University: The Most Influential University in Shandong Province in 2020 (2020年度山東最具行業影響力本科院校) by Sina, Weibo and Sina Shandong (新浪、微博和新浪山東).

Xi'an Railway College: received the "Second Prize in the 2nd Teaching Achievement Award of Secondary Vocational Education in Shaanxi Province (陝西省第二屆中等職業教育教學成果獎二等獎)" from Education Department of Shaanxi Province (陝西省教育廳) and Human Resources and Social Security Department of Shaanxi Province (陝西省人力資源和社會保障廳).

Baiyun Technician College: Xiao Qi, our student, won the gold medal in the "Fashion Programme of the Vocational Skills Competition of PRC (中華人民共和國第一屆職業技能大賽時裝技術項目金牌)" from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部). In addition, Xiao Qi won the "First Prize in Fashion Technology in the Beijing Friendship Exchange Contest 2020 (2020時裝技術項目北京友誼交流賽中總成績第一)" from the WorldSkills Competition, Fashion Technology Division, China Training Center (世界技能大賽時裝技術項目中國集訓基地).

OUTLOOK

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

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

Management Discussion and Analysis

Acquisition and Integration

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

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

Independent College Conversions

Education regulatory authorities in PRC have directed that the conversion of independent colleges into full private universities is a top priority in the establishment of higher education institutions. The Group believes such conversion will present significant opportunities in expanding the enrollment as well as improving the education quality and efficiency of independent colleges, and the Group has strategically acquired three high-quality independent colleges — namely, Chongqing Nanfang Translators College of Sichuan International Studies University, Guangzhou University Songtian College, and Shandong Quancheng University.

As at the date of this report, Chongqing Nanfang Translators College of Sichuan International Studies University and Guangzhou University Songtian College have obtained approval from the MOE for conversion and subsequently been renamed as Chongqing Institute of Foreign Studies (重慶外語外事學院) and Guangzhou College of Applied Science and Technology (廣州應用科技學院) respectively; for more details, please refer to the Company's announcements on 12 January 2021 and 13 January 2021. Shandong Quancheng University has received relevant approvals for conversion from its provincial authority. The Company believes conversion will bring major development opportunity and has a positive impact on future development.

Development of New Campuses

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

Guangdong Baiyun University's New Campus

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

Management Discussion and Analysis

Guangzhou College of Applied Science and Technology's New Campus

In response to the increasing demand for admissions, the Group signed an agreement with Zhaoqing New District Government which will supply the Group with a total area of land up to 1,500 mu for the establishment of a new university campus with a capacity of approximately 30,000 students. The new campus in Zhaoqing, Guangdong Province, the PRC, is to be developed in three phases. Phase one with a capacity of 14,000 students are expected to commence operation in Fall 2021.

International Education

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

The Group has extensive experience in operating international education programmes, including exchange programmes and joint-education programmes in 12 languages and in partnership with 150 overseas institutions in 36 countries (as at 29 February 2020: 11 languages, 78 overseas institutions, 22 countries). The Group has four schools in Guangzhou, the capital city of Guangdong Province, which is an important strategic location of the Group and one of the largest provinces in China in sending students abroad. In addition, the Group operates a school specialising in international education and foreign languages in Chongqing. Both with proven growth track records, the Group, King's Own Institute and Richmond University's synergy are also evident in their well-aligned programme offerings and student-centric education cultures, sharing the same vision and an unwavering belief in offering excellent and

innovative education with a prime focus on the student experience. The Group is currently developing tailored international bridging programmes for Chinese students who intend to study abroad at King's Own Institute and Richmond University.

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

China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. Huajiao Education Investing Management (Ganzhou) Company Limited and VP Shenzhen are the co-sponsors of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited. As at 28 February 2021, China Education Fund completed registration with relevant authorities and the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

Management Discussion and Analysis

Our Effort in Combating COVID-19 and Results Achieved

In view of the outbreak of COVID-19, the Group and its member schools have taken necessary health precaution to safeguard the safety of our employees and students. During the suspension of on-campus classes caused by the COVID-19 epidemic, the Group offers online learning to students and 96% of the programmes offered have been delivered online. Guangdong Baiyun University, a member school of the Group, was selected by the Steering Committee of the Online Open Courses of Undergraduate Universities in Guangdong Province (廣東省本科高校在

線開放課程指導委員會) as an outstanding example of online teaching during the epidemic period, and the only private university among the first group of seven selected universities in Guangdong Province. All of our schools have resumed teaching on-site at the commencement of the 2020/2021 school year. The Group will continue to closely monitor to the development of the COVID-19 situation and endeavor to minimise the negative impact on the Group, and in the event of material adverse financial impact, the Group will announce in a timely manner and report it in the Group's upcoming 2020/21 annual financial statements.

FINANCIAL REVIEW

The financial results for the six months ended 28 February 2021 and 29 February 2020 are as follows:

	Six months ended	
	28 February 2021 RMB'000	29 February 2020 RMB'000
Revenue	1,823,438	1,315,222
Cost of revenue	(745,949)	(557,881)
Gross profit	1,077,489	757,341
Other income	97,462	45,475
Selling expenses	(85,683)	(60,952)
Administrative expenses	(208,337)	(179,127)
Operating profit	880,931	562,737
Investment income	28,989	11,781
Other gains and losses	32,240	28,929
Fair value change on convertible bonds	33,726	(2,353)
Finance costs	(93,346)	(51,192)
Profit before taxation	882,540	549,902
Taxation	(30,301)	(8,718)
Net profit	852,239	541,184
Net profit attributable to owners of the Company	831,444	497,625
Adjusted net profit attributable to owners of the Company	737,658	490,986

Management Discussion and Analysis

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

Calculation of Adjusted Net Profit

		Six months ended	
		28 February 2021 RMB'000	29 February 2020 RMB'000
Net profit		852,239	541,184
Adjustments for:	Foreign exchange gain	(164,099)	(14,486)
	Share-based payments	(30,456)	(8,806)
	Imputed interest on deferred cash considerations	6,731	14,300
	Fair value change on convertible bonds	(33,726)	2,353
	One-off and other current period expenses related to conversion of independent colleges into private universities	127,764	–
Adjusted net profit		758,453	534,545

Calculation of Adjusted Net Profit attributable to owners of the Company

		Six months ended	
		28 February 2021 RMB'000	29 February 2020 RMB'000
Net profit attributable to owners of the Company		831,444	497,625
Adjustments for:	Foreign exchange gain	(164,099)	(14,486)
	Share-based payments	(30,456)	(8,806)
	Imputed interest on deferred cash considerations	6,731	14,300
	Fair value change on convertible bonds	(33,726)	2,353
	One-off and other current period expenses related to conversion of independent colleges into private universities	127,764	–
Adjusted net profit attributable to owners of the Company		737,658	490,986

Management Discussion and Analysis

Revenue

The Group's revenue reached RMB1,823.4 million for the six months ended 28 February 2021, up 38.6% as compared to RMB1,315.2 million for the six months ended 29 February 2020. The increase reflected students' strong demand for quality higher and vocational education offered by the Group and the effective execution of the Group's expansion strategy.

Higher Education Segment

Revenue from higher education segment increased from RMB872.4 million for the six months ended 29 February 2020 to RMB1,349.7 million for the six months ended 28 February 2021, representing a 54.7% increase. The significant increase in revenue of higher education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher education institutions and the inclusion of the new institution, namely Haikou University of Economics (which became a consolidated affiliated entity of the Group in September 2020), to the Group.

Vocational Education Segment

Revenue from vocational education segment decreased from RMB374.9 million for the six months ended 29 February 2020 to RMB358.6 million for the six months ended 28 February 2021, representing a 4.3% slight decrease. The slight decrease in revenue of vocational education institutions 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. As these restrictions have been relieved, the new student enrollment for the academic year 2021/2022 is expected to resume. Although there was a slight decrease in revenue, the net profit of vocational education segment was increased from RMB169.8 million for the six months ended 29 February 2020 to RMB177.9 million for the six months ended 28 February 2021 due to the improvement in operation efficiency and synergy among member schools.

Global Education Segment

Revenue from global education segment increased from RMB67.9 million for the six months ended 29 February 2020 to RMB115.1 million for the six months ended 28 February 2021 representing a 69.5% increase. The increase in revenue of global education segment was mainly driven by the inclusion of KOI (which became a subsidiary of the Group in October 2019) to the Group and the organic growth in the student enrollment and tuition fees.

Cost of Revenue

The cost of revenue increased from RMB557.9 million for the six months ended 29 February 2020 to RMB745.9 million for the six months ended 28 February 2021, representing a 33.7% increase. The increase was due to the expansion of the Group and the growth of student number.

The independent colleges, namely Guangzhou College of Applied Science and Technology, Shandong Quancheng University and Chongqing Institute of Foreign Studies, paid a partnership fee to their public school co-sponsors. The partnership fee of RMB39.2 million (for the six months ended 29 February 2020: RMB35.4 million) was recognised as cost of revenue for the six months ended 28 February 2021. Such partnership costs are expected to cease to exist after the independent colleges are converted into full private higher education schools or after all students enrolled by the independent colleges are graduated. Guangzhou College of Applied Science and Technology and Chongqing Institute of Foreign Studies have been converted during the reporting period.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB1,077.5 million for the six months ended 28 February 2021 as compared to RMB757.3 million for the six months ended 29 February 2020. The gross profit margin was 59.1% for the six months ended 28 February 2021 as compared to 57.6% for the six months ended 29 February 2020. On a like-for-like basis for institutions (excluding the schools newly acquired 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 61.1% for the six months ended 28 February 2021, up 350 basis points as compared to the same period of last year, which demonstrated the improvement in the schools' operations under the Group's management.

Other Income

Other income primarily included management fee income, academic administration income and government grants. The management fee income was increased from RMB20.6 million during the six months ended 29 February 2020 to RMB33.6 million during the six months ended 28 February 2021.

Selling Expenses

The Group's selling expenses was RMB85.7 million for the six months ended 28 February 2021 as compared to RMB61.0 million for the six months ended 29 February 2020.

Administrative Expenses

The Group's administrative expenses was RMB208.3 million for the six months ended 28 February 2021 as compared to RMB179.1 million for the six months ended 29 February 2020. It represented about 11.4% of the revenue for the six months ended 28 February 2021 and was decreased as compared to that of 13.6% for the six months ended 29 February 2020 which was mainly attributable to the implementation of cost saving measures, improvement in synergies effect and the increase in the net reversal of share-based payments under share option scheme. During the six months ended 28 February 2021, the Group recognised net reversal of share-based payments of RMB30.5 million as compared to RMB8.8 million for the six months ended 29 February 2020.

Operating Profit

The operating profit amounted to RMB880.9 million for the six months ended 28 February 2021, increased by 56.5% as compared to RMB562.7 million for the six months ended 29 February 2020. The increase was mainly due to the organic growth of the existing schools and the inclusion of new schools.

Other Gains and Losses

The other gains and losses were recorded at net gains of RMB32.2 million for the six months ended 28 February 2021 which was mainly attributable to the net foreign exchange gain of RMB164.1 million and the one-off expenses for conversion of independent colleges into private universities of RMB118.9 million.

Fair Value Change on Convertible Bonds

The fair value change on convertible bonds of RMB33.7 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 2021. 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.

Finance Costs

The finance costs mainly represented the interest expenses on bank and other financial institutions borrowings and imputed interest on deferred cash considerations. The finance costs was increased from RMB51.2 million for the six months ended 29 February 2020 to RMB93.3 million for the six months ended 28 February 2021.

Net Profit and Net Profit Margin

The adjusted net profit was increased by 41.9% to RMB758.5 million for the six months ended 28 February 2021 from RMB534.5 million for the six months ended 29 February 2020, after adjusting for the foreign exchange gain, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds and the one-off and other current period expenses related to conversion of independent colleges into private universities. The adjusted net profit attributable to owners of the Company was increased by 50.2% to RMB737.7 million for the six months ended 28 February 2021.

Management Discussion and Analysis

The Group's net profit before any adjustment for the above one-off and non-cash items was increased by 57.5% to RMB852.2 million for the six months ended 28 February 2021 from RMB541.2 million for the six months ended 29 February 2020.

The adjusted net profit margin increased from 40.6% for the six months ended 29 February 2020 to 41.6% for the six months ended 28 February 2021. On a like-for-like basis for institutions (excluding the schools newly acquired after the comparative period), the net profit margin after adjusting for the one-off and other current period expenses related to conversion of independent colleges into private universities was 48.9% for the six months ended 28 February 2021 as compared to 43.1% for the six months ended 29 February 2020, up 580 basis points as compared to the same period of last year.

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets. EBITDA was increased to RMB1,182.3 million for the six months ended 28 February 2021 from RMB761.3 million for the six months ended 29 February 2020. Adjusting for the foreign exchange gain, share-based payments, fair value change on convertible bonds and the one-off and other current period expenses related to conversion of independent colleges into private universities, the adjusted EBITDA was increased by 46.1% from RMB740.4 million for the six months ended 29 February 2020 to RMB1,081.8 million for the six months ended 28 February 2021.

Property, Plant and Equipment

Property, plant and equipment as at 28 February 2021 increased by 56.9% to RMB10,740.1 million from RMB6,846.6 million as at 31 August 2020. Increase in property, plant and equipment was mainly due to the construction of Guangdong Baiyun University and Guangzhou College of Applied Science and Technology's new campuses and the acquisition of Haikou University of Economics.

Total Bank Balances and Cash

Including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash amounted to RMB5,051.6 million as at 28 February 2021 (31 August 2020: RMB4,366.6 million). The Group placed 122,000,000 Shares and received total net proceeds of HK\$2,012.6 million (equivalent to RMB1,681.4 million) in January 2021. The net proceeds will be used for the potential acquisitions and expansion and development of the Group's new campuses in the Greater Bay Area.

Capital Expenditures

Our capital expenditures for the six months ended 28 February 2021 were RMB1,611.4 million and were primarily related to construction of new campus of Guangdong Baiyun University and Guangzhou College of Applied Science and Technology and new buildings at existing schools.

Liquidity, Financial Resources and Gearing Ratio

As at 28 February 2021, the Group had total bank balances and cash (including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits) of RMB5,051.6 million (31 August 2020: RMB4,366.6 million).

As at 28 February 2021, the Group had bank and other borrowings of RMB4,913.3 million (31 August 2020: RMB2,678.5 million) and convertible bonds of RMB2,236.7 million (31 August 2020: RMB2,428.2 million). Certain bank and other borrowings and proceeds from placement were not yet utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the six months ended 28 February 2021. 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.

Management Discussion and Analysis

As at 28 February 2021, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds, net of total bank balances and cash, to total equity of the Group) was 18.1% (31 August 2020: 8.3%). As at 28 February 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 28.7% (31 August 2020: 28.4%).

Foreign Exchange Risk Management

During the six months ended 28 February 2021, the Group mainly operated in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors

foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 28 February 2021, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group. Details of the banking facilities were set out in the announcement of the Company dated 31 May 2018.

The bank and other borrowings of the Group were mainly unsecured and/or guaranteed by Huajiao Education, a subsidiary of the Group. As at 28 February 2021, the bank and other borrowings of the Group amounting to RMB1,537.5 million were pledged by deposits and tolling right of tuition fee, boarding fee and ancillary income of certain subsidiaries.

Saved as disclosed above, there was no other material charge on the Group's assets as at 28 February 2021.

Contingent Liabilities

As at 28 February 2021, the Group had no significant contingent liability.

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

The Company issued convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK\$2,355 million at initial conversion price of HK\$14.69 per ordinary Share in March 2019 to enhance its working capital for the Group's continual business development. During the six months ended 28 February 2021, the conversion price was adjusted from HK\$14.33 per ordinary Share to HK\$14.18 per ordinary Share. Following such adjustment, the conversion shares to be issued upon full conversion of the convertible bonds were increased to 166,078,984 Shares. The net proceeds (after deducting the issuing expenses) from the subscription amounted to approximately RMB2,105.6 million and have been utilised as the intentions previously disclosed in the Company's announcements. As at 28 February 2021, the Company has fully utilised the net proceeds.

The following sets forth a summary of the utilisation of the net proceeds from the issue of convertible bonds due 2024 during the period ended 28 February 2021:

Purpose	Percentage to total amount	Net proceeds amount RMB (million)	Unutilised amount as at 1 September 2020 RMB (million)	Utilised amount during the period RMB (million)	Unutilised amount as at 28 February 2021 RMB (million)
Construction and development of the Group's schools in the PRC	30%	631.7	–	–	–
Acquisitions of schools in the PRC	45%	947.5	147.1	147.1	–
Group's overseas development	25%	526.4	–	–	–
	100%	2,105.6	147.1	147.1	–

Management Discussion and Analysis

As at 28 February 2021, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption of the convertible bonds was made by the Company.

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

USE OF NET PROCEEDS FROM TOP-UP PLACING AND SUBSCRIPTION IN AUGUST 2020

As at 28 February 2021, the net proceeds of approximately HK\$2,002.5 million (net of related costs, professional fees and out-of-pocket expenses) brought forward from the subscription completed on 20 August 2020 have been fully utilised for 1) potential as well as announced acquisitions; and 2) expansion and development of the Group's existing and new campuses, which is consistent with the intentions previously disclosed in the Company's announcements.

The following sets forth a summary of the utilisation of the net proceeds from the subscription in August 2020 during the period ended 28 February 2021:

Purpose	Percentage to total amount	Net proceeds amount RMB (million)	Unutilised amount as at 1 September 2020 RMB (million)	Utilised amount during the period RMB (million)	Unutilised amount as at 28 February 2021 RMB (million)
Potential as well as announced acquisitions	65%	1,168.9	1,168.9	1,168.9	–
Expansion and development of the Group's existing and new campuses	35%	629.4	629.4	629.4	–
	100%	1,798.3	1,798.3	1,798.3	–

Further details of the top-up placing and the subscription are set out in the Company's announcements dated 10 August 2020 and 20 August 2020.

TOP-UP PLACING AND SUBSCRIPTION IN JANUARY 2021

On 26 January 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 122,000,000 Shares (the "Placing Shares") at the placing price of HK\$16.60 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 122,000,000 Shares at HK\$16.60 per Share upon the terms and conditions set out in the Subscription Agreement (the "Subscription").

The Placing and the Subscription were completed on 29 January 2021 and 3 February 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\$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) and will be utilised 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.

Management Discussion and Analysis

The Directors consider that the Placing and the Subscription will strengthen the capital base of the Company for (amongst others) its potential acquisitions as well as expansion and development of new campuses.

The aggregate nominal value of the Subscription Shares is HK\$1,220 and the net subscription price is approximately HK\$16.50 per share. The Subscription Shares have a market value of approximately HK\$2,205.76 million based on the closing price of HK\$18.08 of the Shares on 26 January 2021, being the date of the Subscription Agreement.

As at 28 February 2021, none of the net proceeds has been utilised. Further details of the Placing and the Subscription are set out in the Company's announcements dated 26 January 2021 and 3 February 2021.

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 28 February 2021, the Group had 10,688 employees (29 February 2020: 8,922), a 19.8% increase mainly due to inclusion of Haikou University of Economics into our school network during the year ended 28 February 2021. 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 declared an interim dividend of HK19.7 cents per ordinary Share for the six months ended 28 February 2021 (for the six months ended 29 February 2020: HK13.4 cents) to be paid by cash on Thursday, 27 May 2021, to Shareholders whose names appear on the register of members of the Company on Friday, 14 May 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 May 2021 to Friday, 14 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 May 2021.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 28 February 2021.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 28 February 2021, 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 2021.

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 2021.

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 2021 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 2021, 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 Director	Number of Shares/underlying Shares			Approximate % of all Shares in Issue ⁽¹⁾
	Personal Interests	Other Interests	Total	
Yu Guo	(L)6,500,000 ⁽²⁾	(L)1,506,500,000 ⁽³⁾⁽⁶⁾ (S)16,000,000 ⁽⁵⁾⁽⁶⁾	(L)1,513,000,000 (S)16,000,000	(L)66.58% (S)0.70%
Xie Ketao	(L)6,500,000 ⁽²⁾	(L)1,506,500,000 ⁽⁴⁾⁽⁶⁾ (S)16,000,000 ⁽⁵⁾⁽⁶⁾	(L)1,513,000,000 (S)16,000,000	(L)66.58% (S)0.70%
Yu Kai	(L)6,500,000 ⁽²⁾	(L)750,000,000 ⁽⁷⁾ (S)8,000,000 ⁽⁷⁾	(L)756,500,000 (S)8,000,000	(L)33.29% (S)0.35%
Xie Shaohua	(L)6,500,000 ⁽²⁾	-	(L)6,500,000	(L)0.29%

L – long position
S – short position

Notes:

- The calculation is based on the total number of 2,272,552,000 Shares in issue as at 28 February 2021.
- 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 750,000,000 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 is the settlor and a beneficiary of the Blue Sky Trust. For the remaining long position interests in 756,500,000 Shares/underlying Shares, please refer to note 6 below.
- White Clouds BVI is the beneficial owner of the long position interests in 750,000,000 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 is the settlor and a beneficiary of the White Clouds Trust. For the remaining long position interests in 756,500,000 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 2021, 8,000,000 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 8,000,000 Shares.
- Mr. Yu, Mr. Xie, 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, Mr. Xie, 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 750,000,000 Shares and short position interests in 8,000,000 Shares were duplicated with the interests of Mr. Yu held under the Blue Sky Trust as disclosed above.

Other Information

Directors' Interest In Associated Corporation

Name of Director	Nature of Interest	Name of Associated Corporation	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 2021, 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 2021, 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 Shareholder	Capacity	Total Number of Shares	Approximate % of all Shares in Issue ⁽¹⁾
Blue Sky BVI	Beneficial Owner ⁽²⁾⁽⁴⁾	(L)750,000,000	(L)33.00%
		(S)8,000,000	(S)0.35%
	Other interest ⁽⁴⁾⁽⁵⁾	(L)763,000,000	(L)33.57%
		(S)8,000,000	(S)0.35%
		(L)1,513,000,000	(L)66.58%
		(S)16,000,000	(S)0.70%
White Clouds BVI	Beneficial Owner ⁽³⁾⁽⁴⁾	(L)750,000,000	(L)33.00%
		(S)8,000,000	(S)0.35%
	Other interest ⁽⁴⁾⁽⁵⁾	(L)763,000,000	(L)33.57%
		(S)8,000,000	(S)0.35%
		(L)1,513,000,000	(L)66.58%
		(S)16,000,000	(S)0.70%
Passionate Jade Holding Limited	Interests in controlled corporation ⁽²⁾	(L)750,000,000	(L)33.00%
		(S)8,000,000	(S)0.35%
Shimmery Diamond Holding Limited	Interests in controlled corporation ⁽³⁾	(L)750,000,000	(L)33.00%
		(S)8,000,000	(S)0.35%
Cantrust (Far East) Limited	Trustee ⁽²⁾⁽³⁾	(L)1,500,000,000	(L)66.01%
		(S)16,000,000	(S)0.70%

L – long position

S – short position

Other Information

Notes:

- The calculation is based on the total number of 2,272,552,000 Shares in issue as at 28 February 2021.
- Blue Sky BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 8,000,000 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 is the settlor and a beneficiary of the Blue Sky Trust.
- White Clouds BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 8,000,000 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 is the settlor and a beneficiary of the White Clouds Trust.
- 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 2021, 8,000,000 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 8,000,000 Shares.
- Mr. Yu, Mr. Xie, 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, Mr. Xie, 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 and Mr. Xie 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 2021, 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:

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2020 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2021 ⁽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	2,000,000	-	-	1,500,000	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 01/09/2020 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2021 ⁽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	2,000,000	-	-	1,500,000	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	2,000,000	-	-	1,500,000	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	2,000,000	-	-	1,500,000	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	1,100,000	-	300,000	-	800,000
				15/12/2020 – 14/12/2027	1,100,000	-	-	825,000	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					36,400,000	-	300,000	6,825,000	29,275,000

Other Information

Notes:

1. 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.
2. The weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK\$16.02.
3. No share options was cancelled during the period under review.

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. 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 01/09/2020 ⁽¹⁾	Granted	Exercised	Lapsed	At 28/02/2021 ⁽¹⁾
Employees	08/03/2019	12.48	08/03/2020	08/03/2020 – 07/03/2029	395,000	–	30,000	–	365,000
			08/03/2021	08/03/2021 – 07/03/2029	592,500	–	–	–	592,500
			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					4,150,000	–	30,000	–	4,120,000

Notes:

1. These figures 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.
2. The weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK\$16.89.
3. No share options was cancelled during the period under review.

Other Information

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, i.e. from 15 December 2017 to 14 December 2027. No awards have been granted or agreed to be granted under the Share Award Scheme since its adoption.

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

On 23 June 2020, 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) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版), the “Negative List”), which became effective on 23 July 2020. 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

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

On 31 May 2018, the Company and certain of its wholly-owned subsidiaries as borrowers (the "Borrowers") entered into a loan agreement and related financing documents (the "Loan Agreement") with International Finance Corporation ("IFC"), a member of the World Bank Group, as lender (the "Lender") in relation to a long-term loan facility up to US\$200,000,000 (the "Loan") and with a term of up to seven years. The 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 Loan Agreement, so long as any of the 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 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.

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 Loan Agreement occurs and is continuing, the Lender may, by notice to the Borrowers, require the Borrowers to immediately repay the Loan (or such part of the Loan) and any other payments pursuant to the Loan Agreement.

On behalf of the Board

Yu Guo and Xie Ketao
Co-Chairmen

Hong Kong, 27 April 2021

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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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 31 to 63, which comprises the condensed consolidated statement of financial position as of 28 February 2021 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
27 April 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 28 February 2021

	NOTES	Six months ended	
		28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Revenue	3	1,823,438	1,315,222
Cost of revenue		(745,949)	(557,881)
Gross profit		1,077,489	757,341
Other income	4	97,462	45,475
Investment income		28,989	11,781
Other gains and losses	5	32,240	28,929
Fair value change on convertible bonds		33,726	(2,353)
Selling expenses		(85,683)	(60,952)
Administrative expenses		(208,337)	(179,127)
Finance costs		(93,346)	(51,192)
Profit before taxation		882,540	549,902
Taxation	6	(30,301)	(8,718)
Profit for the period	7	852,239	541,184
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		3,587	(24,550)
Total comprehensive income for the period		855,826	516,634
Profit for the period attributable to:			
Owners of the Company		831,444	497,625
Non-controlling interests		20,795	43,559
		852,239	541,184
Total comprehensive income attributable to:			
Owners of the Company		835,031	473,075
Non-controlling interests		20,795	43,559
		855,826	516,634
Earnings per share	9		
Basic (RMB cents)		38.37	24.63
Diluted (RMB cents)		28.13	22.27

Condensed Consolidated Statement of Financial Position

At 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,740,133	6,846,583
Right-of-use assets	10	1,494,237	1,510,859
Interest in an associate		408	–
Goodwill	11	3,304,637	1,792,266
Intangible assets	11	3,241,253	2,298,834
Contract costs		93,143	108,910
Prepayments for investments	12	–	262,800
Deposits paid for right-of-use assets		31,181	1,181
Deposits paid for acquisition of property, plant and equipment		18,626	63,129
Other deposits and prepayments	13	45,903	31,303
Deferred tax asset	17	5,068	18,158
		18,974,589	12,934,023
CURRENT ASSETS			
Inventories		1,321	1,183
Trade receivables, deposits, prepayments and other receivables	13	797,034	593,655
Financial assets at fair value through profit or loss		2,427,932	823,270
Contract costs		74,496	79,289
Restricted bank deposits		100,300	100,300
Bank balances and cash		2,523,403	3,443,070
		5,924,486	5,040,767
CURRENT LIABILITIES			
Deferred income		54,959	56,579
Trade payables	14	22,590	33,374
Other payables and accrued expenses	15	2,188,521	1,446,899
Provisions	15	399,713	262,205
Lease liabilities		18,643	29,969
Income tax payable		72,688	19,130
Contract liabilities		1,810,675	1,238,857
Bank and other borrowings	16	1,235,468	291,662
		5,803,257	3,378,675
NET CURRENT ASSETS		121,229	1,662,092
TOTAL ASSETS LESS CURRENT LIABILITIES		19,095,818	14,596,115

Condensed Consolidated Statement of Financial Position

At 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income		22,882	24,911
Other payables	15	523,881	23,100
Bank and other borrowings	16	3,677,821	2,386,847
Lease liabilities		81,478	85,965
Deferred tax liability	17	976,582	739,685
Convertible bonds		2,236,738	2,428,247
		7,519,382	5,688,755
		11,576,436	8,907,360
CAPITAL AND RESERVES			
Share capital	18	19	18
Reserves		10,752,426	8,573,449
Equity attributable to owners of the Company		10,752,445	8,573,467
Non-controlling interests		823,991	333,893
		11,576,436	8,907,360

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2019 (audited)	17	2,579,785	181,679	(32,309)	92,619	1,264,734	-	2,508,018	6,594,543	413,694	7,008,237
Profit for the period	-	-	-	-	-	-	-	497,625	497,625	43,559	541,184
Other comprehensive expense for the period	-	-	-	-	-	-	(24,550)	-	(24,550)	-	(24,550)
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	(24,550)	497,625	473,075	43,559	516,634
Dividends recognised as distribution (note 8)	-	(161,080)	-	-	-	-	-	-	(161,080)	-	(161,080)
Transfer	-	-	-	-	-	63,749	-	(63,749)	-	-	-
Acquisition of additional interest in a subsidiary (note ii(v))	-	-	-	(120,498)	-	-	-	39,448	(81,050)	(156,950)	(238,000)
Recognition of equity-settled share-based payments	-	-	-	-	(8,806)	-	-	-	(8,806)	-	(8,806)
At 29 February 2020 (unaudited)	17	2,418,705	181,679	(152,807)	83,813	1,328,483	(24,550)	2,981,342	6,816,682	300,303	7,116,985
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 (note 22)	-	-	-	-	-	-	-	-	-	726,925	726,925
Issue of shares (note 18)	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 (note ii(vi))	-	-	-	(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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2021

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, (v) the difference between the consideration paid for further acquisition of 20% interest in Shuren Education Management Company Limited during the six months ended 29 February 2020 and the amount by which the non-controlling interests are adjusted, after reattribution of relevant reserve, and (vi) the difference between the fair value of consideration paid for further acquisition of 28% equity interest in Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司) during the six months ended 28 February 2021 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 2021

	NOTE	Six months ended	
		28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		927,367	709,166
Increase in trade receivables, deposits, prepayments and other receivables		(68,162)	(167,604)
Decrease (increase) in contract costs		20,560	(2,952)
Decrease in other payables and accrued expenses		(44,261)	(106,059)
Increase (decrease) in contract liabilities		99,002	(328,494)
Decrease in deferred income		(24,737)	(13,255)
Movements in other working capital items		(4,285)	2,052
Cash generated from operations		905,484	92,854
Income tax paid		(5,636)	(6,934)
NET CASH FROM OPERATING ACTIVITIES		899,848	85,920
INVESTING ACTIVITIES			
Purchase of structured deposits		(2,601,782)	(1,780,480)
Payments/deposits paid for acquisition of property, plant and equipment		(1,524,040)	(475,519)
Purchase of money market funds		(1,222,678)	(1,130,180)
Net cash outflow from acquisition of a business	22	(477,305)	(547,397)
Loan advanced to third parties		(308,811)	–
Settlement of consideration payables		(229,729)	(227,250)
Payment for deposit for right-of-use assets		(30,000)	(25,580)
Payment for right-of-use assets		(15,002)	(60)
Placement of short term deposits		(12,736)	–
Redemption of structured deposits		2,080,477	1,640,964
Repayment of loan to a third party		300,000	–
Withdrawal of money market funds		149,445	604,922
Withdrawal of short term deposits		51,966	–
Withdrawal of pledged bank deposits		30,000	–
Government grants received		28,379	18,136
Interest received on banks deposits and loan receivable		26,845	11,781
Proceeds on disposal of property, plant and equipment		642	763
Net cash outflow from acquisition of a group of assets		–	(174,015)
Payment for capital contribution to an investment fund		–	(31,303)
Proceeds on disposal of PRC listed equity securities		–	570
NET CASH USED IN INVESTING ACTIVITIES		(3,754,329)	(2,114,648)

Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2021

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(367,525)	(277,600)
Repayment of other borrowings	(243,831)	–
Payment for further acquisition of interest in a subsidiary	(228,000)	(99,000)
Interest paid	(138,846)	(66,079)
Repayments to connected entities of a non-controlling interest	(64,726)	–
Settlement of long-term construction cost payables for school premises	(28,118)	–
Repayment of lease liabilities	(12,406)	(7,106)
Transaction costs attributable to issue of shares	(10,512)	–
Proceeds from issuance of new shares	1,693,865	–
New bank borrowings raised	1,268,438	320,870
New other borrowings raised	129,234	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,997,573	(128,915)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(856,908)	(2,157,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,391,104	3,496,587
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(23,529)	(16,577)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,510,667	1,322,367
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	2,523,403	1,322,367
Less: bank deposits with maturity over three months	(12,736)	–
	2,510,667	1,322,367

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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.

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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 August 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and 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 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and 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.

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current period. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no significant impact on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs (Continued)

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in the condensed consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" ("IAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION

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

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

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher education, vocational education and global education. Higher education institutions mainly deliver master's degree programmes, bachelor's degree programmes, junior college diploma programmes and continuing education programmes in the PRC and overseas. Vocational education institutions mainly deliver vocational diploma programmes and technician diploma programmes in the PRC. Each category of institution constitutes an operating segment and reportable segment in the PRC. Global education institution engages in provision of higher education service in jurisdictions other than the PRC, which is a separate operating segment and reportable segment.

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

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

Segment revenues and results

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

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the six months ended 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 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the six months ended</i>				
<i>29 February 2020 (unaudited)</i>				
Revenue	872,405	374,867	67,950	1,315,222
Segment results	389,076	183,557	16,954	589,587
Investment income				11,781
Other gains and losses				28,929
Fair value change on convertible bonds				(2,353)
Finance costs				(51,192)
Unallocated corporate income and expenses				(26,850)
Profit before taxation				549,902

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

Revenue from major services

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

	Higher education RMB'000	Vocational education RMB'000	Global education RMB'000	Total RMB'000
<i>For the six months ended</i>				
<i>28 February 2021 (unaudited)</i>				
Tuition fees recognised over time	1,232,596	320,185	115,117	1,667,898
Boarding fees recognised over time	104,411	27,323	–	131,734
Ancillary services recognised over time	12,704	11,102	–	23,806
	1,349,711	358,610	115,117	1,823,438
<i>For the six months ended</i>				
<i>29 February 2020 (unaudited)</i>				
Tuition fees recognised over time	801,235	327,535	67,950	1,196,720
Boarding fees recognised over time	58,731	30,708	–	89,439
Ancillary services recognised over time	12,439	16,624	–	29,063
	872,405	374,867	67,950	1,315,222

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group operates in the PRC and Australia for the six months ended 28 February 2021 and 29 February 2020.

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 Six months ended		Non-current assets (Note)	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
The PRC	1,708,321	1,247,272	18,058,915	12,004,320
Australia	115,117	67,950	909,747	909,412
Hong Kong	–	–	859	2,133
	1,823,438	1,315,222	18,969,521	12,915,865

Note: Non-current assets excluded deferred tax assets.

4. OTHER INCOME

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Academic administration income	24,984	11,496
Management fee income	33,610	20,594
Government grants (Note)	21,277	9,910
Staff quarter income	2,381	1,600
Utilities income	5,971	651
Others	9,239	1,224
	97,462	45,475

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

5. OTHER GAINS AND LOSSES

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Loss on disposal of property, plant and equipment, net	(1,270)	(560)
Fair value change on financial assets at fair value through profit or loss ("FVTPL")	10,124	21,719
Foreign exchange gain, net	164,099	14,486
Fair value change on construction cost payables for school premises	(19,023)	–
Impairment losses (reversal of impairment loss)		
— trade receivables	(8,008)	(2,107)
— other receivables and deposits	1,100	(4,609)
— loan receivable	2,232	–
Fees for conversions of certain independent colleges into private universities (note 15(vi))	(118,879)	–
Share of results of an associate	(221)	–
Gain on deregistration of a subsidiary	2,086	–
	32,240	28,929

6. TAXATION

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Current tax		
— Enterprise Income Tax	(8,351)	(6,602)
— Australian Corporate Income Tax	(12,249)	(6,497)
— Withholding taxes on interest income	(407)	–
	(21,007)	(13,099)
Deferred tax (note 17)	(9,294)	4,381
	(30,301)	(8,718)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

7. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 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	440,856	329,622
— retirement benefit scheme contributions	67,626	52,153
— net reversal of share-based payments (note 19(a)) (Note)	(30,456)	(8,806)
Total staff costs	478,026	372,969
Depreciation of property, plant and equipment	173,553	126,080
Depreciation of right-of-use assets	25,602	23,517
Amortisation of intangible assets	7,307	10,618
Short-term leases expense in respect of rented premises	8,055	7,991
Interest income from banks	(14,445)	(11,781)
Interest income from loan receivables	(14,544)	—

Note: The amount for the six months ended 28 February 2021 includes reversal of RMB39,375,000 (for the six months ended 29 February 2020: RMB28,925,000) previously recognised share options expenses due to revision of estimate on the number of share options to be vested as detailed in note 19(a).

8. DIVIDENDS

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

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Final dividend for the year ended 31 August 2020 of HK13.9 cents (for the six months ended 29 February 2020: HK9.0 cents final dividend for the year ended 31 August 2019) per ordinary share	263,644	161,080

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK19.7 cents per ordinary share amounting to HK\$447,768,000 in aggregate (for the six months ended 29 February 2020: HK13.4 cents per ordinary share amounting to HK\$270,707,000) will be paid to the owners of the Company whose names appear in the register of members on 14 May 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic earnings per share	831,444	497,625
Effect of dilutive potential ordinary shares:		
Fair value change and exchange difference on convertible bonds	(170,663)	(8,613)
Profit for the period attributable to owners of the Company for the purpose of calculating diluted earnings per share	660,781	489,012
	Six months ended	
	28 February 2021 '000	29 February 2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,167,150	2,020,202
Effect of dilutive potential ordinary shares:		
Share options granted under Pre-IPO Share Option Scheme	17,715	13,501
Share options granted under Post-IPO Share Option Scheme	78	–
Convertible bonds	164,379	162,190
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,349,322	2,195,893

The computation of diluted earnings per share for the six months ended 29 February 2020 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as defined in note 19 as the exercise price of those options was higher than the average market price for shares for the period.

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

During the six months ended 28 February 2021, the Group made additions of approximately RMB1,538,726,000 (for the six months ended 29 February 2020: RMB395,902,000) for construction costs for new school premises and student dormitories and RMB72,333,000 (for the six months ended 29 February 2020: RMB108,703,000) for acquisition of office equipment, furniture and fixtures and motor vehicles. In addition, the Group acquired schools which included RMB2,437,168,000 (for the six months ended 29 February 2020: acquired a school and a group of assets which included RMB9,854,000 and RMB278,413,000, respectively) in property, plant and equipment through acquisition of a business as set out in note 22.

During the six months ended 29 February 2020, the Group acquired a school and a group of assets which included RMB59,614,000 and RMB194,689,000, respectively, in right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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 2020 (audited)	1,792,266	2,291,899	80,825	2,372,724
Acquisition of a business (note 22)	1,510,428	927,166	17,354	944,520
Exchange realignment	1,943	5,206	–	5,206
At 28 February 2021 (unaudited)	3,304,637	3,224,271	98,179	3,322,450
AMORTISATION				
At 1 September 2020 (audited)	–	–	73,890	73,890
Charge for the period	–	–	7,307	7,307
At 28 February 2021 (unaudited)	–	–	81,197	81,197
CARRYING VALUES				
At 28 February 2021 (unaudited)	3,304,637	3,224,271	16,982	3,241,253
At 1 September 2020 (audited)	1,792,266	2,291,899	6,935	2,298,834

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.

12. PREPAYMENTS FOR INVESTMENTS

On 7 August 2020, the Group entered into agreements (the "Hainan Acquisition Agreements") with certain independent third parties (the "Hainan Vendors") for the acquisitions of an aggregate of 60% equity interest in Hainan Cyber Education Group Company Limited (海南賽伯樂教育集團有限公司) ("Hainan Cyber Education"), a limited liability company established under the laws of the PRC, at a consideration of RMB1,356,000,000, for the purpose of acquiring indirect sponsor interests of 海口經濟學院 (Haikou University of Economics), a university located in Hainan, the PRC and 海口經濟學院附屬藝術學校 (Affiliated Art School of Haikou University of Economics), a vocational school located in Hainan, the PRC (collectively referred to as the "Hainan Schools", and Hainan Cyber Education and Hainan Schools collectively referred to as the "Hainan Education Group"). As at 31 August 2020, the Group had not yet obtained control over Hainan Education Group as certain criteria as set out in the Hainan Acquisition Agreements had not yet been fulfilled. The acquisition of Hainan Education Group has been completed during the six months ended 28 February 2021 as detailed in note 22.

Notes to the Condensed Consolidated Financial Statements

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13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Trade receivables (Note i)	37,997	32,592
Less: allowance for credit losses	(8,553)	(15,468)
	29,444	17,124
Receivables from education bureaus	102,496	42,406
Management fee income receivables	2,811	1,882
Staff advances	19,194	22,614
Other receivables, net of allowance	28,325	30,488
Deposits (Note vi)	37,971	53,950
Other prepayment (Note v)	31,303	31,303
Prepayments and prepayments on behalf of students	69,919	18,258
Loan receivable, net of allowance (Note ii)	40,640	29,196
Indemnification assets (Note iii)	360,117	262,205
Amounts due from a vendor of acquired school (Note iv)	120,717	115,532
	842,937	624,958
Current	797,034	593,655
Non-current	45,903	31,303
	842,937	624,958

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 receivable is non-trade in nature, interest bearing at 12%, unsecured and repayable within twelve months from the end of the reporting period. As at 28 February 2021, the Group granted a loan facility of RMB90,629,000 of which RMB46,221,000 has not yet been drawn down (31 August 2020: granted a loan facility of RMB90,996,000 of which RMB55,800,000 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 and current period. 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 management of the Group expects that the amounts would be settled together with deferred consideration payable to the vendor.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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

Notes: (Continued)

- v. On 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理華教(深圳)股權投資合夥企業(有限合夥) (the "China Education Fund"). The Group had made part of the committed capital contribution amounting to RMB31,303,000 to the China Education Fund during the year ended 31 August 2020. There is no significant active operation for the China Education Fund up to date of issuance of these condensed consolidated financial statements and the China Education Fund is still in an initial fund raising period. Further details are set out in the Company's announcement dated 29 June 2018.
- vi. As at 28 February 2021, 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 RMB14,600,000, which are repayable beyond twelve months after the end of the reporting period and are presented as non-current assets as at 28 February 2021 (31 August 2020: Nil).

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 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
0-90 days	89,565	147
91-120 days	21,436	13,125
121-365 days	15,398	31,203
Over 365 days	5,541	15,055
	131,940	59,530

Allowance for credit losses

The movement in the allowance for credit losses in respect of trade receivables, other receivables, deposits and loan receivables and loan commitments during six months ended 28 February 2021 is as follows:

	Trade receivables RMB'000	Other receivables and deposits RMB'000	Loan receivable and loan commitments RMB'000	Total RMB'000
At 31 August 2020 (audited)	15,468	19,710	6,000	41,178
Net impairment loss (reversal of impairment loss) recognised during the period	8,008	(1,100)	(2,232)	4,676
Write off during the period	(14,923)	-	-	(14,923)
At 28 February 2021 (unaudited)	8,553	18,610	3,768	30,931

As at 28 February 2021, rights to receive boarding fees associated with certain student dormitories of the Group with carrying amount of RMB47,329,000 are pledged to financial institutions in respect of the loans granted to a constructor of student dormitories (31 August 2020: Nil).

Notes to the Condensed Consolidated Financial Statements

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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 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
0–30 days	7,445	17,313
31–90 days	4,531	7,222
91–365 days	3,682	2,318
Over 365 days	6,932	6,521
	22,590	33,374

15. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Discretionary government subsidies receipt in advance (Note i)	59,395	65,033
Receipt on behalf of ancillary services providers	199,113	210,270
Long term construction cost payables for school premises (Note ii)	403,714	–
Construction cost payables for school premises (Note iii)	388,461	348,551
Retention money payables	49,547	24,524
Accrued staff benefits and payroll	76,651	88,504
Accrued operating expenses	13,429	70,932
Fees payable for conversion of certain independent colleges into private universities (Note vi)	99,483	–
Dividend payables	263,603	–
Interest payable	43,555	17,733
Other payables and accruals	189,820	81,666
Other tax payables	34,194	14,736
Deferred cash considerations (Note iv)	559,231	548,050
Amount due to connected entities of a non-controlling interest (Note v)	331,567	–
Amount due to an associate (Note vii)	639	–
	2,712,402	1,469,999
Current	2,188,521	1,446,899
Non-current	523,881	23,100
	2,712,402	1,469,999
Provisions (Note viii)	399,713	262,205

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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

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 RMB397,697,000 which are payable beyond twelve months after the end of the reporting period and are presented as non-current liabilities as at 28 February 2021 (31 August 2020: Nil).
- iii. Included in payables in respect of construction of school premises is an amount of RMB6,402,000 (31 August 2020: RMB3,020,000) which are payable beyond twelve months after the end of the reporting period and is presented as non-current liabilities as at 28 February 2021.
- iv. The amounts represent consideration payables for the acquisitions of certain schools in prior and current period. Amount of approximately RMB512,544,000 (31 August 2020: RMB527,970,000) 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 RMB46,687,000 (31 August 2020: RMB20,080,000) is presented as non-current liabilities as at 28 February 2021 which is repayable beyond twelve months after the end of the reporting period. Including in the balance is an amount of RMB42,457,000 (31 August 2020: RMB44,536,000) 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.
- v. The amounts 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 the reporting period.
- vi. The amount includes fees payable for conversions of Guangzhou College of Applied Science and Technology (formerly known as Guangzhou University Songtian College) and Chongqing Institute of Foreign Studies (formally known as Chongqing Nanfang Translators College of Sichuan International Studies University), consolidated affiliated entities of the Group, from independent colleges into full private universities. Included in the amount is RMB73,095,000 which is payable beyond twelve months after the end of the reporting period and is presented as non-current liabilities as at 28 February 2021 (31 August 2020: Nil). During the six months ended 28 February 2021, fees of RMB118,879,000 are recognised in profit or loss in connection to these conversions (for the six months ended 29 February 2020: Nil).
- vii. The amount is interest free, unsecured and repayable on demand.
- viii. 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 RMB360,117,000 (31 August 2020: RMB262,205,000) are recognised upon acquisitions of businesses in prior years and current period and adjusted according to subsequent development of the indemnified matters.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

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

	Compliance matters RMB'000	Legal cases RMB'000	Total RMB'000
At 31 August 2020	145,479	116,726	262,205
Acquired on acquisition of a business (note 22)	127,178	4,174	131,352
Additional provision during the period	3,923	2,694	6,617
Settlement during the period	–	(461)	(461)
At 28 February 2021	276,580	123,133	399,713

16. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to RMB1,397,672,000 (for the six months ended 29 February 2020: obtained bank borrowings amounting to RMB320,870,000). 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 RMB2,302,310,000 (31 August 2020: RMB818,508,000), which carry interest rate at fixed rate from 3.55% to 10.00% per annum (31 August 2020: 5.70% to 8.44% per annum), the remaining borrowings are variable-rate borrowings which bear interest rate from 3.17% to 6.18% per annum (31 August 2020: 3.55% 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.

During the current interim period, the Group repaid bank and other borrowings amounting to RMB611,356,000 (for the six months ended 29 February 2020: repaid bank borrowings amounting to RMB277,600,000).

As at 28 February 2021, bank and other borrowings amounting to RMB1,537,512,000 (31 August 2020: RMB364,970,000) are secured by tolling right of tuition fee, boarding fee and ancillary income of certain schools of the Group and deposits amounting to RMB14,600,000 (31 August 2020: Nil).

17. DEFERRED TAXATION

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

	Tax losses RMB'000	Fair value adjustments of intangible assets, right-of-use assets and property, plant and equipment on business combinations RMB'000	Total RMB'000
At 31 August 2020 (audited)	(18,158)	739,685	721,527
Acquisition of a business (note 22)	–	239,132	239,132
Charge (credit) to profit or loss (note 6)	13,090	(3,796)	9,294
Exchange realignment	–	1,561	1,561
At 28 February 2021 (unaudited)	(5,068)	976,582	971,514

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For the six months ended 28 February 2021

18. SHARE CAPITAL

	Number of shares	Share capital	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.00001 each			
Authorised			
At 1 September 2019, 29 February 2020, 1 September 2020 and 28 February 2021	50,000,000,000	HK\$500,000	
Issued and fully paid			
At 1 September 2019 and 29 February 2020	2,020,202,000	HK\$20,202	17
Issuance of new shares	130,000,000	HK\$1,300	1
Share issued under share option scheme	20,000	HK\$–*	–*
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

* The amount is less than HK\$1 or RMB1,000.

Notes:

(i) Issuance of new shares

On 26 January 2021, the Company entered into a placing agreement ("Placing Agreement") with Blue Sky Education International Limited and White Clouds Education International Limited (the "Subscribers") and UBS AG Hong Kong Branch (the "Placing Agent") and a subscription agreement ("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 "Placing"), and the Subscribers agreed to subscribe for 122,000,000 new shares of the Company at HK\$16.60 per share (the "Subscription"), respectively. The Placing and the Subscription were completed on 29 January 2021 and 3 February 2021 respectively, in accordance with the terms and conditions of the Placing Agreement and the Subscription Agreement. The proceeds, net of related fees and expenses, from the 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.

(ii) Shares issued under Pre-IPO and Post-IPO Share Option Schemes (as defined in note 19)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

19. 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 2021, the number of shares in respect of which options had been granted and outstanding under the Pre-IPO Share Option Scheme was 29,275,000 (31 August 2020: 36,400,000), representing 1.29% (31 August 2020: 1.69%) of the shares of the Company in issue at that date.

During the six months ended 28 February 2021, there are 6,000,000 and 825,000 share options (for the six months ended 29 February 2020: 8,000,000 and 1,100,000 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 (for the six months ended 29 February 2020: RMB28,925,000) in respect of such share options while recognised share options expenses of RMB5,990,000 (for the six months ended 29 February 2020: RMB15,901,000) for the remaining share options not yet vested. Except for the above, 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 current interim period, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

19. SHARE-BASED PAYMENTS (Continued)

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

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.

At 28 February 2021, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO Share Option Scheme was 4,120,000 (31 August 2020: 4,150,000), representing 0.18% (31 August 2020: 0.19%) of the shares of the Company in issue at that date. No share options are granted or lapsed during the six months ended 28 February 2021.

During the six months ended 29 February 2020, there were 400,000 share options held by employee being lapsed.

During the six months ended 29 February 2020, 400,000 share options were granted on 16 December 2019. The estimated fair value of the share options granted on that date was RMB1,844,000. The share options will be vested over 5 vesting period. The vesting of share option will be conditional on completion of specified periods of services by the grantees on the respective vesting dates. After date of grant, 200,000 share options were subsequently lapsed, while the fair value attributable to the remaining share options was RMB922,000.

The Binomial model was used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

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For the six months ended 28 February 2021

19. SHARE-BASED PAYMENTS (Continued)

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

Post-IPO Share Option Scheme (Continued)

The inputs into the model were as follows:

	Granted on 16 December 2019
Weighted average share price	HK\$10.76
Exercise price	HK\$10.76
Expected volatility	48.61%
Expected life	10 years
Risk-free rate	1.64%
Expected dividend yield	1.162%

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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 current interim period, the weighted average share price immediately before the date on which the share options were exercised was HK\$16.89. As at 28 February 2021, the weighted average exercise price for share options granted is HK\$12.40 per underlying share (31 August 2020: HK\$12.40 per underlying share).

During the six months ended 28 February 2021, the Group recognised a total expense of RMB2,929,000 (for the six months ended 29 February 2020: RMB4,218,000) 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.

Notes to the Condensed Consolidated Financial Statements

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20. CAPITAL COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment and right-of-use assets mainly for the construction of new campus amounting to RMB1,807,432,000 (31 August 2020: RMB2,975,631,000).

The Group was committed to make an initial contribution of RMB250,000,000 to the China Education Fund and as at 28 February 2021, the Group made capital contribution amounting to RMB31,303,000 (31 August 2020: RMB31,303,000) to China Education Fund as committed as disclosed in note 13(v).

21. 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 (Structured deposits)	At 28 February 2021: RMB983,547,000 (unaudited) (31 August 2020 RMB453,250,000 (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 2021

21. 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	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at FVTPL (Money market funds)	At 28 February 2021: RMB1,444,385,000 (unaudited) (31 August 2020: RMB370,020,000 (audited))	Level 1	Quoted price from financial institutions	N/A	N/A
Financial liabilities					
Financial liabilities designated as at FVTPL (Convertible bonds)	At 28 February 2021: RMB2,236,738,000 (unaudited) (31 August 2020: RMB2,428,247,000 (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 2021: RMB42,457,000 (unaudited) (31 August 2020: RMB44,536,000 (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 2021: RMB403,714,000 (unaudited) (31 August 2020: Nil (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 2021

21. 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 2021, 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 RMB784,000/RMB783,000 (31 August 2020: RMB602,000/RMB602,000), respectively.
- ii. As at 28 February 2021, 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 RMB442,000/RMB443,000 (31 August 2020: RMB119,000/RMB120,000), respectively.
- iii. As at 28 February 2021, 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 RMB17,956,000/RMB17,871,000 (31 August 2020: RMB18,268,000/RMB11,657,000), respectively.
- iv. As at 28 February 2021, 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 RMB8,234,000/RMB7,176,000 (31 August 2020: RMB12,666,000/RMB15,631,000), respectively.
- v. As at 28 February 2021, 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 RMB150,000/RMB158,000 (31 August 2020: RMB675,000/RMB684,000), respectively.
- vi. As at 28 February 2021, 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 cost payables for school premises would increase/decrease by RMB652,000/RMB652,000 (31 August 2020: Nil/Nil), respectively.
- vii. As at 28 February 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction cost payables for school premises would decrease/increase by RMB18,182,000/RMB22,505,000 (31 August 2020: Nil/Nil), respectively.

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	Total RMB'000
At 1 September 2019 (audited)	373,729	(2,143,783)	(126,229)	(1,896,283)
Acquisition of a business	–	–	(21,940)	(21,940)
Fair value gain (loss)	12,264	(2,353)	–	9,911
Exchange difference credited to profit or loss	–	10,966	–	10,966
Interest paid	–	21,273	–	21,273
Finance costs	–	–	(11,457)	(11,457)
Purchase of structured deposits	1,780,480	–	–	1,780,480
Redemption of structured deposits	(1,640,964)	–	–	(1,640,964)
Exchange realignment	–	–	685	685
At 29 February 2020 (unaudited)	525,509	(2,113,897)	(158,941)	(1,747,329)

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For the six months ended 28 February 2021

21. 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 2020 (audited)	453,250	(2,428,247)	(44,536)	-	(2,019,533)
Settlement of contingent consideration	-	-	6,211	-	6,211
Acquisition of a business (note 22)	-	-	-	(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)

Of the total gains or losses for the current interim period included in profit or loss, RMB3,172,000, RMB33,726,000 and RMB13,213,000 (for the six months ended 29 February 2020: RMB5,652,000, RMB2,353,000 and Nil) 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 each reporting period. The fair value gains or losses on these financial instruments are included in "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. Where Level 1 inputs are not available, 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.

Notes to the Condensed Consolidated Financial Statements

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21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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.

22. ACQUISITION OF A BUSINESS

Acquisition of Hainan Education Group

On 7 August 2020, the Company, China Education Group Holdings (BVI) Limited, a direct wholly owned subsidiary of the Company and Shuzhi Education Consulting (Ganzhou) Co., Ltd, an indirect wholly owned consolidated affiliated entity of the Company (together referred to as the "Purchasers"), entered into Hainan Acquisition Agreements with the Hainan Vendors, pursuant to which the Hainan Vendors agreed to transfer an aggregate 60% equity interest in Hainan Cyber Education, to the Purchasers at a consideration of RMB1,356,000,000 (the "Hainan Acquisition"). Upon the completion of Hainan Acquisition on 16 September 2020, the Group acquired 45% equity interest in Hainan Cyber Education and the entire equity interest of Hainan Hualian Investment Co., Ltd., a limited liability company established in the PRC, which held 15% equity interests in Hainan Cyber Education, Hainan Education Group became non-wholly owned consolidated affiliated entities of the Company. Furthermore, as part of the Hainan Acquisition, the Group entered into a management agreement ("Hainan Management Agreement") with one of the Hainan Vendors which provided for the Group's entitlement to 100% of the operating results of Hainan Education Group till the end of February 2023.

Details of the acquisition were set out in the announcements of the Company dated 10 August 2020, 13 August 2020 and 17 September 2020, respectively.

Consideration transferred

	RMB'000
Cash paid to Hainan Vendors	1,196,000
Deferred cash consideration to Hainan Vendors	157,739
	1,353,739

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22. ACQUISITION OF A BUSINESS (Continued)

Acquisition of Hainan Education Group (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	2,437,168
Interest in an associate	629
Intangible assets	944,520
Deposit paid for acquisition of property, plant and equipment	2,981
Deposits paid	14,600
Inventories	489
Trade receivables, deposits, prepayments and other receivables	37,154
Pledged bank deposits	30,000
Bank balances and cash	455,895
Deferred income	(1,388)
Other payables and accrued expenses	(1,061,597)
Provisions	(131,352)
Amount due to an associate	(639)
Income tax payable	(38,143)
Contract liabilities	(472,358)
Bank and other borrowings	(1,500,349)
Deferred tax liabilities	(239,132)
	478,478

The fair values of intangible assets (representing brand name and student rosters amounting to RMB927,166,000 and RMB17,354,000, respectively) was 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 included discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables at the date of acquisition amounted to RMB17,122,000, while the gross contractual amounts of these trade receivables, deposits and other receivables amounted to RMB18,470,000.

Non-controlling interest

The non-controlling interest (40%) in Hainan Education Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB726,925,000. This fair value was estimated by applying an income approach taking into account the Hainan Management Agreement. The key model inputs and assumptions used in determining the fair value include discount rate, estimation of cash inflows/outflows which include growth rates for student number, tuition fee and cost of revenue.

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For the six months ended 28 February 2021

22. ACQUISITION OF A BUSINESS (Continued)

Acquisition of Hainan Education Group (Continued)

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	1,353,739
Plus: non-controlling interest	726,925
	<u>2,080,664</u>
Less: fair value of identifiable net assets acquired (100%)	(478,478)
Less: Indemnification assets acquired	(91,758)
Goodwill arising on acquisition	<u>1,510,428</u>

Goodwill arose in the acquisition of Hainan Education Group 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 Hainan Education Group. 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	1,196,000
Less: cash and cash equivalent balances acquired	(455,895)
Less: prepayment for acquisition of investments in prior year	(262,800)
	<u>477,305</u>

No pro forma information for the acquisition of Hainan Education Group are prepared as Hainan Education Group would have no significant contribution to the Group's revenue or financial performance for the period from 1 September 2020 to 15 September 2020 and the pro forma revenue and results of operations of the Group for the acquisition of Hainan Education Group approximate the Group's revenue and results for the six months ended 28 February 2021.

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23. 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 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Short-term benefits	8,309	8,474
Post-employment benefits	168	240
Net reversal of expense of share-based payments (<i>Note</i>)	(33,385)	(13,024)
	(24,908)	(4,310)

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 includes reversal of RMB39,375,000 (for the six months ended 29 February 2020: RMB28,925,000) previously recognised share options expenses due to revision of estimate on the number of share options to be vested as detailed in note 19(a).

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
"AUD"	Australian dollars, the lawful currency of Australia
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC member schools
"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
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chongqing Institute of Foreign Studies"	Chongqing Institute of Foreign Studies (重慶外語外事學院), formerly known as Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院), one of our PRC member schools
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Huajiao Education, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"GBP"	Great Britain Pound, the lawful currency of UK
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC member schools

Glossary

"Guangzhou College of Applied Science and Technology"	Guangzhou College of Applied Science and Technology (廣州應用科技學院), formerly known as Guangzhou University Songtian College (廣州大學松田學院), one of our PRC member schools
"Hong Kong" or "HK"	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
"Huajiao Education"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"independent third party(ies)"	any entity(ies) or person(s) who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC member schools
"King's Own Institute" or "KOI"	Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute), a company incorporated in New South Wales, Australia and our member school in Australia
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman and controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman and controlling shareholder of the Company

Glossary

"Richmond University"	Richmond, The American International University in London, a university accredited to award both UK and US degrees
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shandong Quancheng University"	University of Jinan Quancheng College (濟南大學泉城學院), one of our PRC member schools
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK\$0.00001 each
"Songtian Polytechnic College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC member schools
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US\$"	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
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC member schools
"Zhengzhou Transit School"	Zhengzhou Urban Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC member schools
"%"	per cent

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