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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

The Board of the Company is pleased to announce the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2022, together with the comparative figures for the six months ended 28 February 2021.

HIGHLIGHTS

- **Increase in investment** We increased our investment in school operation for the improvement of our operating conditions and capacity. During the Reporting Period, the Company's expenditure on its expansion and teaching amounted to RMB1,549.1 million and RMB585.2 million, respectively, representing a period-on-period growth of 67% and 41%, respectively (including expenditure on teacher compensation of RMB388.13 million, representing a period-on-period increase of 48%). The investment of RMB104 million was used for the establishment of our new training sites of 39,283 square meters, with 82 training centers built. The average number of domestic students of the Company's schools reached a mere 11,000 students, and 55% of the land of each college on an average can be developed for utilization.
- **Focusing firmly on content construction** Content construction had been focused to pursue high-quality development. While the continuous enhancement of education quality has always been our objective of running schools, the strategy of "quality-first" had been fully implemented across schools that are run by the Company in response to the new requirements of the new era, where small class teaching had also been fully implemented. We also promoted the reform of the curriculum system and teaching content in our schools to meet the emerging demands of the society, industries and enterprises for talents. Since 2019, we have compiled 143 specialized textbooks and developed 275 specialized courses such as provincial premium courses and high-quality courses, enabling students to gain new knowledge and new skills. Stepping up our investment efforts and improving our quality are not only what we need for the sustainable development of our colleges, they also help to safeguard the sustainable development of the Company.

- **Serving for economic transformation** Fostering character and civic virtue, we serve for the creation of a skill-based society and the economic transformation of the country. On the foundation of scientific analyses on industries, occupations, positions and professional relationships, the Company newly launched one national-controlled major and 10 provincial-controlled majors to meet the needs of modern industrial development and people's livelihood service industry.
- **Serving for rural vitalization** We empower rural vitalization to meet the needs for economic development. Rural vitalization has been a momentous task for realizing the great revival of China. In the past three years, we have actively responded to the call of the State to expand the number of students and enrolled 19,762 new-type vocational farmers, migrant workers and retired soldiers for higher vocational skills education, providing talent support for rural vitalization.
- **Serving for the development of central and western regions** For integrating into the national key strategy of developing central and western regions, we have strengthened the construction of institutions in the central and western regions. At the beginning of 2022, the Report on the Work of the Government (《政府工作報告》) proposed to support the development of higher education in central and western regions. Universities and colleges will continue to enroll a greater number of students from central and western regions as well as the rural areas. More than 50% of our schools and more than 60% of our students are located in the central and western regions. We are providing more quality higher education resources to help the socio-economic development of the central and western regions by increasing investment, improving our schooling conditions and optimizing our major offerings.
- **Facilitating employment** On our student-oriented and employment-driven principles, we focus on nurturing talents with applicable and vocational-technical skills. We exerted all efforts to promote the integration of industries and education and strived to expedite school-enterprise cooperation, and established cooperative relationships with more than 2,000 enterprises and institutions, including CATL (寧德時代), CALB (中創新航 previously known as 中航鋰電), BYD (比亞迪), Cherry Automobile (奇瑞股份), Hikvision (海康威視) and CR Chengdu (成都鐵路局), and integrated technical skills education into all aspects of teaching, practical training and internship, with the provision of over 118,000 internship and employment positions for our students, in order to comprehensively enhance students' practical skills, problem-solving abilities and employment and entrepreneurial abilities. Since the Listing, we had provided a total of 125,800 talents on different levels with various applicable and technical skills for the society, contributing "Hope Power" to the economic development of the society.

- **Growth in student enrollment** Under our continuous rising reputation in school operation, we had maintained the momentum in achieving our record high in both the number of new and existing enrollment during the new academic year. In the new 2021-2022 school year, our number of student enrollment reached 82,564 students, representing a period-on-period growth of 15%; our enrolled students reached 232,059 individuals, representing a period-on-period growth of 19%. Going forward, as the State vigorously develops vocational education and encourages students to receive technical education, it is expected that the number of new students will continue to grow steadily every year.
- **Joint development of domestic and overseas institutions** We promoted the joint development of domestic and overseas institutions by sharing quality resources. It is the Company's major development strategy to "develop overseas higher education and achieve joint development". Following the acquisition of INTI International University in Malaysia in March 2020, the Company had acquired 100% equity interest of Shinawatra University Group through merger and acquisition in November 2021. The Company will continue to steadily expand into overseas higher education markets to achieve sustainable development of its overseas higher education business. With the further relief of overseas pandemic control, the enrollment in INTI International University in Malaysia and Shinawatra University grew by 43% and 24%, respectively, during the Reporting Period. We expect to continue to see strong growth in overseas enrollment.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW ON INDUSTRY POLICIES

In October 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Guidelines on Promoting the High-quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》), which proposed not only to expedite the establishment of a modern vocational education system as well as the construction of a skill-based society, but also to promote craftsmanship, so as to ensure a solid talent and skill support for the comprehensive construction of a modern socialist country. Its main goal is that, by 2025, the types of vocational education can become more distinctive, along with the completion of the fundamental establishment of a modern vocational education system and the comprehensive advancement in the construction of a skill-based society. It also proposed that the layout for school operation will be further optimized, with the conditions of running schools being significantly improved. Furthermore, it proposed that the enrollment scale of vocational undergraduate education should not be less than 10% of that of higher vocational education, with the attractiveness and nurturing quality of vocational education being significantly enhanced. By 2035, the overall level of vocational education will enter the forefront of the world, and the construction of a skilled-based society will be fundamentally accomplished. Meanwhile, the social status of technical and skilled talents will be greatly improved, the supply of vocational education will be highly matched with the needs of economic and social development, and their role in building a socialist modern country in an all-rounded manner will be significantly enhanced, such guidelines also encouraged listed companies to sponsor vocational education. The promulgation of the Guidelines on the High-quality Development of Vocational Education (《職業教育高質量發展意見》) has clarified the legitimacy of operating vocational education by listed companies, directly targeting the current problems and difficulties encountered amid the development of vocational education, and indicated the goal and direction for future development from a quantitative perspective.

On 20 April 2022, the newly amended Vocational Education Law of the People's Republic of China (《中華人民共和國職業教育法》) was considered and approved at the 34th meeting of the 13th NPC Standing Committee. The newly amended Vocational Education Law transforms the policy initiatives and practical achievements of the reform and development of vocational education into legal norms, laying a solid legal foundation for cultivating more high-quality laborers and technically skilled talents and building a modern vocational education system. The biggest highlight of this revision is to highlight that vocational education is an education type that has the same important status as general education. Meanwhile, in order to focus on improving the social recognition of vocational education, some targeted provisions have been made to the Vocational Education Law during the revision process, clarifying that students in vocational schools shall enjoy equal opportunities with students in ordinary schools at the same level in terms of further education, employment, and career development. It also further clarifies that the State will promote the deep involvement of enterprises in vocational education, encourage enterprises to hold high-quality vocational education, and for enterprises that are deeply involved in the integration of industry and education, school-enterprise cooperation, and play an important role in improving the quality of technically skilled talents training and facilitating employment, rewards will be given in accordance with regulations; for qualified enterprises identified as industry-education integration, financial, fiscal, land and other support will be given in accordance with regulations, and the education surcharges, local education surcharge reductions and exemptions and other tax benefits will be implemented.

On 23 February 2022, the Ministry of Education held a press conference to introduce the key work of promoting the high-quality development of modern vocational education in 2022:

- 1) Focusing on two major aspects: 1) improving quality: this is in line with the main tone of current China's economy, and the stage of emerging from high growth to high-quality development. It also meets the requirements of "promoting the quality enhancement and excellence in vocational education" mentioned in the The Action Plan for Quality Enhancement and Excellence in Vocational Education (2020-2023) (《職業教育提質培优行動計劃(2020-2023年)》), and; 2) improving the image: by changing the stereotype of society on vocational education, enhancing the attractiveness of vocational education, allowing students' parents to choose vocational education, and allowing employers to rely on vocational education, thereby gradually creating an atmosphere of "choosing vocational schools for education and going to vocational schools for improving skills" in the society.
- 2) Implementing three documents: The Implementation Plan on Reform of National Vocational Education (《國家職業教育改革實施方案》), among the 20 Principles of Vocational Education (職教20條): to promote enterprises and social organizations to implement high-quality vocational education. People's governments at all levels can give appropriate support according to requirements in order to facilitate enterprises in playing a central role in education operation and encourage qualified enterprises, especially large enterprises, to implement high-quality vocational education. Developments of joint-stock, mixed ownership and other vocational colleges and various vocational training institutions are encouraged. Government departments at all levels should deepen the reform of "decentralization, management and service", and accelerate the transformation of their functions. The government is primarily responsible for planning strategies, formulating policies, and supervising in accordance with laws and regulations. The Action Plan for Quality Enhancement and Excellence in Vocational Education (2020-2023) (《職業教育提質培优行動計劃(2020-2023年)》) formulates 10 tasks and 27 measures. The Guidelines on Promoting the High-quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》) optimizes diversified school operation layout. Listed companies and industry leading enterprises are encouraged to implement vocational education, and various kinds of enterprises are encouraged to participate in vocational education operation according to the law.
- 3) Making breakthroughs in five key points: 1) to promote the steady progress of vocational undergraduate education; 2) to promote the diversified development of secondary vocational education; 3) to make "vocational education college entrance examination" the main channel of higher vocational education enrollment; 4) to promote the digital upgrading of vocational education; and 5) to build a closed working system for the construction of vocational education contents.

On 24 December 2021, China Securities Regulatory Commission, the competent authority for regulating securities businesses across the country, released the Administrative Provisions of the State Council Regarding the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Measures for the Overseas Issuance of Securities and Listing Record-Filings by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), both clarifying that VIE-structured enterprises which fulfilled the compliance requirements can proceed overseas listing, with the principle of non-retroactivity of the law persists in relation to overseas listing record-filings.

High Quality Content Development

As a new stage in the new era, in order to promote high-quality development in the schools operated by the Company, we have the following plans:

Firstly, we plan to build schools with specialized majors. For the implementation of “One school, one characteristic”, we analyze the existing schools one by one and determine the specialized majors which should be focused by each school. Through strengthening the relevant majors, specialized majors of the schools will be formed, as such, the competitiveness of schools will be enhanced.

Secondly, we plan to build and strengthen the team of teaching staff. We vigorously introduce talents and build a team of teachers. In 2021, the Company introduced a total of 1,532 teachers into its operating schools, including 618 instructors, 1,138 master degree holders and 7 PhD holders. The Company’s schools have a total of 435 teachers with intermediate titles or above. The above measures have strengthened the force of teaching team in schools, and improved the structure of teaching staff.

Thirdly, we plan to deepen the reform of the curriculum system. By closely focusing on the fundamental goal of improving “students’ practical ability, professional ability and employability” for the cultivation of talents, with the support from schools, the Company accelerates the organization, development and promotion of case-based teaching courseware which integrates both theory and practice based on the ability needs of job positions. The Company increases the investment in facilities and equipment required for teaching which integrates theory and practice by focusing on the specialization of various schools, so as to ensure the best teaching result.

Fourthly, we plan to implement small class teaching. By improving teachers’ management capability and service quality on students in classes, students can learn more knowledge and skills in limited time in classes.

Improve Students' Employability

In the latest Government Work Report (《政府工作報告》), Premier Li Keqiang stated that employment is not only an issue of people's livelihood, but also an issue of development. College graduates are expected to reach 10.76 million persons in 2022. According to the National 14th Five-Year Plan and the Outline of Long-term Goals for 2035 (《國家「十四五」規劃和2035年遠景目標綱要》), China will basically achieve a new type of industrialization, informatization, urbanization and agricultural modernization, and establish a modern economic system by 2035. Meanwhile, the State makes self-development and self-enhancement in technologies as the strategic support for national development, and further implements the strategy of rejuvenating the country through science and education, the strategy of strengthening the country through talents, and the strategy of innovation-driven development. Improvements will be made to the national innovation system to accelerate the building of a strong country in science and technology. Strengthening the cultivation of innovative, applied and skilled talents in different fields, in particular, artificial intelligence, quantum information, integrated circuits, life and health, brain science, biological breeding, aerospace technology, deep earth and deep sea areas. Through vocational education, we can match supply and demand, and contribute to the upgrading of China's industrial chain, the establishment of a modern economic system and the construction of a technologically strong nation.

Vocational education is most closely related to economic and social development and is an important way to cultivate technical and skilled talents. In order to serve the construction of a skill-based society, we will promote the deepening of the integration of industry and education, create conditions to help students better integrate into the industry, and speed up the seamless connection between college majors and industrial needs. At present, we have established school-enterprise cooperation relationships with more than 2,000 enterprises and institutions, and implemented technical skills education through all aspects such as teaching, practical training and combination of work and study, so as to comprehensively improve students' practical skills, problem solving ability, employability and entrepreneurial capabilities.

Combination of Morality and Technology as well as Education and Training

Awards in Competitions

During the Reporting Period, our students won 676 national and provincial awards in total, making a new record in our history, including 78 first prizes and 173 second prizes among them, comprising the Second Prize of the Contemporary Undergraduate Mathematical Contest in Modeling (全國大學生數學建模競賽二等獎), the First Prize of the “Higher Education Press Cup” Contemporary Undergraduate Mathematical Contest in Modeling (高教社杯全國大學生數學建模競賽一等獎), the Second Prize of Huawei Chinese College Students ICT Competition (華為中國大學生ICT大賽二等獎), the First Prize of National College Students Fintech Innovation Ability Competition (全國大學生金融科技創新能力技能競賽一等獎), the First Prize of the Digital-Design-Dimensions Show (全國三維數字化創新設計大賽一等獎), the Second Prize of National Applied Talents Integrated Skills Competition (全國應用型人才綜合技能大賽二等獎), the First Prize of National Advertising Art Design Competition for College Students (全國大學生廣告藝術大賽一等獎), the First Prize of the International BIM Competition (Application Level) (國際BIM大獎賽應用級一等獎), the First Prize of College Students’ Mathematical Modelling Competition (全國大學生數學建模競賽一等獎), the Second Prize of Mechanical Innovation Design Competition for College Students (大學生機械創新設計大賽二等獎), the Third Prize of National College Students’ Physics Experiment Competition (全國大學生物理實驗大賽三等獎), etc.

Curriculum Construction

During the Reporting Period, in response to mounting calls for vocational education development and enhancement in practical skills in workplaces, under the guidance of experts from the Education Steering Committee of the Company, our schools completed the development of 5 provincial-level first-class undergraduate majors, 11 provincial-level professional majors and 19 provincial-level courses, as well as the addition of one national-controlled professional major and 10 provincial-controlled professional majors, to provide more choices in professional majors and courses to students for acquiring “one skill with multiple functions” and helping students to develop talents and careers.

Dual-qualified Teacher Team

During the Reporting Period, a total of 249 teachers were recognized as dual-qualified teachers while 34 teachers participated in leader selection among provincial key teachers and provincial academic teachers. Several teachers participated in the selection of provincial academic leaders. Some of our schools had 35% of teachers with the dual-qualifications.

Development of Professional Majors

During the Reporting Period, we persisted in emphasizing on unique professional majors as the means to enhance and develop education contents to serve for the local economic development. Taking a market-oriented approach, we optimized our configuration of professional majors to form professional groups among our schools with the principle of “one school with one characteristic”, and completed the compilation of talent nurturing plan for over 100 professional talents, One new national-controlled professional major and 10 new provincial-controlled professional majors were created, and 15 courses offered by two of our colleges were classified as provincial courses.

Campus Construction

During the Reporting Period, the land area of our college in Inner Mongolia has increased by 306.9 mu and the floor area of dormitories of our college in Ningxia was increased by 56,675m². Moreover, College of Culture & Communication (文化傳媒學院) completed the comprehensive retrofitting of its sports grounds and dormitories. Sichuan TOP Institute also completed its comprehensive retrofitting and upgrading of the campus. Suzhou Top Institute completed the retrofitting of 10 dormitory buildings. Tianyi College completed the retrofitting of 29 classrooms and 9 training rooms and Nanchang Institute of Film and Television (南昌影視學院) completed the retrofitting of the library, dormitory buildings and training rooms.

Construction of Information System

During the Reporting Period, we built 360 smart classrooms and more than 300 standard examination rooms, and reconstructed 379 multimedia classrooms. Over RMB20 million was invested in the upgrading of educational administration systems, purchase of additional e-books and auxiliary equipment, completing of network maintenance and replacement, construction of machine rooms, setups of integrated smart blackboards and other smart campus construction. Comprehensive constructions of 4 centers and one platform, namely portal center, authentication center, payment center, data center, smart campus service platform, were completed.

Joint Development between Domestic and Overseas Colleges

By strengthening external exchange and cooperation activities of vocational education, foreign (offshore) quality resources of vocational education and advanced education models are introduced. As our central government always encourages vocational institutes to “go overseas”, the Company has been steadily exploring overseas expansion since 2018. First, we cooperated with North Bangkok University to establish Chinese International School, gaining experience in providing education services in overseas at a low-cost and low-risk manner. Subsequent to the acquisition of INTI International University in Malaysia in September 2020, the Company successfully acquired Shinawatra University in Thailand in November 2021. Both universities have the abilities to cultivate talents for undergraduate, master and doctoral candidates and the right to grant degrees.

We spare no effort and do our best to run INTI International University and Shinawatra University. Significant initiatives include:

- ✓ First, optimize the student enrollment system. Through further strengthening the student enrollment team and enhancing the universities' capability in recruiting local and overseas students amid the continuous pandemic, the size of existing students was stabilized.
- ✓ Second, improve education standard and quality of our colleges. By introducing high-end talents and exerting greater efforts in teaching and research, the QS ranking of INTI International University has gone up by 50 after we took over its operations.
- ✓ Third, promote lean management. Streamlining institutions, optimizing administrative personnel, and reducing unnecessary expenses.

Significant Events during the Reporting Period

1. On 18 November 2021, all conditions precedent under the acquisition agreement of Shinawatra University Group had been fulfilled. Upon completion, Shinawatra University Group in Thailand became a wholly-owned subsidiary of the Company and its financial results had been consolidated into the accounts of the Group.
2. On 20 November 2021, a sale and purchase agreement entered into between Hope Education Group (Hong Kong) Co., Ltd. and Chengdu Pengyang Enterprise Management Consulting Limited* (成都鵬陽企業管理諮詢有限公司) dated 31 August 2021 in relation to the disposal of the entire issued share capital of Sichuan Tequ Mayflower Education Management Co., Ltd.* (四川特驅五月花教育管理有限公司) had been approved by independent Shareholders by way of poll at an extraordinary general meeting of the Company. Pursuant to the said agreement Hope Education Group (Hong Kong) Co., Ltd. agreed to sell 100% entity interest of Sichuan Tequ Mayflower Education Management Co., Ltd.* (四川特驅五月花教育管理有限公司) to Chengdu Pengyang Enterprise Management Consulting Limited (being a connected person) for total consideration of RMB527 million. For details, please refer to the Company's announcements dated 31 August 2021 and 20 November 2021 and circular dated 5 November 2021.
3. On 23 December 2021, Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司), being a consolidated affiliated entity of the Company, and Meishan Tequ Linjia Education Consultation Limited* (眉山特驅林嘉教育諮詢有限公司) entered into the Shuanglin Education Equity Transfer Agreement pursuant to which Sichuan Hope Education Industry Group Limited conditionally agreed to purchase and Meishan Tequ Linjia Education Consultation Limited agreed to sell 100% equity interests of Meishan Tequ Shuanglin Education Consultation Limited* (眉山特驅雙林教育諮詢有限公司) for a total consideration of RMB50 million. For details, please refer to the Company's announcement dated 23 December 2021.
4. On 21 January 2022, the School Construction Framework Agreement dated 18 November 2021 entered into between Sichuan Hope Education Industry Group Limited and Sichuan Wuyang Construction Engineering Limited Company* (四川五陽建築工程有限公司) (being a connected person), the transactions contemplated thereunder and the annual caps had been approved by independent Shareholders by way of poll at an extraordinary general meeting. For details, please refer to the Company's announcements dated 18 November 2021 and 21 January 2022 and the Company's circular dated 21 January 2022.

5. On 18 February 2022, Mr. Xu Changjun stepped down as the chairman of the Board due to personal reasons but remained as an executive Director. Mr. He Shengli, a non-executive Director, had been appointed as the chairman of the Board with effect from 18 February 2022. For details, please refer to the Company's announcement dated 18 February 2022.
6. On 25 February 2022, the Group had completed the acquisition of approximately 100% entity interest of Xi'an Bailu Enterprise Management Co., Ltd.* (西安白鹿企業管理有限公司) which became a wholly-owned subsidiary of the Company and its financial results had been consolidated into the accounts of the Group.
7. On 28 February 2022, Ms. Leung Wing Han Sharon had resigned as the joint company secretary and the authorized representative of the Company, and Ms. Chan Yin Wah had been appointed as a joint company secretary and the authorized representative of the Company with effect from 28 February 2022. For details, please refer to the Company's announcement dated 28 February 2022.

Our Schools

Southwest China

At present, we have 10 schools in Southwest China, including:

Hope 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 and a civil digital architecture practice teaching 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.

Founded in 1994, 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. The college was successfully approved with the second batch of national 1+X pilot certificates (website operation and promotion). The college offers 52 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.

Founded in 2013, Automotive College is the first ordinary college in Ziyang City, Sichuan Province and established by the Company. 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.

Founded in 2005, College of Culture & Communication is a full-time ordinary higher vocational 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, 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 specialties, namely radio, film and television, culture education, art and design, performing arts and aviation services.

Founded in 2000, Sichuan TOP 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.

Automotive Technician 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 on 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, which includes co-construction of training bases, sharing of teaching staff, joint training of skilled talents, joint research of technological innovation and joint hosting of technique competitions, realizing a win-win situation in both resource-sharing and co-development with enterprises.

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 and a professional academic system of multi-disciplinary development in coordination featuring economics and management has been shaped. Since joining the Company, 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 Institute of Technology was established in 2016. The college covers more than 20 majors such as automotive inspection and maintenance technology, automotive technical services and marketing as well as automobile new energy technology. College graduates are well received by employers. The student's vocational qualification certificate rate has reached 100%, and the employment rate of graduates and one-time employment rate rank in the forefront of similar institutions in the province for two consecutive years, and the number of college students innovating and starting businesses has increased year by year. It has successively cooperated in depth with more than 100 companies and signed school-enterprise cooperation agreements with more than 40 hospitals 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.

Guizhou Qiannan College of Science and Technology, formerly known as College of Science and Technology of Guizhou University, was established with the approval of Guizhou Provincial People's Government in May 2001. It has 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.

Guizhou Applied Technology Technician College was established with the approval of Guizhou Provincial People's Government in 2019. Currently, it has established cooperative relations with 86 large enterprises and industry associations, among which, its nursing department and 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), Guiyang People's Hospital (贵阳市人民医院), Fuquan First People's Hospital (福泉市第一人民医院), its chemical technology department and Guizhou Henghua Co., LTD (贵州恒化股份有限公司), its automobile department and Beiqi Yinxiang Automobile Co., LTD. (北汽银翔汽车有限公司), jointly build the practice and training base inside and outside the school, to cultivate high-quality and highly skilled talent for the local social development.

East China

At present, we have 4 schools in East China, including:

Suzhou Top Institute is located in Kunshan City, Jiangsu Province, with 34 majors. Focusing on school-enterprise cooperation and deepening the integration of industries and education, in 2019, the college and enterprises and public institutions deepened cooperation by opening 5 customized classes in the mode of rotating the learning and work experience, with 27 internship projects. The college has 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 (江苏省2020年高校毕业生就业工作量化考核).

After more than 20 years since its establishment, Jinken 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.

Founded in 1985, Gongqing College 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.

Nanchang Institute of Film and Television, 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, offering 24 majors such as film and television directing, theatre, film and television performance, dance performance, broadcasting and hosting, advertisement design and production, digital media technology, photography and videography technology and network news and communication, as well as building four major groups, namely music and dance, film, television and media, art and design, and cultural management.

North China

At present, we have 3 schools in North China, including:

Founded in 2002, the college in Shanxi 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. The 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.

Located in Hohhot, the capital city of the Inner Mongolia Autonomous Region, the college in Inner Mongolia 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 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.

The college in Hebei 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 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.

Central China

At present, we have 1 school in Central China, including:

The college in Henan 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 has established good employment 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.

Northwest China

At present, we have 3 schools in Northwest China, including:

The college in Ningxia was founded in 1999 and has 12 secondary colleges and 2 education departments and offers 36 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. The school was successively awarded the “Special Award for the Contribution in the Construction of Economy in Yinchuan (服務銀川經濟建設特別貢獻獎)” by Yinchuan City, the “4th National Education Reform and Innovation Excellence Award (第四屆全國教育改革創新優秀獎)” by China Education Daily, and the “National Innovation and Entrepreneurship Education Practice Training Base Construction Award (全國創新創業教育實踐實訓基地建設獎)” by the Chinese Association for Non-Government Education. It has also been selected to be in the ICT Industry and Education Integration and Innovation Base Project by Ministry of Education and ZTE Corporation (教育部－中興通訊ICT產教融合創新基地項目) and is now a council member of the Association of Universities (Colleges) of Applied Science, the college providing targeted support to Fuzhou University under the cooperation between Fujian and Ningxia, and the pilot college for the transformation and development of local undergraduate colleges in Ningxia.

Founded in 1998, Shaanxi University is an ordinary undergraduate college approved by the Ministry of Education and a college with exemplary graduate school-enterprise education partnership workstation approved by the eight departments and committees of Shaanxi Provincial Department of Education. It is also the first private college approved to recruit Chinese students from Hong Kong, Macau, Taiwan and overseas in Shaanxi Province. The college now has 14 secondary colleges and one college of continuing education.

Founded in 2021, Gansu 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 10 majors, namely new energy automobile technology, automobile manufacturing and testing technology, urban rail transportation operation management, big data information technology, e-commerce, big data and accounting, sports healthcare and rehabilitation, health management, high-speed railway passenger transportation service, infant and child care service and management. 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).

Overseas

At present, we have 2 schools overseas, including:

Founded in 1986, the college in Malaysia 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, engineering, computing, certificate in laws, and other professional certificates courses as well as postgraduate programmes such as MBA 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 the 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.

Shinawatra University was established in 1996. The campus has a modern and technological style, the environment of which is beautiful and is known as one of the most beautiful universities in Thailand. Shinawatra University is an international university focusing on business and technology with courses taught entirely in English. In respect of global enrollment, the university has teachers and students from more than 30 countries, which has greatly promoted the exchange of different cultures, philosophies and ideas. The university offers bachelor's, master's and doctoral degrees, and there are colleges of management, literature, nursing and public administration. In 2015, in order to actively respond to the call of the "Belt and Road Initiative" international education strategy, Shinawatra University offered relevant majors with English-Chinese bilingual teaching and Thai as the supplementary language, so as to cultivate talents with international vision required by China's economic and social development and the "Belt and Road Initiative" strategy.

Our Students

The Group believes the pragmatic teaching philosophy of its schools, well-developed curriculum system, good-quality teachers as well as its high graduate employment rate help the Group to attract high-quality students who are seeking for their ideal employment.

	Student Enrollment	
	As at 28 February 2022	As at 28 February 2021
Schools		
Undergraduate colleges	119,050	98,788
Junior colleges	98,465	80,225
Technical education	14,544	17,734
Total	232,059	196,747

Campus Utilisation Rate

	For the six months ended 28 February 2022	For the six months ended 28 February 2021
Total number of student enrollment	232,059	196,747
Total capacity	267,440	227,542
Overall utilisation rate	87%	86%

Note:

The student information is based on the official records of the relevant education authorities in China or the internal records of the Group's schools, Shinawatra University Group and Shaanxi University are not included.

OUTLOOK

Focus on internal development and enhance brand recognition and reputation

At the beginning of last year, we proposed to promote the internal construction of existing schools and ensure their sustainable development. Over the past year, we have continuously increased the investment in schools and piloted small class teaching with a view to deepening the reform of teaching model, as such, the quality and the level of school operation has improved rapidly and higher recognition from teachers and students was obtained. In addition, enrollment continuously exceeded expectations: (1) In the new enrollment for the 2021/2022 academic year, facing the pressure of the conversion of independent colleges, we still achieved a record high enrollment result, with the size of new enrollment reaching 82,564 students; (2) In the spring enrollment for the 2022/2023 academic year, we continued to break records. In the new year, we will continue to promote the operation strategy of “promoting the development of schools with internal construction”, supporting the construction of specialized schools with the construction of specialized professional major offerings, and comprehensively enhancing the brand recognition and reputation of schools.

Serve students, enable students to achieve their aspirations, and meet students' personalized and diversified needs

In 2021, the gross enrollment rate of higher education in China reached 57.8% and has entered a phase of popularization of higher education. To this end, we should actively adapt to the needs of diversified education types, lifelong learning and personalized cultivation at the stage of popularization of higher education, deepen teaching reform in response to the needs of society, industry and enterprises, improve the quality and comprehensive capabilities of teachers in all aspects, and continue to improve the quality in cultivation of talents, constantly improve the service quality and help students enhance their employment competitiveness. Meanwhile, through the creation of colorful campus cultural life, learning is integrated into life in a more organic way, so as to help students to grow in an all-round way and improve their sense of happiness and gain.

Remain true to our original aspiration to help build a skill-based society

At present, although the total number of skilled workers in China has exceeded 165 million, it only accounts for 21.3% of the total labor force, of which highly skilled talents account for less than 6%. Compared with more than 35% of highly skilled talents in developed countries, there is a significant gap in China. With the transformation and upgrading of China's industries, there will be an increasing demand for high-quality technical and skilled talents. As a service provider of vocational education, we are committed to supporting the revitalization of China's education, talent and economy, optimizing the talent cultivation model, enhancing students' skills and actively serving the construction of a skill-based society in the new era.

FINANCIAL REVIEW

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.

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

Items	For the six months ended 28 February 2022 (in millions of RMB) Unaudited	For the six months ended 28 February 2021 (in millions of RMB) Unaudited
Revenue	1,526.52	1,183.43
Cost of sales	(752.01)	(541.96)
Gross profit	774.51	641.47
Other income and gains	192.96	318.40
Selling expenses	(131.44)	(81.75)
Administrative expenses	(195.70)	(147.97)
Fair value losses on convertible bonds	(5.83)	—
Other expenses	(3.13)	(29.85)
Finance costs	(130.90)	(145.72)
Share of profit of a joint venture	17.18	10.35
Share of loss of an associate	(18.93)	(0.87)
Profit before tax	498.72	564.06
Income tax expense	(68.90)	(86.23)
Profit for the period	429.82	477.83
Adjusted gross profit	805.36	664.00
Adjusted net profit	453.42	546.71

Calculation of adjusted gross profit

Items	For the six months ended 28 February 2022 <i>(in millions of RMB)</i> Unaudited	For the six months ended 28 February 2021 <i>(in millions of RMB)</i> Unaudited
Gross profit	774.51	641.47
Add:		
Depreciation and amortisation arising from valuation appreciation	30.85	22.53
Adjusted gross profit	805.36	664.00

Calculation of adjusted net profit

Items	For the six months ended 28 February 2022 (in millions of RMB) Unaudited	For the six months ended 28 February 2021 (in millions of RMB) Unaudited
Net profit	429.82	477.83
Add:		
1. Depreciation and amortisation arising from valuation appreciation	35.21	25.70
2. Finance cost accrued at amortised cost because of deferred payment for conversion fees	14.93	—
3. Finance cost accrued at amortised cost because of deferred payment for purchase of equity interest	5.89	26.83
4. Fair value changes	5.83	—
Less:		
5. Exchange gains/(losses)	38.26	(16.35)
Adjusted net profit	453.42	546.71

Notes:

- * 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 acquired.
- * Adjusted net profit is measured by excluding (i) finance cost accrued at amortised cost because of deferred payment for conversion fees; (ii) exchange gains/(losses); (iii) additional depreciation and amortisation from temporary fair value adjustment of identifiable assets acquired; (iv) finance cost accrued at amortised cost because of a payment due over one year for the acquisition of equity interest under the relevant agreement; and (v) fair value changes.

Overview

For the six months ended 28 February 2022, we recorded revenue of RMB1,526.52 million, adjusted gross profit of RMB805.36 million and gross profit of RMB774.51 million.

For the six months ended 28 February 2022, adjusted net profit of the Group amounted to RMB453.42 million and net profit amounted to RMB429.82 million.

Revenue

For the six months ended 28 February 2022, revenue of the Group reached RMB1,526.52 million, representing an increase of RMB343.09 million or 29.0% from RMB1,183.43 million for the corresponding period last year. Such increase was mainly due to the significant increase in the number of schools and students enrolled.

Cost of Sales

For the six months ended 28 February 2022, cost of sales of the Group was RMB752.01 million, representing an increase of RMB210.05 million or 38.8% from RMB541.96 million for the corresponding period last year. Such increase was mainly due to (i) the enhancement of teacher quality and teaching facilities as a result of the increment in the number of students enrolled in the schools of the Group, (ii) the schools of the Group adopted small class teaching and constructed various professional teaching internship and training venues and equipment in order to improve teaching quality, and (iii) the increase contributed by the merged and acquired schools during the year ended 31 August 2021.

Gross Profit

For the six months ended 28 February 2022, gross profit of the Group amounted to RMB774.51 million, representing an increase of RMB133.04 million or 20.7% from RMB641.47 million for the corresponding period last year.

For the six months ended 28 February 2022, adjusted gross profit of the Group was RMB805.36 million, representing an increase of RMB141.36 million or 21.3% from RMB664.00 million for the corresponding period last year.

Selling Expenses

For the six months ended 28 February 2022, selling expenses of the Group amounted to RMB131.44 million, representing an increase of RMB49.69 million from RMB81.75 million for the corresponding period last year. Such increase was mainly due to the increase in human resources, advertising and marketing expenses on the Group's expansion of enrollment scale and contributed by the acquired schools last year.

Administrative Expenses

For the six months ended 28 February 2022, administrative expenses of the Group amounted to RMB195.70 million, representing an increase of RMB47.73 million from RMB147.97 million for the corresponding period last year. Such increase was mainly due to the increase contributed by the merged and acquired schools last year.

Other Expenses

For the six months ended 28 February 2022, other expenses of the Group amounted to RMB3.13 million, representing a decrease of RMB26.72 million from RMB29.85 million for the corresponding period last year. Such decrease was mainly due to the decrease in exchange loss and donation expenses for the period.

Finance Costs

For the six months ended 28 February 2022, finance costs of the Group amounted to RMB130.90 million, representing a decrease of RMB14.82 million from RMB145.72 million for the corresponding period last year. Such decrease was mainly due to the decrease in loans of the Group.

Profits of the Reporting Period

For the six months ended 28 February 2022, adjusted net profit of the Group amounted to RMB453.42 million, representing a decrease of RMB93.29 million or 17.1% from the corresponding period last year. For the six months ended 28 February 2022, adjusted net profit margin was 29.7% as compared to 46.2% for the corresponding period last year.

The decrease in adjusted net profit was mainly due to (i) the increase in profit contributed by the increase in the number of schools and students enrolled, and offset by (ii) reversal of impairment losses of RMB179.90 million in the previous period, and there was no such income in the current period.

For the six months ended 28 February 2022, net profit of the Group amounted to RMB429.82 million, representing a decrease of RMB48.01 million or 10.0% from the corresponding period last year.

Capital Commitments

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

	As at 28 February 2022 RMB'000	As at 31 August 2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	1,236,143	1,211,724
Prepaid land lease payments	37,732	153,696
Acquisition of equity interests	—	297,243
	<u>1,273,875</u>	<u>1,662,663</u>

Liquidity and Financial Resources

As of 28 February 2022, the Group had total cash and bank balances of RMB1,230.51 million, among which: (i) cash and cash equivalents amounted to RMB913.99 million (31 August 2021: RMB4,357.29 million), (ii) pledged and restricted deposits amounted to RMB316.52 million (31 August 2021: RMB 457.11 million).

Indebtedness

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consist of short-term working capital loans and long-term loans for constructing school buildings, facilities and merger and acquisitions. The Group supplements its working capital and finances its expenditure primarily through borrowings obtained from banks. As of 28 February 2022, the aggregate loan balance amounted to RMB2,111.79 million, all was denominated in RMB. As of 28 February 2022, the Group's bank loans and other borrowings bore effective interest rates ranging from 4.30% to 15.05% per annum. Without taking into account the loans arising from new schools acquired, other bank loans and other borrowings of the Group bore effective interest rates ranging from 4.30% to 7.00% per annum. The Group considers that, as subsequent loans bore by the newly merged and acquired schools being settled when due, effective interest rates per annum will be reduced, 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 continued supply of funds and flexibility through the use of cash flows generated from operations internally and other borrowings. The Group regularly reviews major funding positions to ensure adequate financial resources to meet its financial obligations.

Current Ratio

As at 28 February 2022, current assets of the Group amounted to RMB2,712.21 million, consisting of bank balances, pledged and restricted deposits of RMB934.37 million, amounts due from related parties of RMB770.03 million, prepayments, deposits and other receivables of RMB930.02 million and other current assets of RMB77.79 million. Current liabilities of the Group amounted to RMB6,538.87 million, including accruals and other payables of RMB3,241.14 million, contract liabilities of RMB1,255.09 million, interest-bearing bank and other loans of RMB1,320.17 million and other current liabilities of RMB722.47 million. As at 28 February 2022, current ratio (current assets divided by current liabilities) of the Group was 0.41 (31 August 2021: 0.83).

Contingent Liabilities

As of 28 February 2022, 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 the Group.

Net Debt to Equity Ratio

Net debt to equity ratio equals to total interest-bearing bank loans and other borrowings of RMB2,111.79 million, net of cash and cash equivalents of RMB913.99 million, pledged and restricted deposits of RMB316.52 million at the end of the Reporting Period, divided by total equity of RMB8,243.57 million at the end of the Reporting Period. The Group's net debt to equity ratio increased from -21.83% as of 31 August 2021 to 10.69% as of 28 February 2022, primarily due to continuous investment of the Group in teaching facilities, equipment and construction of campus and acquisition of schools.

Debt to Equity Ratio

As of 28 February 2022, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank loans by total equity) was approximately 25.62% (31 August 2021: 39.84%).

Important Events after the Reporting Period

- (i) On 18 March 2022, a share option scheme subject to Chapter 17 of the Listing Rules has been conditionally approved by the independent Shareholders by way of poll at an extraordinary general meeting. For details, please refer to the Company's announcements dated 29 November 2021 and 18 March 2022 and circular dated 3 March 2022.

- (ii) On 18 April 2022, the Group entered into five sale and purchase agreements with five vendors (one of which being Mr. Wang Huiwu, an executive Director), all of them are connected persons of the Company, under which the Group agrees to acquire the properties as the training venues and student accommodation at a total consideration of RMB217,982,400. For details, please refer to the Company's announcement dated 19 April 2022.
- (iii) On 21 April 2022, the Group provided a guarantee, on joint and several basis, in favour of Yunnan International Trust Co., Ltd.* (雲南國際信託有限公司) for a trust loan advanced to Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) associated with its issuance of asset-backed notes in the PRC at a principal amount of no more than RMB800,000,000, expected earnings (interest), late payment fees, liquidated damages, damages and the costs of realising creditor's rights. For details, please refer to the Company's announcement dated 26 April 2022.

Save as disclosed in this announcement, the Company is not aware of any important events affecting the Group since the end of the Reporting Period and up to the date of this announcement.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend during the Reporting Period (Six months ended 28 February 2021: Nil).

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.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being 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.

During the Reporting Period, the Company has complied with all applicable code provisions contained in 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.

Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the Reporting Period.

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 six months ended 28 February 2022.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting. The audit committee of the Company has reviewed the Group's interim results and unaudited condensed consolidated financial statements for the six months ended 28 February 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopeedu.com). The interim report for the six months ended 28 February 2022 will be dispatched to the Shareholders in due course and available on the above websites.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2022

		For the six months ended	
		28 February 2022	28 February 2021
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	4	1,526,524	1,183,434
Cost of sales		(752,006)	(541,962)
Gross profit		774,518	641,472
Other income and gains	4	192,955	318,399
Selling expenses		(131,442)	(81,747)
Administrative expenses		(195,698)	(147,967)
Fair value losses on convertible bonds		(5,830)	—
Other expenses		(3,129)	(29,854)
Finance costs	5	(130,899)	(145,719)
Share of profit and loss of:			
Joint ventures		17,178	10,352
An associate		(18,927)	(871)
PROFIT BEFORE TAX	6	498,726	564,065
Income tax expense	7	(68,906)	(86,232)
PROFIT FOR THE PERIOD		<u>429,820</u>	<u>477,833</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(33,709)	(19,769)
Total comprehensive income for the period		<u>396,111</u>	<u>458,064</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** (continued)

For the six months ended 28 February 2022

		For the six months ended	
		28 February 2022	28 February 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		430,176	477,873
Non-controlling interests		(356)	(40)
		<u>429,820</u>	<u>477,833</u>
Total comprehensive income attributable to:			
Owners of the Company		395,889	458,385
Non-controlling interests		222	(321)
		<u>396,111</u>	<u>458,064</u>
Earnings per share attributable to ordinary equity holders of the Company:	<i>8</i>		
Basic		<u>RMB0.054</u>	<u>RMB0.066</u>
Diluted		<u>RMB0.045</u>	<u>RMB0.065</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2022

		28 February 2022 <i>RMB'000</i> (Unaudited)	31 August 2021 <i>RMB'000</i> (Audited and restated)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		9,918,420	8,425,972
Right-of-use assets		1,994,449	1,405,412
Interests in land held for property development		140,978	142,592
Other intangible assets		1,263,604	797,111
Investment property		35,610	36,817
Goodwill	9	2,041,249	1,296,672
Amount due from a related party		50,000	–
Investment in a joint venture		515,808	500,830
Investment in an associate		–	381,337
Prepayments, deposits and other receivables	11	758,254	859,390
Pledged and restricted deposits		296,138	296,083
Deferred tax assets		26,758	31,382
Contract cost assets		6,612	1,007
Total non-current assets		17,047,880	14,174,605
CURRENT ASSETS			
Trade receivables	10	72,226	126,106
Prepayments, deposits and other receivables	11	930,015	1,016,078
Amounts due from related parties		770,026	56,629
Contract cost assets		5,571	2,515
Pledged and restricted deposits		20,380	161,034
Cash and cash equivalents		913,988	4,357,287
Total current assets		2,712,206	5,719,649
CURRENT LIABILITIES			
Contract liabilities		1,255,085	1,485,362
Trade payables	12	72,224	57,709
Other payables and accruals	13	3,241,144	2,814,398
Deferred income	14	58,987	44,960
Lease liabilities		26,597	30,927
Derivative financial instruments		–	2,817
Interest-bearing bank and other borrowings		1,320,172	2,140,396
Amounts due to related parties		403,457	199,135
Tax payable		161,200	128,884
Total current liabilities		6,538,866	6,904,588
NET CURRENT LIABILITIES	1	(3,826,660)	(1,184,939)
TOTAL ASSETS LESS CURRENT LIABILITIES		13,221,220	12,989,666

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
As at 28 February 2022

		28 February 2022	31 August 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited and restated)
NON-CURRENT LIABILITIES			
Other payables	<i>13</i>	554,887	619,452
Deferred income	<i>14</i>	1,536,795	1,444,189
Lease liabilities		126,232	140,468
Convertible bonds		1,856,008	1,892,889
Interest-bearing bank and other borrowings		791,620	970,106
Deferred tax liabilities		110,554	114,173
Contract liabilities		1,558	1,562
		<hr/>	<hr/>
Total non-current liabilities		4,977,654	5,182,839
		<hr/>	<hr/>
NET ASSETS		8,243,566	7,806,827
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		545	542
Reserves		8,250,275	7,813,761
		<hr/>	<hr/>
		8,250,820	7,814,303
Non-controlling interests		(7,254)	(7,476)
		<hr/>	<hr/>
Total equity		8,243,566	7,806,827
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2022

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Exchange fluctuation reserve*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 September 2021 (audited)	542	5,218,954	598,468	495,863	93,291	1,453,079	(45,894)	7,814,303	7,806,827
Profit for the period	-	-	-	-	-	430,176	-	430,176	429,820
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(34,287)	(34,287)	(33,709)
Total comprehensive income for the period	-	-	-	-	-	430,176	(34,287)	395,889	396,111
Transfer from retained profits	-	-	-	48,079	-	(48,079)	-	-	-
Issue of shares upon the exercise of share options	3	57,016	-	-	(16,391)	-	-	40,628	40,628
As at 28 February 2022 (unaudited)	<u>545</u>	<u>5,275,970</u>	<u>598,468</u>	<u>543,942</u>	<u>76,900</u>	<u>1,835,176</u>	<u>(80,181)</u>	<u>8,250,820</u>	<u>8,243,566</u>
As at 1 September 2020 (audited)	493	3,622,354	598,468	365,266	118,469	978,171	-	5,683,221	5,686,417
Profit for the period	-	-	-	-	-	477,873	-	477,873	477,833
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(19,488)	(19,488)	(19,769)
Total comprehensive income for the period	-	-	-	-	-	477,873	(19,488)	458,385	458,064
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	(10,788)	(10,788)
Transfer from retained profits	-	-	-	80,318	-	(80,318)	-	-	-
Liquidation of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	(183)	(183)
Issue of shares upon the exercise of share options	4	80,553	-	-	(22,526)	-	-	58,031	58,031
As at 28 February 2021 (unaudited)	<u>497</u>	<u>3,702,907</u>	<u>598,468</u>	<u>445,584</u>	<u>95,943</u>	<u>1,375,726</u>	<u>(19,488)</u>	<u>6,199,637</u>	<u>6,191,541</u>

* These reserve accounts comprise the consolidated reserves of RMB8,250,275,000 in the consolidated statement of financial position as at 28 February 2022 (31 August 2021: RMB7,813,761,000).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2022

	For the six months ended	
	28 February 2022	28 February 2021
Note	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	498,726	564,065
Adjustments for:		
Depreciation of items of property, plant and equipment	159,814	112,211
Depreciation of right-of-use assets	33,237	32,711
Depreciation of land held for property development	1,614	–
Amortisation of other intangible assets	9,772	6,495
Amortisation of contract cost assets	3,788	2,770
Deferred income released to profit or loss	(13,393)	(9,964)
Interest income	(36,631)	(56,389)
Finance costs	115,970	145,719
(Gains)/losses on disposal of items of property, plant and equipment, net	(124)	413
Gains on disposal of items of intangible assets, net	–	(345)
Gains on lease modifications	(44)	–
Gain on a bargain purchase	(3,194)	–
Gain on disposal of a subsidiary	(41,963)	–
Reversal of impairment losses	–	(179,901)
Share of profit of a joint venture	(17,178)	(10,352)
Share of loss of an associate	18,927	871
Covid-19-related rent concession from a lessor	–	(1,925)
Fair value gains/(loss), net:		
Financial assets through profit or loss	(10)	(2,690)
Financial liabilities through profit or loss	5,830	–
Derivative instruments		
– transactions not qualifying as hedges	(2,817)	2,379
Increase in loss allowance on receivables	–	294
Foreign exchange losses/(gains), net	(38,170)	16,374
	694,154	622,736
Decrease in prepayments, deposits and other receivables	92,948	27,231
Decrease/(increase) in trade receivables	54,650	(21,107)
Increase in contract cost assets	(12,704)	(1,166)
Decrease/(increase) in amounts due from related parties	26,433	(2,996)
Increase/(decrease) in contract liabilities	(403,297)	244,326
Increase in trade payables	13,795	9,750
Increase/(decrease) in amounts due to related parties	23,142	(856)
Increase/(decrease) in other payables and accruals	(51,592)	10,378
Receipt of government grants related to expense items	7,215	5,392

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 28 February 2022

		For the six months ended	
		28 February	28 February
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash generated from operations		444,744	893,688
Bank interest received		10,174	5,506
Corporate income tax paid		(50,092)	(19,635)
Net cash flows from operating activities		404,826	879,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(981,458)	(652,759)
Prepaid land lease payments		(588,121)	(424,057)
Additions to other intangible assets		(5,486)	(4,546)
Acquisition of subsidiaries	15	(147,428)	(837,293)
Loan to an acquiree before the acquisition		(40,000)	(24,000)
Payments for acquisitions of subsidiaries in the prior year		(105,000)	–
Prepayment for acquisition of equity interests		–	(480,000)
Proceeds from disposal of items of property, plant and equipment		256	91
Proceeds from disposal of items of intangible assets		–	1,620
Decrease/(increase) in amounts due from related parties:			
Loans repaid by joint ventures		18,694	181,000
Interest income received from joint ventures		632	22,586
Loans provided to a related party		(181,587)	–
Prepayment to a related party for acquisition of a subsidiary		(50,000)	–
Receipt of government grants for property, plant and equipment		24,000	153,590
Decrease in pledged and restricted deposits		–	52,111
Loan to an independent third party		(45,000)	–
Decrease in time deposits with original maturity over three months		12,000	–
Disposal of a subsidiary		(59,422)	–
Increase in financial assets at fair value through profit or loss, net		–	(42,800)
Investment income from financial assets at fair value through profit or loss		10	2,608
Loan repaid by an independent third party		–	137,000
Interest income received from an independent third party		320	–
Capital injection into a joint venture		–	(150,000)
Investment in an associate		–	(274,750)
Net cash flows used in investing activities		(2,147,590)	(2,339,599)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 28 February 2022

	For the six months ended	
	28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	449,245	1,823,250
Repayment of bank and other borrowings	(2,036,168)	(768,633)
Interest paid	(96,467)	(110,465)
Dividends paid to former shareholder of subsidiaries	(8,441)	–
Principal portion of lease payments	(10,616)	(14,697)
Interest portion of the lease liabilities	(3,927)	(5,789)
Proceeds from the issue of shares	40,628	58,031
Receipts of loan deposits	2,300	–
Loan arrangement fees paid	–	(31,248)
Increase in amounts due to related parties	–	201,323
Repayment of other loans recorded in other payables	(11,922)	(10,632)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	(1,675,368)	1,141,140
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,418,132)	(318,900)
Cash and cash equivalents at beginning of the period	4,345,287	2,894,437
Effect of foreign exchange rate changes, net	(13,167)	(77,009)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	913,988	2,498,528
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	913,988	2,500,861
Bank overdraft	–	(2,333)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of cash flows	913,988	2,498,528
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

28 February 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 28 February 2022 (the “Period”) has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 August 2021.

Going concern

As at 28 February 2022, the Group recorded net current liabilities of approximately RMB3,826,660,000. Which included a current portion of contract liabilities and deferred income of RMB1,255,085,000 and RMB58,987,000, respectively. In view of the net current liability position, the directors of the Company (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 and the positive operating results, 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 interim condensed consolidated financial information on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 August 2021, except for the adoption of the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* for the first time for the current period’s financial information.

The Group has assessed the impact of the adoption of the amendments and concluded that the amendments did not have any significant financial impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

	Domestic education RMB'000 (Unaudited)	Global education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 28 February 2022			
Segment revenue (note 4)			
Revenue from external customers	1,355,922	170,602	1,526,524
Segment results	533,758	34,696	568,454
<u>Reconciliation:</u>			
Interest income			36,631
Foreign exchange differences, net			38,257
Fair value change on convertible bonds			(5,830)
Fair value gains from financial assets at fair value through profit or loss			10
Finance costs (other than interest on lease liabilities)			(125,749)
Unallocated corporate expenses			(13,047)
Profit before tax			498,726
For the six months ended 28 February 2021			
Segment revenue (note 4)			
Revenue from external customers	1,033,300	150,134	1,183,434
Segment results	650,916	22,489	673,405
<u>Reconciliation:</u>			
Interest income			56,389
Fair value gains from financial assets at fair value through profit or loss			2,690
Foreign exchange differences, net			(16,889)
Finance costs (other than interest on lease liabilities)			(139,930)
Unallocated corporate expenses			(11,600)
Profit before tax			564,065

The following table presents information of assets and liabilities of the Group's operating segments as at 28 February 2022 and 31 August 2021.

	Domestic education RMB'000	Global education RMB'000	Total segments RMB'000
Total assets			
28 February 2022 (Unaudited)	17,256,381	1,251,355	18,507,736
31 August 2021 (Audited and restated)	13,947,660	1,100,808	15,048,468
Total liabilities			
28 February 2022 (Unaudited)	6,895,115	196,895	7,092,010
31 August 2021 (Audited and restated)	6,425,815	232,442	6,658,257

4. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	For the six months ended	
	28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Revenue from contracts with customers	1,526,065	1,182,627
<i>Revenue from other resources</i>		
Rental of hostels and facilities	459	807
	1,526,524	1,183,434

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 28 February 2022

Segments	Domestic education RMB'000 (Unaudited)	Global education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Tuition fees	1,137,445	159,757	1,297,202
Boarding fees	98,000	429	98,429
Sales of books and daily necessities	35,572	–	35,572
Others	84,905	9,957	94,862
Total revenue from contracts with customers	<u>1,355,922</u>	<u>170,143</u>	<u>1,526,065</u>
Timing of revenue recognition			
Services transferred over time	1,320,350	170,143	1,490,493
Goods transferred at a point in time	<u>35,572</u>	<u>–</u>	<u>35,572</u>
Total revenue from contracts with customers	<u>1,355,922</u>	<u>170,143</u>	<u>1,526,065</u>

For the six months ended 28 February 2021

Segments	Domestic education RMB'000 (Unaudited)	Global education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Tuition fees	840,744	143,653	984,397
Boarding fees	74,530	–	74,530
Sales of books and daily necessities	40,600	–	40,600
Others	<u>77,426</u>	<u>5,674</u>	<u>83,100</u>
Total revenue from contracts with customers	<u>1,033,300</u>	<u>149,327</u>	<u>1,182,627</u>
Timing of revenue recognition			
Services transferred over time	992,700	149,327	1,142,027
Goods transferred at a point in time	<u>40,600</u>	<u>–</u>	<u>40,600</u>
Total revenue from contracts with customers	<u>1,033,300</u>	<u>149,327</u>	<u>1,182,627</u>

Other income and gains

An analysis of other income and gains is as follows:

	For the six months ended	
	28 February	28 February
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	13,996	9,732
Interest income from loans to related parties	511	9,855
Interest income from loans to independent third parties	22,124	36,802
	<hr/>	<hr/>
Total interest income	36,631	56,389
Deferred income released to profit or loss:		
– related to assets	6,065	5,651
– related to expenses	7,328	4,313
Government grants received	4,275	10,703
Rental income	5,818	4,675
Service income	32,120	39,700
Donation income	–	240
Reversal of impairment losses	–	179,901
Others	14,228	13,787
	<hr/>	<hr/>
	106,465	315,359
	<hr/>	<hr/>
Gains		
Gains on disposal of items		
of property, plant and equipment	205	5
Gains on disposal of other intangible assets	–	345
Gains on disposal of a subsidiary	41,963	–
Fair value gains on financial assets		
at fair value through profit or loss, net	10	2,690
Fair value gain on interest swap	2,817	–
Gain on a bargain purchase	3,194	–
Gains on lease modifications	44	–
Gain on exchange differences, net	38,257	–
	<hr/>	<hr/>
	86,490	3,040
	<hr/>	<hr/>
Total other income and gains	192,955	318,399
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended	
	28 February	28 February
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans, an overdraft and other borrowings	109,937	113,100
Less: Interest capitalised	(4,356)	–
Interest on lease liabilities	5,150	5,789
Increase in the discounted amounts of payables arising from the passage of time:		
– payables for investing activities	5,239	26,830
– payables for operating activities	14,929	–
	130,899	145,719

6. PROFIT BEFORE TAX

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

	For the six months ended	
	28 February	28 February
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	752,006	541,962
Management fees	96,343	85,176
Auditors' remuneration	3,300	3,380
Loss on exchange differences, net	–	16,889
Fair value losses on convertible bonds	5,830	–

7. INCOME TAX

The major components of corporate income tax expense for the Period and for the six months ended 28 February 2021 of the Group are as follows:

	For the six months ended	
	28 February 2022	28 February 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China	61,946	86,885
Current – Malaysia	2,945	(11,027)
Deferred	4,015	10,374
	<hr/>	<hr/>
Total tax charged for the period	68,906	86,232
	<hr/> <hr/>	<hr/> <hr/>

8. 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:

	For the six months ended	
	28 February 2022	28 February 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	430,176	477,873
Less: Impact on profit or loss from convertible bonds	(36,881)	–
	<hr/>	<hr/>
Profit attributable to ordinary equity holders of the Company, before fair value losses on convertible bonds used in the diluted earnings per share calculation	393,295	477,873
	<hr/> <hr/>	<hr/> <hr/>
Number of shares		
For the six months ended		
28 February 2022	28 February 2021	
(Unaudited)	(Unaudited)	
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	8,006,367,997	7,244,984,707
	<hr/>	<hr/>
Effect of dilution – weighted average number of ordinary shares:		
Share options	28,799,011	145,297,540
Convertible bonds	704,827,273	–
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	8,739,994,281	7,390,282,247
	<hr/> <hr/>	<hr/> <hr/>

9. GOODWILL

	28 February 2022 <i>RMB'000</i> (Unaudited) (Restated)
Cost and net carrying amount at 1 September 2021	1,296,672
Acquisition of subsidiaries during the Period (<i>note 15</i>)	750,910
Exchange realignment	(6,333)
	<hr/>
Cost and net carrying amount at 28 February 2022	2,041,249
	<hr/> <hr/>

10. TRADE RECEIVABLES

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:

	28 February 2022 <i>RMB'000</i> (Unaudited)	31 August 2021 <i>RMB'000</i> (Audited)
Within 1 month	8,076	38,250
1 to 2 months	15,787	1,322
2 to 3 months	9,458	9,284
Over 3 months	38,905	77,250
	<hr/>	<hr/>
	72,226	126,106
	<hr/> <hr/>	<hr/> <hr/>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	28 February 2022 <i>RMB'000</i> (Unaudited)	31 August 2021 <i>RMB'000</i> (Audited)
Current portion:		
Loans to third parties	531,551	576,551
Interest receivables from third parties	158,609	138,701
Cash in transit	–	84,621
Prepayments for management fees	30,338	1,531
Prepaid expenses	43,942	29,451
Deposits	36,521	28,031
Staff advance	29,990	6,112
Interest receivable from time deposits	17,344	13,038
Amounts due from the local finance department	–	96,631
Other receivables	81,720	41,411
	<u>930,015</u>	<u>1,016,078</u>
Non-current portion:		
Prepayments for property, plant and equipment	26,845	26,927
Prepayments for other intangible assets	40	–
Prepayments for acquisitions of equity interests	–	412,955
Prepayments for land lease payments	633,091	419,508
Loan to a third party	30,000	–
Deposits	18,000	–
Other receivables	50,278	–
	<u>758,254</u>	<u>859,390</u>
	<u><u>1,688,269</u></u>	<u><u>1,875,468</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:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Within 1 month	10,638	28,756
1 to 2 months	21,480	6,260
2 to 3 months	14,052	1,788
Over 3 months	26,054	20,905
	<hr/>	<hr/>
	72,224	57,709
	<hr/>	<hr/>

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

13. OTHER PAYABLES AND ACCRUALS

	28 February 2022 <i>RMB'000</i> (Unaudited)	31 August 2021 <i>RMB'000</i> (Audited) (Restated)
Current portion:		
Payables for purchase of property, plant and equipment	810,373	911,724
Payables for acquisitions of equity interests	946,221	686,629
Payable for land lease payments	105,210	—
Miscellaneous advances received from students	150,053	170,780
Accrued bonuses and other employee benefits	150,353	119,357
Government scholarship	62,869	96,385
Payables for purchase of teaching materials and operating expenditure	33,431	27,754
Payables for management fees	85,559	54,380
Rental payable	104,868	48,441
Deposits	91,608	70,256
Other taxes payable	111,198	113,961
Other payables and accrued expenses	274,450	232,201
Loans from third parties	122,003	—
Payables for conversion of certain independent colleges into fully private colleges	105,048	76,698
Payables for government grant related to assets	—	130,000
Refundable liabilities	12,068	—
Construction loan from Mianzhu Education Bureau	75,832	75,832
	<u>3,241,144</u>	<u>2,814,398</u>
Non-current portion:		
Payables for conversion of certain independent colleges into fully private colleges	545,866	609,288
Other payables	9,021	10,164
	<u>554,887</u>	<u>619,452</u>
	<u><u>3,796,031</u></u>	<u><u>3,433,850</u></u>

14. DEFERRED INCOME

	28 February 2022 <i>RMB'000</i> (Unaudited)
<i>Government grants related to assets</i>	
At 1 September 2021	1,458,252
Government grants received	24,000
Acquisition of subsidiaries	88,811
Released to profit or loss	<u>(6,065)</u>
At 28 February 2022	<u><u>1,564,998</u></u>
Current	28,203
Non-current	<u>1,536,795</u>
	<u><u>1,564,998</u></u>
<i>Government grants related to expense items</i>	
At 1 September 2021	30,897
Government grants received	7,215
Released to profit or loss	<u>(7,328)</u>
At 28 February 2022 – Current	<u><u>30,784</u></u>

Deferred income related to assets mainly represents the government grants received for subsidies relating to the construction of certain buildings. These grants related to assets are released to profit or loss as other income over the expected useful lives of the relevant assets.

Deferred income related to expense items is government grants received for the purpose of subsidising teaching related operating costs incurred during the provision of education services. Upon completion of the operating activities, the grants would be released to profit or loss as other income on a systematic basis over the periods in which the costs, for which they are intended to compensate, are expensed.

15. BUSINESS COMBINATIONS

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

	Shinawatra University Group RMB'000 (Unaudited)	Shaanxi University RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Property, plant and equipment	193,262	645,428	838,690
Right-of-use assets	–	220,257	220,257
Other intangible assets	–	476,319	476,319
Cash and bank balances	33,754	391	34,145
Pledged and restricted deposits	–	1,660	1,660
Trade receivables	1,655	–	1,655
Prepayments and other receivables	392	46,817	47,209
Due from a related party	–	47,827	47,827
Contract liabilities	(4,177)	(171,847)	(176,024)
Accruals and other payables	(5,931)	(347,934)	(353,865)
Due to the Group	(11,922)	(143,250)	(155,172)
Bank loans and other borrowings	–	(585,251)	(585,251)
Due to a related party	–	(26,028)	(26,028)
Trade payables	(700)	–	(700)
Tax payables	–	(10,808)	(10,808)
Lease liabilities	–	(6,969)	(6,969)
Deferred income	–	(88,811)	(88,811)
Total identifiable net assets at fair value	<u>206,333</u>	<u>57,801</u>	<u>264,134</u>

Goodwill arising from the above acquisitions:

	Shinawatra University Group RMB'000 (Unaudited)	Shaanxi University RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Consideration satisfied by:			
Cash	181,573	–	181,573
Prepayments in the prior year	22,955	350,000	372,955
Exchange realignment	(1,389)	–	(1,389)
Due to a related party	–	100,000	100,000
Other payable	–	40,000	40,000
Liability of a put option granted to a shareholder	–	318,711	318,711
Total consideration	<u>203,139</u>	<u>808,711</u>	<u>1,011,850</u>
Less: Net assets acquired	<u>206,333</u>	<u>57,801</u>	<u>264,134</u>
Gain on a bargain purchase	(3,194)	–	(3,194)
Provisional goodwill	<u>–</u>	<u>750,910</u>	<u>750,910</u>

DEFINITIONS

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

“Automotive College”	Sichuan Hope Automotive Vocational College* (四川希望汽車職業學院), a college established by our Group under the laws of PRC in March 2013
“Automotive Technician College”	Sichuan Hope Automotive Technical College* (四川希望汽車技師學院), a college established by our Group under the laws of PRC in July 2016
“Board” or “Board of Directors”	The board of Directors of the Company
“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 Culture & Communication”	Sichuan Vocational College of Culture & Communication* (四川文化傳媒職業學院), a college established as a higher vocational college in 2005 and acquired by our Group in March 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
“Director(s)”	The directors of our Company
“Gansu College”	Baiyin Hope Vocational and Technical College (白銀希望職業技術學院), a private higher education institution to be established under the laws of PRC
“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
“Guizhou Institute of Technology”	Guizhou Vocational Institute of Technology* (貴州應用技術職業學院), a college established by our Group under the laws of PRC in March 2016

“Guizhou Qiannan College of Science and Technology”	Guizhou Qiannan College of Science and Technology* (貴州黔南科技學院), 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, and its conversion was completed in August 2021
“Guizhou Qiannan Economic College”	Guizhou Qiannan Economic College (貴州黔南經濟學院), 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, and its conversion was completed in August 2021
“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
“Hope College”	Southwest Jiaotong University Hope College* (西南交通大學希望學院), a college approved by the MOE established under the cooperation between Southwest Jiaotong University, Chengdu West Hope Group Limited and our Group in April 2009
“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)
“Jinci College”	Jinci College of Shanxi Medical University* (山西醫科大學晉祠學院), a college established under the laws of PRC in June 2002, acquired by our Group in April 2014, and approved by the MOE to be operated under the cooperation between Shanxi Medical University and our Group in August 2014
“Listing”	The listing of the Company’s Shares on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, 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
“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
“Reporting Period”	The six months ended 28 February 2022
“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 Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Shinawatra University Group”	Faith Star (Thailand) Company Limited and its subsidiary Shinawatra University
“Sichuan TOP Institute”	Sichuan TOP IT Vocational Institute (四川托普信息技術職業學院), a college established by Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) in June 2000 and acquired by our Group in December 2017
“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
“Tianyi College”	Sichuan Tianyi College* (四川天一學院), a college established and named as Sichuan Tianyi Open College (四川天一開放函授進修學院) in 1991, approved by the State Education Commission (currently, the MOE) to be a formal junior-college-level higher education institution in 1994 and acquired by our Group in September 2011
“U.S.” or “United States”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction

“U.S. Dollar(s)”, “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 and non-executive Director
He Shengli

Hong Kong, 27 April 2022

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