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HOPE EDUCATION GROUP CO., LTD.

希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1765)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

ANNUAL RESULTS

The Board is pleased to announce the annual results and audited consolidated financial statements of the Group for the year ended 31 August 2021, together with comparative figures for the eight months ended 31 August 2020.

	For the year ended 31 August 2021 <i>(in millions of RMB)</i>	For the eight months ended 31 August 2020 <i>(in millions of RMB)</i>	Change <i>(in millions of RMB)</i>	Change <i>(percentage)</i>
Revenue	2,324.27	872.08	1,452.19	166.5%
Gross profit	1,175.97	377.61	798.36	211.4%
Adjusted gross profit	1,237.12	406.53	830.59	204.3%
Adjusted gross profit margin	53.2%	46.6%		6.6%
Net profit	605.12	119.35	485.77	407.0%
Adjusted net profit	866.36	201.26	665.10	330.5%
Adjusted net profit margin	37.3%	23.1%		14.2%
	2020/2021 school year	2019/2020 school year	Change	Change <i>(Percentage)</i>
New students enrolled	72,830	48,789	24,041	49.3%
Total student enrollment	196,747	140,125	56,622	40.4%
Undergraduate colleges	98,788	71,259	27,529	38.6%
Junior colleges	80,225	60,631	19,594	32.3%
Technical colleges	17,734	8,235	9,499	115.4%

Descriptions: 1. Following the change of the financial year end date last year, as the Reporting Period of the financial report presented by the Group in the first financial year covered the eight-month period from 1 January 2020 to 31 August 2020, the corresponding comparative figures for the current financial year only cover the eight-month period.

2. Total student enrollment does not include a total of 24,257 students from Gongqing College, Pioneer College and Jinken College that were acquired successively in the second half of the financial year.

NON-IFRS MEASUREMENT

To supplement the Group's combined financial statements which are presented in accordance with IFRS, the Company also uses adjusted gross profit, adjusted net profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance.

Calculation of Adjusted Gross Profit

Items	For the year ended 31 August 2021 (in millions of RMB)	For the eight months ended 31 August 2020 (in millions of RMB)
Gross profit	1,175.97	377.61
Add:		
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition	61.15	28.92
Adjusted gross profit	1,237.12	406.53

Descriptions: The adjusted gross profit is calculated as gross profit for the period after eliminating additional depreciation and amortisation from temporary fair value adjustment of identifiable assets resulted from the merger and acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College, Guizhou Qiannan College of Science and Technology (2021.6-2021.8), Pioneer College of Inner Mongolia University, Nanchang Vocational Institute of Film and Television Communication, INTI Group and Jinken Vocational Institute of Technology.

Calculation of Adjusted Net Profit

Items	For the year ended 31 August 2021 <i>(in millions of RMB)</i>	For the eight months ended 31 August 2020 <i>(in millions of RMB)</i>
Profit from continuing operations for the period	605.12	119.35
Add:		
Equity-settled share option expense		0.86
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition	74.21	34.58
Finance cost accrued at amortised cost because of deferred payment for purchase of equity interest	31.42	13.14
Finance cost accrued at amortised cost because of deferred payment of conversion fees	8.22	
One-time recognition of conversion fees because of the conversion of the Economic College	412.30	
One-time derecognition of brand usage fees because of the conversion of the Economic College	77.18	
One-time recognition of conversion fees because of the conversion of the College of Science and Technology	265.46	
Less:		
Fair value gain on a previously held equity interest at the date of business combination	212.20	
Gains on fair value changes of convertible bonds	375.95	
Exchange gains	19.40	(33.33)
Adjusted net profit	866.36	201.26

Descriptions: Adjusted net profit is measured by excluding (i) equity-settled share option expense; (ii) exchange gains; (iii) additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College, Guizhou Qiannan College of Science and Technology, Pioneer College of Inner Mongolia University, Nanchang Vocational Institute of Film and Television Communication, INTI Group, Jinken Vocational Institute of Technology, Gongqing College of Nanchang University and Dingli Corp., Ltd; (iv) finance cost accrued at amortized cost because of a payment due over one year for the acquisition of equity interest under the relevant agreement; (v) one-time recognition of fees for conversion of an independent college into a private undergraduate university, the installment of finance cost accrued at amortized cost, and one-time recognition of conversion fees of the College of Science and Technology, which was a joint venture before conversion, recorded in “Share of losses of joint ventures” of the financial statement; (vi) fair value gain on remeasurement of a previously held equity interest in College of Science and Technology at the date of business combination; and (vii) gains on fair value changes of convertible bonds of the Company. The Company considers that excluding the above could eliminate potential impacts of items that the management do not consider to be indicative of the Group’s operating performance, which in turns facilitates comparisons of operating performance from period to period and company to company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Descriptions:

Following the change of the financial year end date from 31 December to 31 August last year, the reporting period of the financial report presented by the Group in the first financial year covered the eight-month period from 1 January 2020 to 31 August 2020. After the change of financial year end date, the whole year of the new financial year will be from 1 September to 31 August next year. The data for the eight-month period from 1 January 2020 to 31 August 2020 and for the twelve-month period from 1 September 2020 to 31 August 2021 are not comparable, and without predictability from an analysis of obvious trends. In order to present the operating positions of the Group for the new financial year clearly, the Group voluntarily presents the unaudited financial information for the twelve months commencing from 1 September 2019 to 31 August 2020 for the period-on-period comparison.

	For the year ended 31 August 2021 <i>(in millions of RMB)</i>	For the year ended 31 August 2020 <i>(in millions of RMB)</i> <i>(Unaudited)</i>	Change <i>(in millions of RMB)</i>	Change <i>(percentage)</i>
Revenue	2,324.27	1,568.12	756.15	48.2%
Gross profit	1,175.97	777.38	398.59	51.3%
Adjusted gross profit	1,237.12	822.36	414.76	50.4%
Adjusted gross profit margin	53.2%	52.4%		0.8%
Net profit	605.12	456.45	148.67	32.6%
Adjusted net profit	866.36	575.78	290.58	50.5%
Adjusted net profit margin	37.3%	36.7%		0.6%

Calculation of Adjusted Gross Profit

Items	For the year ended 31 August 2021 <i>(in millions of RMB)</i>	For the year ended 31 August 2020 <i>(in millions of RMB) (Unaudited)</i>	Change <i>(in millions of RMB)</i>	Change <i>(percentage)</i>
Gross profit	1,175.97	777.38	398.59	51.3%
Add:				
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition	61.15	44.98		
Adjusted gross profit	1,237.12	822.36	414.76	50.4%

Calculation of Adjusted Net Profit

Items	For the year ended 31 August 2021 <i>(in millions of RMB)</i>	For the year ended 31 August 2020 <i>(in millions of RMB)</i> <i>(Unaudited)</i>	Change <i>(in millions of RMB)</i>	Change <i>(percentage)</i>
Profit from continuing operations for the period	605.12	456.45	148.67	32.6%
Add:				
Equity-settled share option expense		8.19		
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition	74.21	53.86		
Finance cost accrued at amortised cost because of deferred payment for purchase of equity interest	31.42	19.74		
Finance cost accrued at amortised cost because of deferred payment of conversion fees	8.22			
One-time recognition of conversion fees because of the conversion of the Economic College	412.30			
One-time derecognition of brand usage fees because of the conversion of the Economic College	77.18			
One-time recognition of conversion fees because of the conversion of the College of Science and Technology	265.46			
Less:				
Fair value gain on a previously held equity interest at the date of business combination	212.20			
Gains on fair value changes of convertible bonds	375.95			
Exchange gains	19.40	(37.54)		
Adjusted net profit	866.36	575.78	290.58	50.5%

Overview

Items	For the	For the	Change	Change	For the
	year ended	year ended			eight months
	31 August	31 August			ended
	2021	2020			31 August
	(in millions of	(in millions of	(in millions of	(percentage)	2020
	RMB)	RMB)	RMB)		(in millions of
	(Audited)	(Unaudited)			RMB)
					(Audited)
Revenue	2,324.27	1,568.12	756.15	48.2%	872.08
Cost of sales	1,148.30	790.74	357.56	45.2%	494.47
Gross profit	1,175.97	777.38	398.59	51.3%	377.61
Other income and gains	666.53	240.37	426.16	177.3%	129.75
Gain on a bargain purchase	–	27.26	(27.26)	(100.0%)	–
Selling expenses	147.21	61.33	85.88	140.0%	41.28
Administrative expenses	332.75	195.45	137.30	70.2%	113.60
Conversion fees	412.30	–	412.30	100.0%	–
Fair value changes of convertible bonds	375.95	–	375.95	100.0%	–
Other expenses	102.07	51.90	50.17	96.7%	42.65
Finance costs	298.42	208.62	89.80	43.0%	143.94
Share of losses of joint ventures	(242.07)	9.76	(251.83)	(2,580.0%)	(0.14)
Share of profit/(loss) of an associate	(11.16)	–	(11.16)	(100.0%)	–
Profit before tax	672.47	537.47	135.00	25.1%	165.75
Income tax expense	67.35	81.02	(13.67)	(16.9%)	46.40
Profit for the year	605.12	456.45	148.67	32.6%	119.35

For the eight months ended 31 August 2020, the Group recorded revenue of RMB872.08 million, adjusted gross profit of RMB406.53 million, gross profit of RMB377.61 million, adjusted net profit of RMB201.26 million, net profit of RMB119.35 million, adjusted gross profit margin of 46.6%, gross profit margin of 43.3%, adjusted net profit margin of 23.1%, and net profit margin of 13.7%.

For the year ended 31 August 2020, the Group recorded revenue of RMB1,568.12 million, adjusted gross profit of RMB822.36 million, gross profit of RMB777.38 million, adjusted net profit of RMB575.78 million, net profit of RMB456.45 million, adjusted gross profit margin of 52.4%, gross profit margin of 49.6%, adjusted net profit margin of 36.7%, and net profit margin of 29.1%.

For the year ended 31 August 2021, the Group recorded revenue of RMB2,324.27 million, adjusted gross profit of RMB1,237.12 million, gross profit of RMB1,175.97 million, adjusted net profit of RMB866.36 million, net profit of RMB605.12 million, adjusted gross profit margin of 53.2%, gross profit margin of 50.6%, adjusted net profit margin of 37.3%, and net profit margin of 26%.

Revenue

For the eight months ended 31 August 2020, revenue of the Group amounted to RMB872.08 million;

For the year ended 31 August 2020, revenue of the Group amounted to RMB1,568.12 million;

For the year ended 31 August 2021, revenue of the Group amounted to RMB2,324.27 million.

Revenue grew by RMB756.15 million compared with the same period last year, representing an increase of 48.2%. The increase was mainly attributable to (i) the significant increases in enrollment of various schools of the Group and the increases in charging standards of certain schools; and (ii) the successive consolidation of newly acquired schools (INTI University, Nanchang Institute of Film and Television Communication, Pioneer College, Jinken College and Guizhou Qiannan College of Science and Technology) into the Group's financial statements.

Cost of Sales

For the eight months ended 31 August 2020, cost of sales and adjusted cost of sales of the Group amounted to RMB494.47 million and RMB465.55 million, respectively;

For the year ended 31 August 2020, cost of sales and adjusted cost of sales of the Group amounted to RMB790.74 million and RMB745.76 million, respectively;

For the year ended 31 August 2021, cost of sales and adjusted cost of sales of the Group amounted to RMB1,148.30 million and RMB1,087.15 million, respectively.

Cost of sales rose by RMB357.56 million compared with the same period last year, representing an increase of 45.2%; adjusted cost of sales rose by RMB341.39 million compared with the same period last year, representing an increase of 45.8%. The increases were mainly attributable to (i) the enhancement of teacher quality and teaching facilities of schools of the Group; and (ii) the increase in costs following the consolidation of financial statements of various schools upon completion of acquisition during the year.

Gross Profit and Gross Profit Margin

For the eight months ended 31 August 2020, adjusted gross profit and gross profit of the Group amounted to RMB406.53 million and RMB377.61 million, with adjusted gross profit margin and gross profit margin of 46.6% and 43.3%, respectively;

For the year ended 31 August 2020, adjusted gross profit and gross profit of the Group amounted to RMB822.36 million and RMB777.38 million, with adjusted gross profit margin and gross profit margin of 52.4% and 49.6%, respectively;

For the year ended 31 August 2021, adjusted gross profit and gross profit of the Group amounted to RMB1,237.12 million and RMB1,175.97 million, with adjusted gross profit margin and gross profit margin of 53.2% and 50.6%, respectively.

Adjusted gross profit grew by RMB414.76 million compared with the same period last year, representing an increase of 50.4%; adjusted gross profit margin rose by 0.8% compared with the same period last year. The improvement in gross profit margin was mainly attributable to (i) the embodiment of the scale effect of centralized operation of schools, where the cost did not increase proportionally with the increase in the number of students; and (ii) the preliminary integration and improvement of the schools acquired.

Other Income and Gains

For the eight months ended 31 August 2020, other income and gains of the Group amounted to RMB129.75 million;

For the year ended 31 August 2020, other income and gains of the Group amounted to RMB240.37 million;

For the year ended 31 August 2021, other income and gains of the Group amounted to RMB666.53 million.

Other income and gains grew by RMB426.16 million compared with the same period last year, representing an increase of 117.3%, mainly due to (i) fair value gain of RMB212.2 million on remeasurement of a previously held equity interest in College of Science and Technology at the date of business combination, while there was no such gain during the previous period; (ii) an increase of RMB19.4 million in foreign exchange gains for the year; and (iii) reversal of impairment for Yinchuan University of Energy of RMB179 million.

Selling Expenses

For the eight months ended 31 August 2020, selling expenses of the Group amounted to RMB41.28 million;

For the year ended 31 August 2020, selling expenses of the Group amounted to RMB61.33 million;

For the year ended 31 August 2021, selling expenses of the Group amounted to RMB147.21 million.

Selling expenses rose by RMB85.88 million, or 140%, compared with the same period last year, mainly due to (i) the increase in marketing expenses for enrollment of students; (ii) the number of new students enrolled increasing by 49.3% compared with the same period last year; and (iii) the selling expenses amounting to RMB45.06 million of INTI University, which was newly consolidated during the current year, accounting for 52.5% of the total increase, due to the strengthening of student enrollment and publicity amid the serious overseas pandemic situation.

Administrative Expenses

For the eight months ended 31 August 2020, administrative expenses of the Group amounted to RMB113.60 million;

For the year ended 31 August 2020, administrative expenses of the Group amounted to RMB195.45 million;

For the year ended 31 August 2021, administrative expenses of the Group amounted to RMB332.75 million.

Administrative expenses rose by RMB137.3 million compared with the same period last year, representing an increase of 70.2%, mainly due to the increase of RMB95.82 million for the newly acquired schools for the year.

Other Expenses

For the eight months ended 31 August 2020, other expenses of the Group amounted to RMB42.65 million;

For the year ended 31 August 2020, other expenses of the Group amounted to RMB51.90 million;

For the year ended 31 August 2021, other expenses of the Group amounted to RMB102.07 million.

Other expenses increased by RMB50.17 million, or 96.7%, compared with the same period last year, mainly due to (i) the termination usage fee of the original brand of Guizhou University of Finance and Economics of RMB77.18 million; and (ii) offset by the foreign exchange loss of RMB37.54 million last year.

Finance Costs

For the eight months ended 31 August 2020, finance costs of the Group amounted to RMB143.94 million;

For the year ended 31 August 2020, finance costs of the Group amounted to RMB208.62 million;

For the year ended 31 August 2021, finance costs of the Group amounted to RMB298.42 million.

Finance costs increased by RMB89.80 million, or 43%, compared with the same period last year, mainly due to (i) an increase in finance costs accrued at amortised cost because of deferred payment for the purchase of the equity interest in Yinchuan University of Energy in 2019 and for the conversion fees of two independent colleges in Guizhou; (ii) an expansion of financing scale as the Company expanded its school operation; and (iii) the inclusion of issue expenses of convertible bonds in finance costs.

Profits of the Reporting Period

For the eight months ended 31 August 2020, the Group recorded adjusted net profit of RMB201.26 million, net profit of RMB119.35 million, adjusted net profit margin of 23.1%, and net profit margin of 13.7%;

For the year ended 31 August 2020, the Group recorded adjusted net profit of RMB575.78 million, net profit of RMB456.45 million, adjusted net profit margin of 36.7%, and net profit margin of 29.1%;

For the year ended 31 August 2021, the Group recorded adjusted net profit of RMB866.36 million, net profit of RMB605.12 million, adjusted net profit margin of 37.3%, and net profit margin of 26.0%.

Adjusted net profit increased by RMB290.58 million or 50.5% compared with the same period last year, whereas adjusted net profit margin increased by 0.6% compared with the same period last year. The increase in adjusted net profit was mainly attributable to (i) the continuous increases in enrollment in various schools of the Group; (ii) the successive consolidation of newly acquired schools into the financial statements of the Group; (iii) the scale effect of centralized operation of schools and the great result of lean management; and (iv) the reversal of impairment provision for Yinchuan University of Energy.

Capital Commitments

The Group's capital commitments were primarily related to the acquisition of property and equipment. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at 31 August 2021 <i>RMB' 000</i>	As at 31 August 2020 <i>RMB' 000</i>
Contracted, but not provided for:		
Property, plant and equipment	1,211,724	945,923
Prepaid land lease payments	153,696	–
Acquisition of equity interest	297,243	1,226,168
	<u>1,662,663</u>	<u>2,172,091</u>

CAPITAL AND FINANCIAL RESOURCES

As at 31 August 2021, the Group had total cash and bank balances of RMB4,814.40 million, among which: (i) cash and cash equivalents amounted to RMB4,357.29 million (31 August 2020: RMB2,894.44 million); and (ii) pledged and restricted deposits amounted to RMB457.11 million (31 August 2020: RMB513.55 million).

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consist of short-term loans for working capital and long-term loans for construction of school buildings and facilities, merger and acquisitions and other projects. The Group supplements its working capital and finances its expenditure primarily through borrowings obtained from banks. As at 31 August 2021, the aggregate loan balance amounted to RMB3,110.50 million, among which RMB1,505.52 million was denominated in RMB, RMB3.31 million was denominated in RM, and RMB1,601.67 million was denominated in US dollars. As at 31 August 2021, the Group's bank loans and other borrowings bore effective interest rates ranging from 4.34% to 14.5% per annum. Without taking into account the financing lease loan for the newly acquired Jinken College in April this year, other bank loans and other borrowings of the Group bore effective interest rates ranging from 4.34% to 7.5% per annum. The Group considers that, with part of the financing lease loan for Jinken College due to be repaid, the effective interest rate per annum will be reduced continuously, coupled with the fact that loans bearing relatively higher annual interest rates are of lower principal amount, the effect on finance costs of the Group will not be material.

The Group's objective is to maintain a balance between the continuity and flexibility in the supply of funds through the use of cash flows generated within our Group's operations and other borrowings. The Group regularly reviews major funding positions to ensure adequate financial resources to meet its financial obligations.

Current Ratio

As at 31 August 2021, current assets of the Group amounted to RMB5,719.65 million, consisting of bank balance of RMB4,518.32 million, prepayments, deposits and other receivables of RMB1,016.08 million and other current assets of RMB185.25 million. Current liabilities of the Group amounted to RMB6,879.46 million, including accruals and other payables of RMB2,789.27 million, contract liabilities of RMB1,485.36 million, interest-bearing bank and other loans of RMB2,140.40 million and other current liabilities of RMB464.43 million. As at 31 August 2021, current ratio (current assets divided by current liabilities) of the Group was 0.83 (31 August 2020: 1.18).

Contingent Liabilities

As at 31 August 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

Net Debt to Equity Ratio

As at 31 August 2021, net debt to equity ratio equalled to total interest-bearing bank loans and other borrowings of RMB3,110.50 million, net of cash and cash equivalents of RMB4,357.29 million, pledged and restricted deposits of RMB457.11 million as at the end of the year divided by total owner's equity of RMB7,806.83 million as at the end of the year. The Group's net debt to equity ratio was -21.83%, representing a decrease of 16.56% as compared with -5.27% as at 31 August 2020.

Debt to Equity Ratio

As at 31 August 2021, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank loans by total equity) was 39.84% (31 August 2020: 54.75%).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

USE OF PROCEEDS

(1) Use of Proceeds from the Listing

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB2,704.86 million. As at 31 August 2021, the Group utilised all of the net proceeds from the Listing in accordance with the allocation set out in the Prospectus.

The following sets forth a summary of the utilisation of the net proceeds:

Use	% of total	Net proceeds <i>(in millions of RMB)</i>	Amount utilised (as at 31 August 2021) <i>(in millions of RMB)</i>	Amount unutilised (as at 31 August 2021) <i>(in millions of RMB)</i>
Used to acquire higher education schools and establish new campuses for the acquired schools	40%	1,081.94	1,081.94	–
Used to construct new buildings for education purposes	30%	811.46	811.46	–
Used to repay bank loans and other borrowings	20%	540.97	540.97	–
Used for working capital and general corporate purposes	10%	270.49	270.49	–
Total	<u>100%</u>	<u>2,704.86</u>	<u>2,704.86</u>	<u>–</u>

(2) Use of Proceeds from Placing of New Shares under General Mandate

On 6 August 2020 (before trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue, and the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best efforts basis, not less than six placees to subscribe for a total of 465,000,000 Placing Shares at a Placing Price of HK\$2.55 per Placing Share.

On 13 August 2020, all the conditions set out in the Placing Agreement have been fulfilled. The gross proceeds from the Placing were approximately HK\$1,185.75 million. The Company intended to apply the net proceeds from the Placing primarily for acquisitions of schools in the PRC, construction and development of the Company's schools in the PRC and general corporate purpose as to:

- (a) approximately 70% to 80% of the net proceeds would be utilised to further extend the education network of the Company and to seek more opportunities for expansion; and
- (b) approximately 20% to 30% of the net proceeds would be utilised to further enhance the level of operating the existing colleges and universities, improve the conditions of hardware and increase the investment of practical equipment.

For details, please refer to the announcements of the Company dated 6 August 2020 and 13 August 2020.

As at 31 August 2021, the gross proceeds from the Placing of the Company amounted to approximately HK\$1,185.75 million, which was fully utilised.

(3) Use of Proceeds from Convertible Bonds and Placing of New Shares

On 22 February 2021, the Company (as guarantor) and the Issuer (a wholly-owned subsidiary of the Company) have entered into the CB Subscription Agreement with the Manager. The Manager has conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds to be issued by the Issuer in the aggregate principal amount of US\$350,000,000. Based on the initial Conversion Price of HK\$3.85 and the Fixed Exchange Rate and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 704,827,272 Shares.

On 22 February 2021 (after trading hours), the Company, the Seller and the Manager entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to sell, and the Manager has agreed to act as the agent for the Seller to procure placees, on a best effort basis, to subscribe for 680,000,000 Placing Shares at the Placing Price of HK\$2.80 per Placing Share.

The Company intended to use the estimated net proceeds of the Bonds and the Subscription primarily for business expansion, working capital needs and for general corporate purposes. In particular, the Company intended to use part of the net proceeds from the Subscription for potential acquisitions of new schools.

The net proceeds from the above convertible bonds and placing of new shares amounted to approximately RMB3,803.77 million.

For details, please refer to the announcement of the Company dated 23 February 2021.

As at 31 August 2021, the Group utilised the proceeds from the convertible bonds and placing of new shares of RMB2,423.63 million in accordance with the use set out in the announcement.

BUSINESS REVIEW

During the Reporting Period, the Group operated and invested in nineteen higher education schools and two technical colleges at home and abroad. It covers 10 provinces in China and Malaysia, including (i) eight undergraduate colleges, namely Southwest Jiaotong University Hope College, Jinci College of Shanxi Medical University, Guizhou Qiannan Economic College, Guizhou Qiannan College of Science and Technology, Yinchuan University of Energy, INTI International University, Gongqing College of Nanchang University and Pioneer College of Inner Mongolia University; (ii) eleven junior colleges, namely Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology, Sichuan TOP IT Vocational Institute, Hebi Automotive Engineering Vocational College, Suzhou Top Institute of Information Technology, Nanchang Vocational Institute of Film and Television Communication, Jinken Vocational Institute of Technology, Baiyin Hope Vocational and Technical College and Xingtai Vocational College of Applied Technology; and (iii) two technical colleges, namely Sichuan Hope Automotive Technical College and Guizhou Technical College of Technology. As at 1 November 2021, being the date on which the enrollment figures were announced, total number of student enrollment of the Group was 232,059, a record high in the history of the Group.

DORMITORY UTILISATION RATE

	As at 1 November 2021	As at 15 October 2020
Number of student enrollment	232,059	194,554
Number of beds	256,503	224,006
Overall utilisation rate	90.5%	86.9%

Significant Events for the Reporting Period

1. *Assisting more private universities to realize high-quality development through external expansion*

During the Reporting Period, the Group further upgraded Hebi Automotive Engineering Professional College, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Nanchang Vocational Institute of Film and Television Communication, Jinken Vocational Institute of Technology, the Gongqing College of Nanchang University and Pioneer College of Inner Mongolia University newly acquired in 2019, 2020 and 2021, and introduced high-quality teacher resources to help apply for a number of national and provincial control majors, including intelligent manufacturing engineering major, new energy vehicle engineering major, intelligent construction major, pre-school education major, intelligent network vehicle technology major and modern housekeeping service and management major. The newly added practical training area was 22,081 square meters and the newly added practical training investment was RMB93.42 million, which further promoted the improvement of education quality, thus helping students achieve better employment and attracting more young students.

2. *Helping the youth in less-educated areas to change their fate with knowledge through the establishment of new schools*

Baiyin Hope Vocational and Technical College and Xingtai Vocational College of Applied Technology opened for school in September 2021. Founded in 2021, Baiyin Hope Vocational and Technical College is the first private higher vocational college in Gansu Province approved by the People's Government of Gansu Province and filed with the MOE. Xingtai Vocational College of Applied Technology is located in Wei County, Xingtai, a garden city in Hebei Province. It is a full-time general higher vocational college approved by the People's Government of Hebei Province and filed with the MOE. It has the qualification to issue nationally recognised academic certificates independently.

The projects in Zhangshu City, Jiangxi Province and Zhong County, Chongqing are now part of the provincial and municipal "14th Five-Year" college establishment plan. The progress of the projects is as follows:

- 1) Chongqing Digital Industry Vocational College has acquired all the school sites. The college project is now part of the "14th Five-Year" college establishment plan in Chongqing.

- 2) Jiangxi Zhangshu Vocational College of Traditional Chinese Medicine has acquired the school sites for the first and second phases. The college project is now part of the “14th Five-Year” college establishment plan in Jiangxi Province.

The above new school establishment projects are progressing in an orderly manner. The gradual completion of the new schools will bring more high-quality education resources to the local youth.

3. *New achievements in colleges’ major establishment and teaching quality through quality enhancement and excellence*

During the Reporting Period, seven colleges established 6 national control majors including pre-school education and 15 provincial control majors including nursing; and seven majors of 3 colleges were listed as the first-class undergraduate professional nurturing point at the provincial level. 34 courses of 5 colleges were listed as national courses, and 9 courses were listed as first-class courses at the provincial level and demonstration courses.

16 colleges won 28 first prizes in national competitions, including the Contemporary Undergraduate Mathematical Contest in Modeling, 62 second prizes in national competitions, and 102 third prizes in national competitions; 304 first prizes in provincial competition; students from Suzhou Top Institute of Information Technology won one championship in the 11th National Games for Persons with Disabilities. 7 colleges were awarded 19 national and social honors such as “Academic Pioneer” in 2020.

Our Schools

As of 31 August 2021, we operated 8 undergraduate colleges, 11 junior colleges and 2 technical colleges. The table below sets out details of the schools under our Group.

School	Year Founded	Year of Joining our Group	Description
Southwest Jiaotong University Hope College	2009	2009	The college offered a total of 46 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region.
Jinci College of Shanxi Medical University	2002	2014	The college offered a total of 13 undergraduate majors and is one of the twelve private undergraduate medical schools in China and is the only independent college in Shanxi that provides clinical medical education.
Guizhou Qiannan Economic College	2004	2014	The college offered a total of 29 undergraduate majors, featuring economics, management and finance majors.

School	Year Founded	Year of Joining our Group	Description
Guizhou Qiannan College of Science and Technology	2001	2019	The college offered 25 majors to train professional talents possessing knowledge and skills in information technology, science and finance.
Yinchuan University of Energy	1999	2019	The university offered 37 undergraduate majors, covering 8 disciplines, had 3 provincial experimental teaching demonstration centres. It is the only private university in Ningxia that can enroll foreign students.
Sichuan Tianyi College	1994	2011	The college offered 43 majors and is one of the first private schools (totaling 7 schools) in China and the first private college in Southwest China approved to be a formal private higher education institution.
Sichuan Hope Automotive Vocational College	2013	2013	The college offered 20 majors, specialising in automobile related majors.
Sichuan Vocational College of Culture & Communication	2005	2014	The college offered 43 majors, specialising in film and television media and pre-school education.
Guizhou Vocational Institute of Technology	2016	2016	The college offered over 20 majors, specialising in pre-school education and healthcare majors.
Sichuan TOP IT Vocational Institute	2000	2017	The college offered 32 majors, specialising in computer and information and software technology majors and is an MOE-approved national demonstration software vocational and technical college and a national high-skilled personnel training base for the electronic information industry.
Hebi Automotive Engineering Vocational College	2011	2019	The college offered 46 majors to train professional talents possessing automobile related knowledge and skills.

School	Year Founded	Year of Joining our Group	Description
Suzhou Top Institute of Information Technology	2003	2019	The college offered 34 majors, specialising in computer and information and software technology majors.
Sichuan Hope Automotive Technical College	2016	2016	The college offered 15 majors to train professional talents possessing automobile related knowledge and skills.
Guizhou Technical College of Technology	2019	2019	The college offered about 20 majors, specialising in pre-school education and healthcare majors.
INTI International University	1986	2020	The college offered majors in about 18 disciplines, specialising in commerce, computer, engineering, medicine, psychology, education, mass media as well as art and design majors.
Nanchang Vocational Institute of Film and Television Communication	2015	2020	The college offered 25 majors, specialising in film and television performances, art and design and digital media majors.
Gongqing College of Nanchang University	1985	2021	The college had 8 teaching departments, including the Department of Economics and Trade and the Department of Engineering Technology, offered 21 undergraduate majors and 12 junior majors and had 1 research institute.
Pioneer College of Inner Mongolia University	2008	2021	The college offered 28 undergraduate majors, 5 of which (i.e. Chinese language and literature, automation, visual communication design, human resource management and journalism) were approved as first-class professional construction sites at the autonomous region level.

School	Year Founded	Year of Joining our Group	Description
Jinken Vocational Institute of Technology	2000	2021	The college offered more than 30 majors in automotive, machinery, construction and civil engineering, electronic information, economic management, humanities and social sciences and digital art.
Baiyin Hope Vocational and Technical College	2021	2021	The college offered 5 majors, namely new energy vehicle technology, automobile manufacturing and testing technology, urban rail transit operation and management, big data information technology and e-commerce. The college had 36 laboratories and training rooms.
Xingtai Vocational College of Applied Technology	2021	2021	The college housed the Department of Automotive Engineering, Department of Information Technology, Department of Health Management, Department of Ideological and Political and Department of Basic Education. It offered 5 majors at first, including new energy vehicle testing and maintenance technology, big data technology, rural e-commerce, health management and childcare service and management.

Southwest Jiaotong University Hope College

Southwest Jiaotong University Hope College is a full-time ordinary undergraduate college established in 2009 approved by the MOE. The college currently offers 46 undergraduate and specialist majors, forming a professional group with rail transportation as the characteristic discipline, civil engineering as the supporting discipline, and business major as the extension discipline. It has built several high-standard and modern experimental training bases such as a rail transportation training centre, a civil digital architecture practice teaching centre and a business school training centre. The college currently has 4 majors approved as first-class majors in Sichuan Province, 6 majors acknowledged as applied demonstration majors in Sichuan Province, and 4 majors acknowledged as key characteristic majors in private colleges in Sichuan Province, achieving full coverage of key major construction.

Jinci College of Shanxi Medical University

Founded in 2002, Jinci College of Shanxi Medical University is the sole independent college of full-time undergraduate education for medical majors in Shanxi Province approved by the MOE and the People's Government of Shanxi Province and established with new mechanisms and new models. Jinci College has eight departments and divisions, and also offers thirteen majors, including clinical medicine, oral medicine, anesthesiology, nursing, preventive medicine, medical laboratory technique, medical imaging technique, rehabilitation treatment, oral medicine technique, optometry, pharmaceuticals, pharmaceutical products and traditional Chinese medicine.

Guizhou Qiannan Economic College

Guizhou Qiannan Economic College, formerly known as Business College of Guizhou University of Finance and Economics, is an independent college implementing undergraduate education established in 2001 under approval of the Guizhou Provincial Department of Education and confirmed by the MOE in 2004. On 31 May 2021, the MOE officially approved the conversion of the college. The college has six colleges in aspects of finance, accounting, management, information, humanities and law, and Marxism. It has 29 undergraduate majors covering five disciplines including economics, management, engineering, arts and law. A professional academic system of multi-disciplinary development in coordination featuring economics and management has been shaped. Since joining the Group, its enrollment has repeatedly set new highs, and the registration rate ranked in the forefront of similar schools and ranked first in the province.

Guizhou Qiannan College of Science and Technology

Guizhou Qiannan College of Science and Technology, formerly known as College of Science and Technology of Guizhou University, is an undergraduate general higher education institution approved by the Guizhou Provincial People's Government in May 2001 with first batch of approval of the MOE granted in January 2004. In 2021, the college was approved to convert into as Guizhou Qiannan College of Science and Technology. At present, the college has 5 professional education departments, namely literature department, law and public management department, engineering department, commerce department and art department as well as 2 public education units, namely Marxism-Leninism education department and sports education and research centre. It has 25 undergraduate majors covering six disciplines including engineering, management, economics, literature, law and art. A professional academic system of multi-disciplinary development in coordination featuring engineering and art has been shaped.

Yinchuan University of Energy

Yinchuan University of Energy was founded in 1999 and upgraded as an ordinary undergraduate college with approval of the MOE granted in 2012. The college currently comprises three campuses namely Wangtai campus, Binhe campus and Hequan Lake campus with a complete education, teaching, experimental and training and public service system. The college has 12 secondary colleges and 2 education divisions and offers 37 undergraduate majors, covering 8 disciplines including engineering, management, economics and literature. There are 11 first-class undergraduate majors in the autonomous region, 24 first-class courses in the autonomous region, 21 scientific research projects approved by the autonomous region, 5 demonstration majors for talents training through industry-education integration, 7 first-class undergraduate major construction sites, 3 experimental teaching demonstration centres, and 162 stable off-campus practice bases built with enterprises for college students. A professional academic system of engineering as main subject with multi-disciplinary development in coordination featuring energy and chemical engineering has been shaped. By proactively carrying out external cooperation in education in recent years, the college has been the intended cooperative college of the national "Internet + Made in China 2025" Plan for the Integration and Promotion of Industry and Education ("互聯網+中國製造 2025" 產教融合促進計劃項目). At the same time, it has successively established long-term and stable school cooperation with 12 foreign colleges and universities, and is the only private higher education institution in Ningxia that can enroll foreign students.

Gongqing College of Nanchang University

Founded in 1985, Gongqing College of Nanchang University is an independent college with coordinated development of engineering, literature, education, economics, management, and art. The college is based on Gongqing's characteristic industries and the Ganjiang New Area Economic Belt, focusing on Jiangxi and national development strategy. It is oriented towards employment promotion, building a professional cluster with engineering as the mainstay. The college now has 8 teaching departments and divisions, including economics and trade department as well as engineering and technology department. It has 21 undergraduate majors, 12 junior majors and 1 research institute. The college's students have repeatedly achieved good results in various competitions across the country and the province, receiving over the past five years a total of 574 awards in various scientific competitions at or above the provincial level.

Pioneer College of Inner Mongolia University

Located in Hohhot, the capital city of the Inner Mongolia Autonomous Region, Pioneer College of Inner Mongolia University is a full-time ordinary undergraduate independent college formally approved by the MOE in 2008 and started its enrollment in the same year. The college has trained more than 20,000 undergraduate graduates in total. The college has 6 secondary colleges and 2 teaching departments, offering 28 undergraduate majors. Among which, 5 majors, namely Chinese language and literature, automation, visual communication design, human resource management, and journalism have been approved as first-class professional construction sites at the autonomous region level, with 110 stable off-campus practice bases built with enterprises for college students.

INTI International University

Founded in 1986, INTI International University is one of the five-star universities issued by the Ministry of Higher Education of Malaysia, and enjoys a reputation for its teaching standards and academic qualities in Malaysia. INTI International University offers undergraduate, postgraduate and doctoral programmes in the fields of business, computing, engineering, medicine, psychology, education, mass communication and art and design. The programmes offered by INTI International University primarily include intensive English programmes, university programmes in business studies, engineering, computing, certificate in laws, and other professional certificates as well as postgraduate programmes such as MBA and master in personal and mobile satellite communication. INTI International University cooperates with many renowned universities in countries such as the United Kingdom, the United States, Australia and New Zealand to offer various kinds of latest international courses and international linked programmes at certificate, diploma, bachelor's degree and master's degree levels. All courses and programmes are verified and certified by the relevant renowned universities in the United Kingdom, the United States, Australia and New Zealand, offering students a learning environment with opportunities to exchange with students from various countries.

Sichuan Tianyi College

Founded in 1994, Sichuan Tianyi College was one of the first private schools in China and the first full-time private college in Southwest China approved by the State Education Commission to be a formal private higher education institution. As of 31 August 2021, the college was successfully approved with the second batch of national 1+X pilot certificates (website operation and promotion). The college offers 43 majors in 9 main categories, including economics and business, civil engineering and architecture, tourism, electronic information, culture and art, and medicine and health, established 3 provincial featured majors, 1 key featured major of Sichuan Association for Non-Government Education (四川省民辦教育協會), and approved research on a total of 127 projects and topics. In respect of college-enterprise cooperation, deep integrated development is achieved through combined practice between the college and enterprises over the years, and have now formed the “233+X” model of talent cultivation. The 2016 and 2018 Baoye order classes were established by the department of construction engineering and Baoye Group, and 1 set of teaching materials was jointly developed. In respect of practical training, 119 off-campus training bases were established.

Sichuan Hope Automotive Vocational College

Founded in 2013, Sichuan Hope Automotive Vocational College is the first ordinary college in Ziyang City, Sichuan Province established by the Group. Centering on Ziyang's industrial system of "5+N" industry and "4+X" service industry, the college focused on the demand for talents from the automobile industry, smart manufacturing industry and modern service industry in Chengdu and Chongqing, which in turn developed a professional system featuring automation major as main subject, mechanical and electrical engineering major as support, management major as extension, as well as nursing and pre-school majors as expansion. The college has successively won the "Top 100 Advanced Enterprise Education Units in China", "National High-skilled Talent Training Base", "Sichuan Province National Unity and Progress Model School", "Sichuan Province Veterans Skills Training Institution", "Sichuan Province 1 May Labor Award granted in 2021" and other honors.

Sichuan Vocational College of Culture & Communication

Founded in 2005, Sichuan Vocational College of Culture & Communication is a full-time ordinary higher education institution approved by the People's Government of Sichuan Province, filed with the MOE, administered by the Education Office of Sichuan Province, included into the national uniform enrollment scheme and possessing the qualification of independently issuing national recognized college diplomas. The college currently offers a total of 43 majors, and endeavours to construct five groups of distinctive specialities, namely radio, film and television, culture education, art and design, performing arts and aviation services, with the focus placed on seven core majors, including film and television multimedia technology, photography and videography technology, preschool education, animation design, advertisement design and production, public culture service and management and drone application technology.

Guizhou Vocational Institute of Technology

Guizhou Vocational Institute of Technology was established in 2016. The college has 7 departments and divisions including automotive engineering department, chemical engineering department, economics and trade department, electronic information engineering department, and nursing department as well as pre-school education division, basic advancement division and international advancement division. The departments and divisions cover more than 20 majors such as automotive inspection and maintenance technology, automotive technical services and marketing as well as automobile new energy technology. It actively builds an academic system with distinctive characteristics and adapted to the needs of high-quality regional economic and social development. At present, the college has built 5 training centers in chemical, automotive, nursing, economics and trade and 71 experimental training modules. It has successively cooperated in depth with more than 100 companies such as Shanghai Volkswagen, Wengfu Group, and Chanhon Chemical and signed school-enterprise cooperation agreements with more than 40 hospitals in Guizhou province to jointly build internship and training bases with a view to jointly cultivate students, providing a broad platform for student internships and high-quality employment. College graduates are well received by employers. The student's vocational qualification certificate rate has reached 100%, and the employment rate of graduates has exceeded 85% for two consecutive years. One-time employment rate ranks in the forefront of similar institutions in the province, and the number of college students innovating and starting businesses has increased year by year, and a number of advanced models of employment and entrepreneurship have emerged.

Sichuan TOP IT Vocational Institute

Founded in 2000, Sichuan TOP IT Vocational Institute is one of the first national demonstration software vocational and technical colleges approved by the MOE. It is also a national training base for skilled talents in short supply, a national high-skilled personnel training base for the electronic information industry, a national service outsourcing talents training base, and a training base for young technicians in the electronic information industry in Sichuan Province. In 2020, the college became a pilot college among the third batch of the MOE's "1+X" certification system. The college adheres to industry-education integration and values the cultivation of applied skills and general quality for students. It constructed a computer application and software technology training base (a vocational education training base supported financially by the Central Government), a mobile internet innovative training base, a software technology and production training base, an "Internet+" innovative and entrepreneurial talent incubation training base, a digital control training centre, an automobile training centre, a JD campus training centre, a clinical nursing skills training centre, a pre-school education profession training centre as well as more than 120 professional experimental training rooms with advanced equipment. As at the date of this results announcement, the number of students enrolled has recorded a new high.

Hebi Automotive Engineering Vocational College

Hebi Automotive Engineering Vocational College is the only formal automobile engineering higher education institution in Henan Province. The college offers 46 majors in automobile, electronics, machinery, economics and management disciplines to address the development needs of the automobile industry. Since 2021, 7 projects above department level, 15 utility model patents, 15 education research achievement awards above provincial level, 2 municipal scientific and technological progress awards (second prize) have been added, while 20 academic papers (including 6 in core journals) have been published. The college established good relationship with various prominent automobile manufacturing and related enterprises successively, and entered into tailor-made cooperation agreements with them. Employment rate of graduates has kept above 97% for many years in a row.

Suzhou Top Institute of Information Technology

Suzhou Top Institute of Information Technology is located in Kunshan, Jiangsu Province, with 34 majors. Focusing on school-enterprise cooperation and deepening the integration of industries and education, in 2019, the college and enterprises deepened cooperation by opening 5 customized classes in the mode of rotating the learning and work experience, so that internship of more than 2,473 students were successfully completed. There were 27 internship projects, of which, 5 units cooperated for the first time. The college won the title of “excellent college for “government-school-enterprise” cooperation” for six consecutive years, and received an “A grade” in the 2020 Quantitative Assessment for Employment of High School Graduates in Jiangsu Province (江蘇省2020年高校畢業生就業工作量化考核).

Nanchang Vocational Institute of Film and Television Communication

Nanchang Vocational Institute of Film and Television Communication, approved by the People’s Government of Jiangxi Province and filed with the MOE in 2015, is a private formal higher vocational institute focusing primarily on media studies in film and television. It is the first higher vocational institute in Jiangxi Province that features media studies in film and television and covers relevant technologies in the corresponding industries. It is also the first private featured higher education institution in Jiangxi Province to pass the ISO9001:2000 international quality system certification. The institute structures its programmes according to the characteristics of the media and art communication industry of film and television around three major areas, namely film, television and media performance, art and design and music and dance, offering 25 majors such as film and television directing, theatre, film and television performance, dance performance, broadcasting and hosting, film and television animation, art and design, advertisement design and production, digital media technology, photography and videography technology and network news and communication.

Jinken Vocational Institute of Technology

Jinken Vocational Institute of Technology is a provincial full-time private ordinary vocational college approved by the People's Government of Jiangsu and filed with the MOE. In 2011, the college was identified as a provincial-level demonstration higher vocational college cultivation and construction unit. In 2013, it successfully passed the national higher vocational colleges' talent training work evaluation. After more than 20 years since its establishment, the college offers more than 30 majors in automobile, machinery, construction and civil engineering, electronic information, economic management, humanities and social sciences, and digital art. It set a professional layout of "engineering major as subject with coordinated development of economics, management, science, literature and art". It has 1 national key construction engineering technology major, 1 provincial construction engineering technology key professional major, 1 provincial mechanical manufacturing and automation specifics major, 1 provincial numerical control higher vocational training base, and 1 provincial innovative experimental base for cultivation of talents in automobile major. The construction engineering technology major has been established as a brand major in colleges in Jiangsu Province during the "13th Five-Year Plan" period. In 2021, big data and accounting and other economic and management majors have been listed as key development majors by the Group.

Baiyin Hope Vocational and Technical College

Founded in 2021, Baiyin Hope Vocational and Technical College is the first private higher vocational college in Gansu Province with the approval of the People's Government of Gansu Province and filed with the MOE. The college now has five majors namely new energy automobile technology, automobile manufacturing and testing technology, urban rail transportation operation management, big data information technology, and e-commerce. The college currently has 36 experimental training rooms, and has signed school-enterprise cooperation agreements with more than 30 enterprises including Baiyin Data Management Bureau (白銀市大數據管理局), Baiyin Transportation Bureau (白銀市交通運輸局), Gansu Bangnongqing e-Commerce Co., Ltd. (甘肅邦農情電子商務有限責任公司).

Xingtai Vocational College of Applied Technology

Xingtai Vocational College of Applied Technology is located in Wei County, Xingtai, a garden city in Hebei Province. It is a full-time ordinary higher vocational college approved by the People's Government of Hebei Province and filed with the MOE. It has the qualification to independently issue nationally recognized academic certificates. The college is a regional revitalization education assistance project unit that the MOE focuses on. The college now has automotive engineering department, information technology department, health management department, ideological and political foundation department, basic education department. It is the pioneer of five majors of new energy automobile testing and maintenance technology, big data technology, rural e-commerce, health management as well as infant care service and management.

Sichuan Hope Automotive Technical College

Sichuan Hope Automotive Technical College was established in 2016 with the approval of the People's Government of Sichuan Province on the basis of Automobile College. The college is located in Ziyang High-tech Industrial Zone, adjacent to many well-known enterprises such as Sichuan Nanjun Automobile Group Co., Ltd., Hyundai Truck & Bus (China) Co., Ltd. and CRRC GROUP. Leveraging its geographical features, coupled with its strengths in aspects such as cultivation of technicians, technological innovation, technique competition, training and evaluation, the college conducted in-depth collaboration with the enterprises. Under the circumstances, school operation mode of "the school-enterprise collaboration and the combination of production and education" has been formed, and resource-sharing and co-development with enterprises has been achieved.

Guizhou Technical College of Technology

Guizhou Technical College of Technology was established in 2019 with the approval of the People's Government of Guizhou Province. The college is located in Fuquan City, Guizhou Province and, to date, has established partnerships with 86 major enterprises and industrial associations. In particular, the co-building of internship training bases inside and outside the college has been carried out by its department of nursing with The People's Hospital of Qiandongnan Miao and Dong Autonomous Prefecture (黔东南苗族侗族自治州人民医院), The People's Hospital of Guiyang (贵阳市人民医院), The First People's Hospital of Fuquan City, etc.; its department of chemical technology with Guizhou Henghua Co. LTD, etc.; and its department of automobile with BAIC Yinxiang Automobile Co., Ltd, etc. to cultivate high-quality and highly skilled talents for the development of local society.

IMPACTS OF COVID-19 PANDEMIC ON THE GROUP IN 2021

Since 2020, thanks to the Chinese government's strong and powerful pandemic prevention and control measures, the pandemic in China has been effectively controlled. The Company and schools conscientiously implemented the government's decision and deployment, focusing on campus pandemic prevention and control on the one hand, and education and teaching on the other, ensuring the quality of talent training by optimizing teaching programs, and the operation of domestic institutions is unaffected. However, due to the continued spread of the pandemic overseas, the Company's enrollment at INTI International University in Malaysia has been affected in certain extent. We will continue to closely monitor changes in the pandemic and take timely and effective measures to address any potential risks.

INDUSTRY POLICY DIRECTION

In 2021, the State has issued a series of major policies and initiatives to support the vigorous development of vocational education. In April, the central government convened the National Conference on Vocational Education, and General Secretary Xi Jinping and Premier Li Keqiang gave important instructions to deepen the reform of vocational education operation mode, steadily develop vocational undergraduate education, and strive to build a high-standard and high-level technical and skilled personnel training system. In May, the State Council issued the Regulations on the Implementation of the Law of the People's Republic of China on the Promotion of Private Education to further clarify the policy of encouraging social forces to participate in the development of vocational education. In June, the draft revision of the Law of the People's Republic of China on Vocational Education passed the deliberations of the Standing Committee of the National People's Congress, making it clear that vocational and general education is independent type of education which have the same position of importance, showing the determination and intention of the state to vigorously develop vocational education. In October, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Promoting the High-Quality Development of Modern Vocational Education, which clearly "encourage listed companies and leading industrial enterprises to organize vocational education, and encourage all kinds of enterprises to participate in organizing vocational education according to the law", enhancing the confidence of the capital market towards the organization of vocational education and the achievement of sustainable development of listed companies. The opinion proposes that "the enrollment scale of vocational undergraduate education should not be less than 10% of the enrollment scale of higher vocational education" by 2025, which provides policy support and development space for the upgrading of specialized vocational colleges to undergraduate vocational colleges.

We firmly believe that with the introduction of a series of laws and regulations and major policies to encourage the development of vocational education, vocational education is entering a new stage of accelerated development and high-quality development.

OUTLOOK

China's education has entered a stage of high-quality development, and the development environment and requirements of private education have changed fundamentally. It is the historical responsibility of Hope educators to develop quality higher education, improve the capability and level of schooling, and nourish more applied technical and skilled talents to the society. To this end, we will plan to implement the following strategies:

(1) Active Establishment of Specialized Institutions

Adhered to the strategy of "one school with one characteristic", the Company will promote each institution to optimize its orientation and determine its specialties based on its existing advantages and new demands for regional social and economic development, and increase investment in the construction of specialties to build up the faculty, teaching and research facilities and equipment and practical training system required by the specialties. Through a number of specialized professional construction results to support and form the characteristics of the institutions, the competitiveness of institutional development will be comprehensively enhanced.

(2) Overall Improvement of the Qualities and Capabilities of Students

The Company will insist on the “student-centered” philosophy to promote the institutions to face the new demands of society, industries and enterprises for talents, reform the curriculum system and teaching content, empower students with new knowledge and skills; fully promote the integration of industry and education, school-enterprise cooperation, and organize technical and skills education throughout the teaching, practical training, engineering integration and other aspects, comprehensively improve students’ practical skills, problem-solving ability and employment and entrepreneurial ability, and help students achieve their dreams in lives.

(3) Promote the Synergistic Development of Domestic and Overseas Institutions

Relying on the advantages of having INTI International University in Malaysia and Shinawatra University in Thailand, the Company will stick to the concept of “synergistic development” to actively explore the synergistic operation of domestic and overseas institutions to promote the sharing of high-quality teaching resources and student sources and achieve synergistic development.

In the future, the Company will seize a series of major policy opportunities to encourage the development of vocational education, focus on the core of improving the quality of talent training, accelerate the building of strong specialties, operate good institutions with specialties, and strive to train high-standard, high-level technical and skilled personnel for society, and comprehensively enhance the core competitiveness of the Company in the field of private higher education.

OTHER EVENTS

Events after the Reporting Period

- (i) On 31 August 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Sichuan Tequ Mayflower Education Management Co., Ltd.* (四川特驅五月花教育管理有限公司), which holds 50,000,000 shares of Dingli, representing approximately 8.93% equity interest in Dingli (an associate of the Group), to a related party for a total consideration of RMB527 million. Further information can be found in the Company’s announcement and circular dated 5 November 2021. The resolution was passed by the independent shareholders by way of poll at the extraordinary general meeting held on 20 November 2021.
- (ii) On 18 November 2021, all conditions precedent under the acquisition agreement in relation to the Shinawatra University of Thailand had been fulfilled. Upon completion, the Shinawatra University of Thailand becomes a wholly-owned subsidiary of the Company, and its financial results will be consolidated into the accounts of the Group.
- (iii) On 29 November 2021, the Board of the Group proposed to adopt a share option scheme pursuant to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. It is expected that the total amount shall not exceed 10% of the issued ordinary share capital of the Company on the date of approval of the refreshed limit. The Board will convene an extraordinary general meeting to seek Shareholders’ approval for the adoption of the share option scheme.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is the foundation to create more value for the Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Throughout the year ended 31 August 2021, the Company has complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors for the year ended 31 August 2021.

Having made specific enquiry with all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 August 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2021.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to propose payment of a final dividend of RMB0.033 per share for the year ended 31 August 2021. The final dividend shall be proposed in RMB and be paid in Hong Kong dollars. The exchange rate adopted for such conversion is the average exchange rate published by the People's Bank of China of the five business days prior to the declaration of final dividend (i.e. from 22 November 2021 to 26 November 2021) (HK\$1.0 to RMB0.820). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK\$0.040 per share. For details regarding distribution date of dividend, registration date of equity interest, closure of register of members and the convene of annual general meeting, please refer to the announcement to be made in due course.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company has reviewed the Group's annual results and consolidated financial statements for the year ended 31 August 2021.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information (not including the unaudited figures for the year ended 31 August 2020) set out in this announcement does not constitute the Group's audited accounts for the year ended 31 August 2021, but represents an extract from the consolidated financial statements for the year ended 31 August 2021 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the audit committee of the Company and approved by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.hopeedu.com>). The annual report for the year ended 31 August 2021, containing all the information required under Appendix 16 of the Listing Rules, will be dispatched to the Shareholders in due course and available on the above websites.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2021

	<i>Notes</i>	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
REVENUE	3	2,324,272	872,075
Cost of sales		(1,148,304)	(494,464)
Gross profit		1,175,968	377,611
Other income and gains	3	666,527	129,745
Selling expenses		(147,205)	(41,279)
Administrative expenses		(332,749)	(113,600)
Fees for conversion of an independent college into a full private university	4	(412,300)	–
Other expenses		(102,079)	(42,644)
Finance costs		(298,417)	(143,940)
Fair value gains on convertible bonds	3	375,954	–
Share of losses of:			
An associate		(11,163)	–
Joint ventures		(242,070)	(144)
PROFIT BEFORE TAX	4	672,466	165,749
Income tax expense	5	(67,346)	(46,400)
PROFIT FOR THE YEAR/PERIOD		605,120	119,349
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(45,216)	–
Total comprehensive income for the year/period		559,904	119,349
Profit/(loss) attributable to:			
Owners of the Company		605,505	119,224
Non-controlling interests		(385)	125
		605,120	119,349

continued/...

		Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Total comprehensive income attributable to:			
Owners of the Company		559,611	119,224
Non-controlling interests		293	125
		<u>559,904</u>	<u>119,349</u>
Earnings per share attributable to ordinary equity holders of the Company:			
Basic	7	<u>RMB0.080</u>	<u>RMB0.018</u>
Diluted		<u>RMB0.029</u>	<u>RMB0.017</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2021

	<i>Notes</i>	31 August 2021 RMB'000	31 August 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,425,972	5,065,150
Right-of-use assets		1,405,412	1,174,097
Interests in land held for property development		142,592	145,022
Investment property		36,817	–
Goodwill	8	1,271,540	590,456
Amount due from a related party		–	288,556
Other intangible assets		797,111	212,291
Investments in joint ventures		500,830	196,098
Investment in an associate		381,337	–
Prepayments	10	859,390	335,857
Pledged and restricted deposits	11	296,083	447,851
Deferred tax assets		31,382	2,424
Contract cost assets		1,007	–
		<hr/>	<hr/>
Total non-current assets		14,149,473	8,457,802
CURRENT ASSETS			
Trade receivables	9	126,106	27,953
Prepayments, deposits and other receivables	10	1,016,078	909,135
Amounts due from related parties		56,629	56,052
Contract cost assets		2,515	–
Financial assets at fair value through profit or loss		–	5,000
Pledged and restricted deposits	11	161,034	65,700
Cash and cash equivalents	11	4,357,287	2,894,437
		<hr/>	<hr/>
Total current assets		5,719,649	3,958,277
CURRENT LIABILITIES			
Contract liabilities	3	1,485,362	403,620
Trade payables	12	57,709	37,573
Other payables and accruals	13	2,789,266	1,307,621
Lease liabilities		30,927	28,965
Deferred income		44,960	37,683
Derivative financial instruments		2,817	–
Interest-bearing bank and other borrowings	14	2,140,396	1,443,333
Amounts due to related parties		199,135	21,694
Tax payable		128,884	87,759
		<hr/>	<hr/>
Total current liabilities		6,879,456	3,368,248
NET CURRENT ASSETS/(LIABILITIES)	1	(1,159,807)	590,029
TOTAL ASSETS LESS CURRENT LIABILITIES		12,989,666	9,047,831

continued/...

	<i>Notes</i>	31 August 2021 RMB'000	31 August 2020 RMB'000
NON-CURRENT LIABILITIES			
Other payables	<i>13</i>	619,452	312,861
Deferred income		1,444,189	1,252,665
Convertible bonds	<i>15</i>	1,892,889	–
Interest-bearing bank and other borrowings	<i>14</i>	970,106	1,670,072
Lease liabilities		140,468	120,129
Deferred tax liabilities		114,173	5,687
Contract liabilities	<i>3</i>	1,562	–
		<hr/>	<hr/>
Total non-current liabilities		5,182,839	3,361,414
		<hr/>	<hr/>
NET ASSETS		7,806,827	5,686,417
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		542	493
Reserves		7,813,761	5,682,728
		<hr/>	<hr/>
Non-controlling interests		7,814,303	5,683,221
		(7,476)	3,196
		<hr/>	<hr/>
Total equity		7,806,827	5,686,417
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2021

	Attributable to owners of the Company									
	Issued capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	454	2,596,260	598,468	319,970	142,873	904,192	-	4,562,217	3,071	4,565,288
Profit and total comprehensive income for the period	-	-	-	-	-	119,224	-	119,224	125	119,349
Transfer from retained profits	-	-	-	45,296	-	(45,296)	-	-	-	-
Placing of new shares	32	1,062,080	-	-	-	-	-	1,062,112	-	1,062,112
Share issue expenses	-	(8,048)	-	-	-	-	-	(8,048)	-	(8,048)
Equity-settled share option arrangements	-	-	-	-	862	-	-	862	-	862
Transfer from the share option reserve upon the lapse of share option	-	-	-	-	(51)	51	-	-	-	-
Issue of shares upon the exercise of share option	7	124,230	-	-	(25,215)	-	-	99,022	-	99,022
Final 2019 dividend declared	-	(152,168)	-	-	-	-	-	(152,168)	-	(152,168)
At 31 August 2020 and 1 September 2020	<u>493</u>	<u>3,622,354</u>	<u>598,468</u>	<u>365,266</u>	<u>118,469</u>	<u>978,171</u>	<u>-</u>	<u>5,683,221</u>	<u>3,196</u>	<u>5,686,417</u>
Profit for the year	-	-	-	-	-	605,505	-	605,505	(385)	605,120
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(45,894)	(45,894)	678	(45,216)
Total comprehensive income for the year	-	-	-	-	-	605,505	(45,894)	559,611	293	559,904
Acquisition of subsidiaries with non-controlling interests (note 16)	-	-	-	-	-	-	-	-	(10,788)	(10,788)
Placing of new shares	44	1,586,331	-	-	-	-	-	1,586,375	-	1,586,375
Share issue expenses	-	(13,607)	-	-	-	-	-	(13,607)	-	(13,607)
Issue of shares upon the exercise of share options	5	89,810	-	-	(25,178)	-	-	64,637	-	64,637
Transfer from retained profits	-	-	-	130,597	-	(130,597)	-	-	-	-
Liquidation of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	(177)	(177)
Final 2020 dividend declared	-	(65,934)	-	-	-	-	-	(65,934)	-	(65,934)
As at 31 August 2021	<u>542</u>	<u>5,218,954</u>	<u>598,468</u>	<u>495,863</u>	<u>93,291</u>	<u>1,453,079</u>	<u>(45,894)</u>	<u>7,814,303</u>	<u>(7,476)</u>	<u>7,806,827</u>

* These reserve accounts comprise the consolidated reserves of RMB7,813,761,000 in the consolidated statement of financial position as at 31 August 2021 (31 August 2020: RMB5,682,728,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2021

	<i>Notes</i>	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		672,466	165,749
Adjustments for:			
Depreciation of items of property, plant and equipment		255,842	129,990
Depreciation of right-of-use assets		66,519	39,586
Depreciation of land held for property development	4	2,430	–
Amortisation of other intangible assets		17,043	8,225
Deferred income released to profit or loss		(18,299)	(9,978)
Interest income	3	(97,875)	(57,772)
Finance costs		298,417	143,940
(Gains)/losses on disposal of items of property, plant and equipment, net	3, 4	4,507	(7,360)
Losses on disposal of items of intangible assets	4	1,969	–
Losses on disposal of subsidiaries		–	783
Equity-settled share option expense		–	862
Share of losses of joint ventures		242,070	144
Share of loss of an associate		11,163	–
Fair value gains/(loss), net:			
Financial assets through profit or loss		(2,675)	(12,803)
Derivative instruments – transactions not qualifying as hedges		2,817	–
Convertible bonds	15	(375,954)	–
Derecognition of cooperation arrangements assets due to conversion of independent colleges into private universities		77,183	–
Gain on debt concession	3	(2,000)	–
Reversal of impairment losses	3	(179,901)	–
Fair value gain on a previously held equity interest at the date of business combination		(212,199)	–
Impairment loss of property, plant and equipment		3,953	–
Impairment loss of right-of-use assets		110	–
Gains on early termination of lease arrangement		(214)	–
Amortisation of contract cost assets		4,937	–
Covid-19-related rent concession from a lessor		(1,927)	–
Foreign exchange gains/(losses), net		(18,931)	33,328
		751,451	434,694

continued/...

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Decrease/(increase) in prepayments, deposits and other receivables	(151,464)	81,915
Increase in trade receivables	(57,814)	(24,239)
Increase in contract cost assets	(2,277)	–
Decrease/(increase) in amounts due from related parties	21,122	(15,902)
Increase/(decrease) in contract liabilities	864,847	(402,811)
Increase in trade payables	9,926	3,963
Increase/(decrease) in amounts due to related parties	1,550	(1,415)
Increase/(decrease) in other payables and accruals	500,308	(6,575)
Receipt of government grants related to expense items	10,965	6,880
	<hr/>	<hr/>
Cash generated from operations	1,948,614	76,510
Bank interest received	19,737	4,935
Income tax paid	(57,442)	(22,751)
	<hr/>	<hr/>
Net cash flows from operating activities	1,910,909	58,694
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,366,342)	(536,743)
Prepaid land lease payments	(471,900)	(197,512)
Additions to other intangible assets	(15,126)	(1,728)
Equity investments:		
Acquisition of subsidiaries	(997,116)	–
Loans to acquirees before the acquisition	(54,000)	–
Loan to a potential acquiree	(60,000)	–
Payments for acquisitions of subsidiaries in the prior year	–	(34,636)
Prepayment for acquisition of equity interests	(412,955)	(290,023)
Capital injection to a joint venture	(150,000)	–
Acquisition of a subsidiary that is not a business	(499,997)	–
Investment in an associate	(392,500)	–
Proceeds from disposal of items of property, plant and equipment	2,515	17,433
Proceeds from disposal of items of intangible assets	1,702	–
Disposal of a subsidiary	–	(243)
Increase in amounts due from related parties	(23,000)	(13,446)
Decrease in amounts due from related parties	181,000	–
Receipt of government grants for property, plant and equipment	280,882	188,228
Decrease in time deposits with original maturity of over three months	–	295,986
Proceeds from disposal of subsidiaries in the prior year	–	1,000

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	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Decrease in financial assets at fair value through profit or loss, net	5,000	1,006,670
Loans to independent third parties	–	(50,961)
Proceeds from disposal of financial assets at fair value through profit or loss	2,675	14,439
Interest income received from time deposits	–	10,076
Loans repaid by third parties	191,000	–
Interest income received from an independent third party	150	–
Interest income received from a related party	22,586	5,738
Decrease/(increase) in pledged and restricted deposits	45,518	(354,764)
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	(3,709,908)	59,514
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	1,836,485	734,000
Repayment of bank and other borrowings	(2,200,269)	(222,321)
Interest paid	(239,763)	(79,434)
Payment for acquisition of a non-controlling interest in the prior year	(8,000)	–
Dividends paid	(65,934)	(152,168)
Principal portion of lease payments	(25,967)	(11,393)
Interest portion of the lease liabilities	(11,317)	(6,476)
Proceeds from placing of new shares	1,586,375	1,062,112
Share issue expenses	(13,607)	(8,048)
Issue expenses of convertible bonds	(28,770)	–
Proceeds from issue of convertible bonds	2,259,775	–
Proceeds from issue of shares from exercise of share options	64,637	99,022
Syndicated loan arrangement fees paid/ (2020: prepaid)	(31,248)	(305)
Loans from a related party	390,307	–
Repayment of loans from a related party	(216,245)	–
Repayment of other loans recorded in other payables	(8,371)	–
	<hr/>	<hr/>
Net cash flows from financing activities	3,288,088	1,414,989

continued/...

	Year ended	Eight months ended
	31 August	31 August
	2021	2020
<i>Notes</i>	RMB'000	RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,489,089	1,533,197
Cash and cash equivalents at beginning of the year/period	2,894,437	1,394,433
Effect of foreign exchange rate changes, net	(38,239)	(33,193)
	<u>4,345,287</u>	<u>2,894,437</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	4,345,287	2,894,437
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents as stated in the consolidated statement of financial position	<i>11</i> 4,357,287	2,894,437
Less: Non-pledged time deposits with original maturity of over three months	<i>11</i> (12,000)	–
	<u>4,345,287</u>	<u>2,894,437</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	4,345,287	2,894,437

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards (“IASS”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss, derivative financial instruments and convertible bonds which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

As set out in the announcement of the Company issued on 25 March 2020, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered a period of eight months from 1 January 2020 to 31 August 2020 are therefore not entirely comparable with those of the current accounting period.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 August 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies except where adjustments are made to certain subsidiaries established in the PRC to adjust the annual year ended with 31 December to August 31 to ensure the conformity with the Group’s reporting period. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern

As at 31 August 2021, the Group recorded net current liabilities of approximately RMB1,159,807,000. Included therein, the Group recorded the current portion of contract liabilities and deferred income of RMB1,485,362,000 and RMB44,960,000, respectively. In view of the net current liability position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations, the Directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical areas and has two reportable operating segments as follows:

- (a) domestic education segment provides higher and vocational education services in the PRC; and
- (b) global education segment provides higher education services outside the PRC.

For the year ended 31 August 2021

	Domestic education RMB'000	Global education RMB'000	Total RMB'000
Segment revenue (note 3)			
Revenue from external customers	<u>2,007,645</u>	<u>316,627</u>	<u>2,324,272</u>
Segment results	500,864	26,981	527,845
<i>Reconciliation:</i>			
Interest income			97,875
Foreign exchange differences, net			19,401
Fair value change on convertible bonds			375,954
Fair value gains from financial assets at fair value through profit or loss			2,675
Non-lease-related finance costs			(287,100)
Unallocated corporate expenses			<u>(64,184)</u>
Profit before tax			<u>672,466</u>
Segment assets	13,922,528	1,100,808	15,023,336
<i>Reconciliation:</i>			
Deferred tax assets			31,382
Pledged and restricted deposits			457,117
Cash and cash equivalents			<u>4,357,287</u>
Total assets			<u>19,869,122</u>
Segment liabilities	6,400,683	232,442	6,633,125
<i>Reconciliation:</i>			
Interest-bearing bank and other borrowings			3,110,502
Amount due to a related party			179,905
Tax payable			128,884
Deferred tax liabilities			114,173
Convertible bonds			1,892,889
Derivative financial instruments			<u>2,817</u>
Total liabilities			<u>12,062,295</u>
Other segment information			
Share of losses of:			
An associate	(11,163)	–	(11,163)
Joint ventures	(242,070)	–	(242,070)
Impairment losses recognised in profit or loss, net	–	(4,063)	(4,063)
Reversal of impairment losses	179,901	–	179,901
Depreciation and amortisation	314,985	26,849	341,834
Management fees	185,405	–	185,405
Fees for conversion of an independent college into a full private university	412,300	–	412,300
Investment in an associate	381,337	–	381,337
Investments in joint ventures	500,830	–	500,830
Capital expenditure*	4,374,916	6,498	4,381,414

For the eight months ended 31 August 2020

	Domestic education <i>RMB'000</i>	Global education <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 3)			
Revenue from external customers	872,075	–	872,075
Segment results	255,048	–	255,048
<i>Reconciliation:</i>			
Interest income			57,772
Fair value gains from financial assets at fair value through profit or loss			12,803
Non-lease-related finance costs			(137,464)
Unallocated corporate expenses			(22,410)
Profit before tax			165,749
Segment assets	9,000,667	–	9,000,667
<i>Reconciliation:</i>			
Deferred tax assets			2,424
Pledged and restricted deposits			513,551
Financial assets at fair value through profit or loss			5,000
Cash and cash equivalents			2,894,437
Total assets			12,416,079
Segment liabilities	3,522,811	–	3,522,811
<i>Reconciliation:</i>			
Interest-bearing bank and other borrowings			3,113,405
Tax payable			87,759
Deferred tax liabilities			5,687
Total liabilities			6,729,662
Other segment information			
Share of loss of a joint venture	(144)	–	(144)
Depreciation and amortisation	177,801	–	177,801
Management fees	76,437	–	76,437
Investment in a joint venture	196,098	–	196,098
Capital expenditure*	784,623	–	784,623

* Capital expenditure consists of additions to property, plant and equipment, investment properties, interests in land held for property development and intangible assets including assets from the acquisition of subsidiaries.

Geographical information

(a) Revenue from external customers

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Domestic* – Mainland China	2,007,645	872,075
Overseas – Malaysia	316,627	–
	<u>2,324,272</u>	<u>872,075</u>

The revenue information above is based on the locations of the customers.

* The place of domicile of the Group's principal operating subsidiaries is Mainland China.

(b) Non-current assets

	31 August 2021 RMB'000	31 August 2020 RMB'000
Domestic – Mainland China	12,781,290	7,718,971
Overseas – Malaysia	1,040,718	–
	<u>13,822,008</u>	<u>7,718,971</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of any segments during the year and the eight months ended 31 August 2020.

3. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Revenue from contracts with customers	2,323,036	872,075
Revenue from other resources		
Rental of hostels and facilities	1,236	–
	<u>2,324,272</u>	<u>872,075</u>

(a) *Disaggregated revenue information for revenue from contracts with customers*

For the year ended 31 August 2021

Segments	<i>Note</i>	Domestic education RMB'000	Global education RMB'000	Total RMB'000
Types of goods or services				
Tuition fees		1,624,858	306,985	1,931,843
Boarding fees		157,061	–	157,061
Sales of books and daily necessities		73,570	–	73,570
Others	(i)	152,156	8,406	160,562
Total revenue from contracts with customers		<u>2,007,645</u>	<u>315,391</u>	<u>2,323,036</u>
Timing of revenue recognition				
Services transferred over time		1,934,075	315,391	2,249,466
Goods transferred at a point in time		73,570	–	73,570
Total revenue from contracts with customers		<u>2,007,645</u>	<u>315,391</u>	<u>2,323,036</u>

For the eight months ended 31 August 2020

Segments	<i>Note</i>	Domestic education RMB'000	Global education RMB'000	Total RMB'000
Types of goods or services				
Tuition fees		740,719	–	740,719
Boarding fees		57,973	–	57,973
Sales of books and daily necessities		20,228	–	20,228
Others	(i)	53,155	–	53,155
Total revenue from contracts with customers		<u>872,075</u>	<u>–</u>	<u>872,075</u>
Timing of revenue recognition				
Services transferred over time		851,847	–	851,847
Goods transferred at a point in time		20,228	–	20,228
Total revenue from contracts with customers		<u>872,075</u>	<u>–</u>	<u>872,075</u>

(b) Performance obligations

Changes in contract liabilities during the year/period are as follows:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Carrying amount at beginning of the year/period	403,620	806,431
Additions from acquisition of subsidiaries (note 16)	224,395	–
Revenue recognised that was included in the contract liabilities at beginning of the year/period	(391,843)	(774,897)
Revenue recognised that was included in the contract liabilities arising from acquisition of subsidiaries	(217,854)	–
Increase due to cash received, excluding amounts recognised as revenue during the year/period	1,474,544	372,086
Exchange realignment	(5,938)	–
	<u>1,486,924</u>	<u>403,620</u>
Carrying amount at end of the year/period	<u>1,486,924</u>	<u>403,620</u>
Amounts expected to be recognised as revenue:		
Within one year	1,485,362	403,620
After one year	1,562	–
	<u>1,486,924</u>	<u>403,620</u>
Carrying amount at end of the year/period	<u>1,486,924</u>	<u>403,620</u>

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Other income		
Bank interest income	27,117	14,565
Interest income from loans to related parties	12,038	14,496
Interest income from loans to independent third parties	58,720	28,711
	<u>97,875</u>	<u>57,772</u>
Total interest income	97,875	57,772
Deferred income released to profit or loss:		
– related to assets	11,553	7,467
– related to expenses	6,746	2,511
Government grants received	7,890	2,422
Rental income	13,699	13,028
Service income	88,878	14,375
Fair value gain on a previously held equity interest at the date of business combination	212,199	–
Reversal of impairment losses	179,901	–
Others	22,049	11,407
	<u>640,790</u>	<u>108,982</u>

	<i>Note</i>	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Gains			
Gains on disposal of items of property, plant and equipment		1,447	7,960
Gains on early termination of lease arrangement		214	–
Gains on debt concession		2,000	–
Fair value gains on financial assets at fair value through profit or loss, net		2,675	12,803
Gain on exchange differences, net		<u>19,401</u>	–
		<u>25,737</u>	<u>20,763</u>
Total other income and gains		<u>666,527</u>	<u>129,745</u>
Fair value gains on convertible bonds	15	<u>375,954</u>	–

Notes:

- (i) During the year ended 31 August 2021 and the eight months ended 31 August 2020, “others” mainly represented income received from the provision of other education services, including self-study examination education services, adult education services, registration services, training services to the students and independent third parties, which was amortised within the training periods of the services rendered.
- (ii) Government grants received represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognised as other income in profit or loss when received. There were no unfulfilled conditions or contingencies relating to these grants.
- (iii) During the year ended 31 August 2021 and the eight months ended 31 August 2020, service income mainly represented income derived from granting the rights of canteen and convenient store operations to independent third party operators and income from services provided to the students related to the introduction of internship and abroad study.
- (iv) During the year ended 31 August 2021, the Group reached an agreement with the vendors (the “Vendors”) from the acquisition of Yinchuan University of Energy and related entities (collectively the “Yinchuan Group”), with details disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2019, that certain receivables of the Yinchuan Group due from the Vendors amounting to RMB179,901,000, that had been fully impaired on the acquisition date, will be offset by the payables for the acquisition of the Yinchuan Group, resulting in a gain from reversal of impairment losses amounting to RMB179,901,000.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended 31 August 2021 <i>RMB'000</i>	Eight months ended 31 August 2020 <i>RMB'000</i>
Cost of services provided	<u>1,148,304</u>	<u>494,464</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	674,337	266,029
Equity-settled share option expense	–	645
Pension scheme contributions (defined contribution schemes)	<u>93,848</u>	<u>41,022</u>
	<u>768,185</u>	<u>307,696</u>
Management fees	185,405	76,437
Fees for conversion of an independent college into a full private university	412,300	–
Derecognition of other intangible assets	77,183	–
Depreciation of property, plant and equipment	255,842	129,990
Depreciation of right-of-use assets	66,519	39,586
Depreciation of land held for property development	2,430	–
Amortisation of other intangible assets	17,043	8,225
Lease payments not included in the measurement of lease liabilities	4,361	694
Auditors' remuneration	8,850	5,700
Equity-settled share option expense	–	217
Fair value loss on derivative instruments		
– transactions not qualifying as hedges	2,817	–
Losses on disposal of subsidiaries	–	783
Losses on disposal of intangible assets	1,969	–
Losses on disposal of items of property, plant and equipment	5,954	600
Impairment loss of property, plant and equipment	3,953	–
Impairment loss of right-of-use assets	<u>110</u>	<u>–</u>

5. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year/period.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the year ended 31 August 2021 and the eight months ended 31 August 2020. The major components of income tax expense of the Group are as follows:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Current – Mainland China		
Corporate income tax for the year/period	66,298	28,417
LAT for the year/period	–	2,333
Underprovision/(overprovision) of corporate income tax in prior years, net	(884)	16,872
Current – Malaysia		
Corporate income tax for the year/period	11,258	–
Underprovision of corporate income tax in prior years, net	67	–
Deferred	(9,393)	(1,222)
Total tax charged for the year/period	67,346	46,400

6. DIVIDENDS

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Proposed final – HK4 cents (2020: HK0.98 cents) per ordinary share	259,908	60,378

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of the basic and diluted earnings per share attributable to ordinary equity holders of the Company are based on the following data:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	605,505	119,224
Less: Fair value gains on convertible bonds	(375,954)	—
	<hr/>	<hr/>
Profit attributable to ordinary equity holders of the Company, before fair value gains on convertible bonds used in the diluted earnings per share calculation	229,551	119,224
	<hr/> <hr/>	<hr/> <hr/>
	Number of shares	
	Year ended 31 August 2021	Eight months ended 31 August 2020
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	7,610,738,110	6,736,441,569
Effect of dilution – weighted average number of ordinary shares:		
Share options	134,596,655	162,420,837
Convertible bonds	272,275,741	—
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	8,017,610,506	6,898,862,406
	<hr/> <hr/>	<hr/> <hr/>

8. GOODWILL AND INTANGIBLE ASSET WITH INDEFINITE USEFUL LIFE

The carrying amounts of goodwill as at 31 August 2021 and 2020 are as follows:

	31 August 2021 RMB'000	31 August 2020 RMB'000
Cost and net carrying amount at beginning of the year/period	590,456	590,456
Acquisition of subsidiaries (<i>note 16</i>)	690,749	–
Exchange realignment	(9,665)	–
	<hr/>	<hr/>
Cost and net carrying amount at end of the year/period	1,271,540	590,456
	<hr/> <hr/>	<hr/> <hr/>

9. TRADE RECEIVABLES

	31 August 2021 RMB'000	31 August 2020 RMB'000
Tuition and boarding fee receivables	126,106	27,953
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	31 August 2021 RMB'000	31 August 2020 RMB'000
Within 1 month	38,250	2,034
1 to 2 months	1,322	107
2 to 3 months	9,284	6,558
Over 3 months	77,250	19,254
	<hr/>	<hr/>
	126,106	27,953
	<hr/> <hr/>	<hr/> <hr/>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 August 2021 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Current portion:		
Loans to third parties	576,551	707,551
Interest receivables from third parties	138,701	95,469
Cash in transit	84,621	37,534
Prepayments for management fees	1,531	1,567
Prepaid expenses	29,451	12,706
Deposits	28,031	14,037
Staff advances	6,112	3,530
Interest receivable from time deposits	13,038	4,354
Amounts due from the local finance department	96,631	–
Other receivables	41,411	32,387
	<u>1,016,078</u>	<u>909,135</u>
Non-current portion:		
Prepayments for property, plant and equipment	26,927	19,569
Prepayments for acquisitions	412,955	291,288
Prepayments for land lease payments	419,508	25,000
	<u>859,390</u>	<u>335,857</u>
	<u><u>1,875,468</u></u>	<u><u>1,244,992</u></u>

11. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	31 August 2021 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Cash and bank balances	4,534,404	3,127,988
Time deposits with original maturity of over three months	280,000	280,000
	<u>4,814,404</u>	<u>3,407,988</u>
<i>Less:</i>		
<i>Pledged deposits for:</i>		
Bank loans – current	(12,823)	–
Bank loans – non-current	(260,000)	(260,000)
Performance guarantee		
Current	(8,000)	(12,000)
Non-current	–	(8,000)
<i>Restricted bank balances in escrow accounts</i>		
Current	(130,553)	(50,000)
Non-current	(36,083)	(179,851)
<i>Other restricted bank balances – current</i>	(9,658)	(3,700)
	<u>(457,117)</u>	<u>(513,551)</u>
Total pledged and restricted deposits	<u>(457,117)</u>	<u>(513,551)</u>
Cash and cash equivalents	<u><u>4,357,287</u></u>	<u><u>2,894,437</u></u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 August 2021 RMB'000	31 August 2020 RMB'000
Within 1 month	28,756	17,795
1 to 2 months	6,260	3,450
2 to 3 months	1,788	1,300
Over 3 months	20,905	15,028
	<u>57,709</u>	<u>37,573</u>

The trade payables are non-interest-bearing and are normally settled on one to ten months' terms.

13. OTHER PAYABLES AND ACCRUALS

	31 August 2021 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Current portion:		
Payables for purchase of property, plant and equipment	911,724	567,349
Payables for the acquisition of equity interests	686,629	63,000
Miscellaneous advances received from students	170,780	74,498
Accrued bonuses and other employee benefits	119,357	89,018
Government scholarship	96,385	56,671
Payables for purchase of teaching materials and operating expenditure	27,754	39,084
Payables for management fees	54,380	7,709
Construction deposits	52,540	38,916
Other taxes payable	113,961	51,366
Other payables and accrued expenses	255,510	244,178
Construction loan from the Mianzhu Education Bureau	75,832	75,832
Payables for conversion of certain independent colleges into fully private colleges	76,698	–
Payables for government grant related to assets	130,000	–
Deposits refundable	17,716	–
	<u>2,789,266</u>	<u>1,307,621</u>
Non-current portion:		
Payables for the acquisition of equity interests	–	303,360
Payables for conversion of certain independent colleges into fully private colleges	609,288	–
Other payables	10,164	9,501
	<u>619,452</u>	<u>312,861</u>
	<u><u>3,408,718</u></u>	<u><u>1,620,482</u></u>

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 August 2021			31 August 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.35-5.2	2021	35,000	4.35-6.00	2020-2021	493,570
Bank loans – secured	–	On demand	3,570	8.55	On demand	82,495
Bank loans – unsecured	4.8	2021	28,635	–	–	–
Other borrowings – guaranteed	–	–	–	–	On demand	8,000
Other borrowings – secured	10.33	2021	30,015	–	–	–
Current portion of						
– Long term bank loans – secured	4.75-6.5	2021-2022	189,692	4.75-7.06	2020-2021	685,997
– Syndicated loan – secured	LIBOR+2.6	2021	1,601,675	–	–	–
– Other borrowings – secured	7.0-14.5	2021-2022	251,809	7.0-7.5	2020-2021	173,271
			<u>2,140,396</u>			<u>1,443,333</u>
Non-current						
Bank loans – secured	4.34-6.5	2022-2025	681,957	4.34-7.06	2021-2025	1,183,839
Other borrowings – secured	7.0-14.5	2022-2023	288,149	7.0-7.5	2021-2023	486,233
			<u>970,106</u>			<u>1,670,072</u>
			<u><u>3,110,502</u></u>			<u><u>3,113,405</u></u>

Subsequent to the reporting year, the Group has fully repaid the syndicated loan of RMB1,601,675,000 with original maturity in October 2023. The Group recorded such loan as current liability as at 31 August 2021.

15. CONVERTIBLE BONDS

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
At beginning of the year/period	–	–
Issue during the year/period	2,259,775	–
Change in fair value credited to profit or loss	(375,954)	–
Foreign exchange loss charged to profit or loss	9,068	–
	<u>1,892,889</u>	<u>–</u>

16. BUSINESS COMBINATIONS

- (a) On 29 September 2020, the Group acquired a 100% equity interest in INTI Group, a company incorporated in Malaysia and engaged in the provision of higher education services. The purchase consideration was US\$140,000,000 (equivalent to approximately RMB955,342,000).

The INTI Group was acquired to facilitate the Group to explore the development of its overseas presence and to realise the synergy between the domestic and foreign schools of the Group.

- (b) On 21 October 2020, the Group acquired a 100% equity interest in Nanchang Dongmei Education Technology Co., Ltd. (南昌東美教育科技有限公司), which holds a 100% sponsor right in Nanchang Vocational Institute of Film and Television Communication, and a 100% sponsor right in Jiangxi Fanmei Art Secondary Professional School (collectively “Nanchang Schools”), from independent third parties at a consideration of RMB85,092,000.
- (c) On 22 March 2021, the Group acquired a 100% sponsor right in Pioneer College, from an independent third party at a consideration of RMB500,000,000.
- (d) On 28 April 2021, the Group acquired a 100% equity interest in Nanjing Jinken Construction and Installation Work Limited Company (南京金肯建築安裝工程有限公司), which holds a 100% sponsor right in Jinken College, from independent third parties at a consideration of RMB333,000,000.
- (e) College of Science and Technology have completed the conversion from an independent college to a full private college on 31 May 2021. Upon the completion of the conversion, College of Science and Technology became a fully controlled school of the Group.

The acquisition of these schools established in the PRC will further expand the Group’s school network and coverage, increase the total number of students of the Group, improve profitability and will form strong synergy with other schools of the Group.

The acquisitions of the above schools have been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in the INTI Group at the non-controlling interest’s proportionate share of the INTI Group’s identifiable net assets.

The fair values of the identifiable assets and liabilities of each acquisition as at the respective dates of the acquisitions are as follows:

	Note	INTI Group RMB'000	Nanchang Schools RMB'000	Pioneer College RMB'000	Jinken College RMB'000	College of Science and Technology RMB'000	Total RMB'000
Property, plant and equipment		668,529	100,765	404,279	376,433	604,175	2,154,181
Right-of-use assets		54,015	43,000	61,558	57,613	4,281	220,467
Other intangible assets		158,935	1,345	255,442	1,028	259,208	675,958
Investment properties		38,660	–	–	–	–	38,660
Deferred tax assets		26,593	–	–	–	–	26,593
Cash and bank balances		134,738	22,469	34,968	15,771	5,738	213,684
Pledged deposit		1,138	–	–	–	–	1,138
Trade receivables		33,802	2,040	–	6,027	222	42,091
Prepayments and other receivables		16,251	1,316	708	7,212	17,977	43,464
Due from the Group		–	–	–	2,000	87	2,087
Due from the related parties		–	–	–	–	1,899	1,899
Contract cost assets		6,433	–	–	–	–	6,433
Contract liabilities	3	(121,065)	(11,027)	(44,904)	(29,207)	(18,192)	(224,395)
Accruals and other payables		(75,818)	(88,938)	(87,801)	(23,396)	(402,177)	(678,130)
Due to the Group		–	(24,000)	(175,847)	(30,000)	(135,778)	(365,625)
Bank loans and other borrowings		(6,970)	–	(16,756)	(402,527)	–	(426,253)
Bank overdraft		(3,298)	–	–	–	–	(3,298)
Tax payables		(21,520)	–	–	–	–	(21,520)
Lease liabilities		(48,680)	–	–	(2,542)	–	(51,222)
Deferred income		–	–	(493)	–	(54,760)	(55,253)
Deferred tax liabilities		(119,963)	–	–	–	–	(119,963)
Total identifiable net assets at fair value		741,780	46,970	431,154	(21,588)	282,680	1,480,996
Non-controlling interests		10,788	–	–	–	–	10,788
		752,568	46,970	431,154	(21,588)	282,680	1,491,784

Goodwill arising from the above acquisitions:

	INTI Group RMB'000 (Unaudited)	Nanchang Schools RMB'000 (Unaudited)	Pioneer College RMB'000 (Unaudited)	Jinken College RMB'000 (Unaudited)	College of Science and Technology RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Consideration satisfied by:						
Cash	920,309	73,647	75,000	140,000	–	1,208,956
Prepayments in the prior year	35,033	–	100,000	–	–	135,033
Fair value of a previously held equity interest remeasured at the date of business combination	–	–	–	–	309,099	309,099
Other payables	–	11,445	325,000	193,000	–	529,445
Total consideration	955,342	85,092	500,000	333,000	309,099	2,182,533
Less: Net assets acquired	(752,568)	(46,970)	(431,154)	21,588	(282,680)	(1,491,784)
Provisional Goodwill	202,774	38,122	68,846*	354,588	26,419	690,749

* The identifiable net assets for Pioneer College acquired should be subjected to the rents from the lease of the school campus, the lease contract of which has not been entered, and is still under negotiation by the date of the consolidated financial statements approved for issue. Therefore, the identifiable net assets may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 22 March 2022 (one year after the transaction).

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of acquirees with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

17. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On 9 April 2021, the Group acquired a 100% equity interest in Jiangxi Changzhen Industrial Co., Ltd. (“Jiangxi Changzhen”). The principal activity of Jiangxi Changzhen is investment holding. Jiangxi Changzhen held a 100% equity interest in Gongqing College of Nanchang University, which is accounted for as an investment in a joint venture.

The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business. The identified assets and liabilities acquired by the Group in the above acquisition were as follows:

	<i>RMB'000</i>
Cash and bank balances	3
Investment in a joint venture	504,736
Other assets	348
Other liabilities	<u>(5,087)</u>
Total identified net assets at fair value	<u>500,000</u>
Satisfied by cash	<u><u>500,000</u></u>

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration paid during the year	(500,000)
Cash and cash equivalents acquired	<u>3</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(499,997)</u></u>

Note:

The fair value of the identified net assets of the joint venture on the acquisition date was RMB285,960,000, as determined by an independent external expert. The excess of the Group's cost of investment in a joint venture of RMB504,736,000 over the share of the net fair value of the investee's identifiable assets and liabilities was RMB218,776,000. The excess was recorded as goodwill and was included in the carrying amount of the investment in the joint venture.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set forth below:

“Board” or “Board of Directors”	The board of Directors of the Company
“Business Day” or “Business Days”	A day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“China” or “PRC”	The People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“College of Science and Technology”	Guizhou Qiannan College of Science and Technology* (貴州黔南科技學院) (formerly known as College of Science and Technology of Guizhou University (貴州大學科技學院)), a college established under the laws of PRC in May 2001, approved by the MOE to be operated under the cooperation between Guizhou University and a third party in December 2014
“Company” or “our Company”	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
“Corporate Governance Code”	The code on corporate governance set out in Appendix 14 to the Listing Rules
“Date of This Announcement”	29 November 2021
“Dingli”	Dingli Corp., Ltd. a joint stock limited company established in the PRC, whose A shares have been listed on the Shenzhen Stock Exchange (stock code: 300050)
“Director(s)”	The directors of our Company
“Economic College”	Guizhou Qiannan Economic College* (貴州黔南經濟學院) (formerly known as Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院)), a college established under the laws of PRC in 2004, acquired by our Group in April 2014 and approved by the MOE to be operated under the cooperation between Guizhou University of Finance and Economics and our Group in September 2014, on 31 May 2021, the MOE officially approved the conversion of Business College of Guizhou University of Finance and Economics to Guizhou Qiannan Economic College

“Group,” “our Group,” “We” or “Us”	Our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Group became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” or “Hong Kong Dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Exchanges and Clearing Limited”	Hong Kong Exchanges and Clearing Limited
“Hope Education”	Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) (formerly known as Sichuan Mayflower Investment Company Limited (四川五月花投資有限公司), Sichuan Hope Mayflower Investment Limited (四川希望五月花投資有限公司), Sichuan Hope Education Industry Company Limited (四川希望教育產業有限公司)), a limited liability company established under the laws of PRC on 12 January 2005
“IFRS”	The International Financial Reporting Standard(s)
“Independent Third Party(ies)”	An individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company and its subsidiaries or any of their respective associates
“Listing”	The listing of the Group’s Shares on the Main Board of The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	The stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with GEM of the Stock Exchange
“MB”	The lawful currency for the time being of the Malaysia
“Model Code”	The Model Code for securities transactions by Directors of listed issuers set out in Appendix 10 to the Listing Rules
“MOE”	Ministry of Education of the PRC

“Prospectus”	The prospectus published by the Company on 24 July 2018
“Reporting Period”	The twelve months ended 31 August 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Share(s)”	Ordinary share(s) of a nominal value of US\$0.00001 each in the share capital of our Group
“Shareholder(s)”	Holder(s) of the Share(s)
“State”	The central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	Has the meaning ascribed to it in the Listing Rules
“United States” or “US”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“%”	Percent

By order of the Board
Hope Education Group Co., Ltd.
Chairman
Xu Changjun

Hong Kong, 29 November 2021

As at the date of this announcement, the Board comprises Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao as executive Directors; Mr. Tang Jianyuan, Mr. Lu Zhichao and Mr. He Shengli as non-executive Directors; and Mr. Zhang Jin, Mr. Chen Yunhua and Dr. Gao Hao as independent non-executive Directors.