



# 希望教育集團有限公司

## Hope Education Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1765



# 2022

## Interim Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Xu Changjun  
Mr. Wang Huiwu (*Chief Executive Officer*)  
Mr. Li Tao

#### Non-executive Directors

Mr. He Shengli (*Chairman*)  
Mr. Lu Zhichao  
Mr. Tang Jianyuan

#### Independent Non-executive Directors

Mr. Zhang Jin  
Mr. Chen Yunhua  
Dr. Gao Hao

#### Audit Committee

Mr. Zhang Jin (*Chairman*)  
Mr. Lu Zhichao  
Mr. Tang Jianyuan  
Mr. Chen Yunhua  
Dr. Gao Hao

#### Nomination and Remuneration Committee

Mr. Chen Yunhua (*Chairman*)  
Mr. Wang Huiwu  
Dr. Gao Hao

#### Strategy and Development Committee

Mr. Wang Huiwu (*Chairman*)  
Mr. Xu Changjun  
Mr. He Shengli  
Mr. Lu Zhichao  
Mr. Li Tao

### AUTHORIZED REPRESENTATIVES

Mr. Li Tao  
Ms. Chan Yin Wah

### JOINT COMPANY SECRETARIES

Ms. Chan Yin Wah  
Mr. Huang Zhongcai

### REGISTERED OFFICE

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Grand Cayman, KY1-1104  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Central  
Hong Kong

## CORPORATE INFORMATION

### AUDITOR

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower,  
1 Tim Mei Avenue,  
Central, Hong Kong

### COMPLIANCE ADVISOR

Giraffe Capital Limited  
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### PRINCIPAL SHARE REGISTRAR

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Grand Cayman, KY1-1102  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
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Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Bank of China  
China Minsheng Bank  
Agricultural Bank of China

### COMPANY'S WEBSITE

[www.hopeedu.com](http://www.hopeedu.com)

### STOCK CODE

1765

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 (among which expenditure on teacher salaries of RMB388.13 million, representing a period-on-period increase of 48%). The investment of RMB104 million was used for the construction 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 domestic 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 internal development** We had been focused on internal development to pursue high-quality development. While the continuous enhancement of education quality has always been our objective of school operations, 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 phase, 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 from society, industries and enterprises for talents. Since 2019, we have compiled 143 featured textbooks and developed 275 featured 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, but 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 (《政府工作报告》) 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 resources for higher education to help the socio-economic development of the central and western regions by increasing investment, improving our schooling conditions and optimizing our professional equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

- **Facilitating employment** Based 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 continuously 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.

## 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

## MANAGEMENT DISCUSSION AND ANALYSIS

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 Action Plan for Quality Enhancement and Excellence in Vocational Education (2020-2023) 《職業教育提質培優行動計劃(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.

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- 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) (《職業教育提質培優行動計劃(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 featured schools. For the implementation of “One school, one characteristic”, we analyze the existing schools one by one and determine the featured majors which should be focused by each school. Through strengthening the relevant majors, featured majors of the schools will be formed, as such, the competitiveness of schools will be enhanced.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 (高教社盃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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 campus in Ningxia was increased by 56,675m<sup>2</sup>. 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, completion of network maintenance and replacement, construction of motor rooms, installations 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 November 2021. Both universities have the abilities to cultivate talents for undergraduate, master and doctoral candidates and the right to grant degrees.

We are doing 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.

### BUSINESS REVIEW

#### 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 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% equity 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\* (成都鵬陽企業管理諮詢有限公司) (being a connected person) for a total consideration of RMB527 million. For details, please refer to the Company's announcements dated 31 August 2021 and 21 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 interest 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 24 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\* (四川希望教育產業集團有限公司) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

- 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. The college 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 national ordinary 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 established by the Company is the first ordinary college in Ziyang City, Sichuan Province. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 demonstrative software vocational and technical colleges approved by the MOE. The institute 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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醫院), Guiyang People's Hospital (貴陽市人民醫院), Fuquan First People's Hospital (福泉市第一人民醫院), its chemical technology department and Guizhou Henghua Co., LTD (貴州恒化股份有限公司), its automobile department and Beiqi Yinxiang Automobile Co., LTD. (北汽銀翔汽車有限公司), 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 (江蘇省2020年高校畢業生就業工作量化考核).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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 automobile engineering ordinary 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 receiving targeted support from 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 postgraduate 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).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

The college in Thailand 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<br>28 February<br>2022 | As at<br>28 February<br>2021 |
| Schools                |                              |                              |
| Undergraduate colleges | 119,050                      | 98,788                       |
| Junior colleges        | 98,465                       | 80,225                       |
| Technical education    | 14,544                       | 17,734                       |
| <b>Total</b>           | <b>232,059</b>               | <b>196,747</b>               |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Campus Utilisation Rate

|                                    | For the six<br>months ended<br>28 February<br>2022 | For the six<br>months ended<br>28 February<br>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 development 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 of school operation has improved rapidly and higher recognition from teachers and students was obtained. In addition, enrollment continuously exceeded expectations: (1) In the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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<br>months ended<br>28 February 2022<br><i>(in millions of RMB)</i> | For the six<br>months ended<br>28 February 2021<br><i>(in millions of RMB)</i> |
|--|--|--|
|  | Unaudited  | Unaudited  |
| Revenue                                | 1,526.52   | 1,183.43   |
| Cost of sales                          | (752.01)   | (541.96)   |
| <b>Gross profit</b>                    | <b>774.51</b>  | <b>641.47</b>  |
| 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   |
| <b>Adjusted net profit</b>             | <b>453.42</b>  | <b>546.71</b>  |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Calculation of adjusted gross profit

| Items   | For the six<br>months ended<br>28 February 2022<br><i>(in millions of RMB)</i><br>Unaudited | For the six<br>months ended<br>28 February 2021<br><i>(in millions of RMB)</i><br>Unaudited |
|---|---|---|
| Gross profit  | 774.51  | 641.47  |
| <b>Add:</b>   |   |   |
| 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<br>months ended<br>28 February 2022<br><i>(in millions of RMB)</i><br>Unaudited | For the six<br>months ended<br>28 February 2021<br><i>(in millions of RMB)</i><br>Unaudited |
|---|---|---|
| Net profit  | 429.82  | 477.83  |
| <b>Add:</b>   |   |   |
| 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  | –   |
| <b>Less:</b>  |   |   |
| 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 losses 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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<br>2022<br>(RMB'000) | As at 31 August<br>2021<br>(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: RMB457.11 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### Foreign Currency Risk and Management

The majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company. As at 28 February 2022, certain bank balances and cash were denominated in Hong Kong dollar, United States dollar and Ringgit Malaysia. The Group has not entered into any financial arrangements for hedging purpose as it is expected that there will be no material foreign exchange exposure.

### Human Resources, Employees and Remuneration Policy

As at 28 February 2022, the Group had approximately 12,491 faculty members. The remuneration of employees is determined on the basis of current industry practices and the educational background, experience and performance of employees. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance and share option scheme (for the scheme, please refer to page 33 of this report). The Group believes that it maintains a good working relationship with its employees, and the Group has not experienced any material labour disputes for the six months ended 28 February 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 report, 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 report.

## OTHER INFORMATION

### 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 report, 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.

## OTHER INFORMATION

### 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.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 28 February 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which was required pursuant to Section 352 of the SFO to be entered in the register referred to therein or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

| Name of Director          | Position   | Capacity/<br>Nature of<br>Interest   | Number of<br>Shares Held | Long Position/<br>Short Position | Approximate<br>Percentage of<br>Shareholding in<br>the Company<br>as at 28 February<br>2022 <sup>(5)</sup> |
|---------------------------|--|--|--------------------------|----------------------------------|--|
| Wang Huiwu <sup>(1)</sup> | Executive Director<br>and Chief Executive<br>Officer | Founder of a<br>discretionary trust<br>who can influence<br>how the trustee<br>exercises his<br>discretion | 4,140,948,240            | Long Position                    |  |
|                           |  | Beneficial interest  | 11,120,000               | Long Position                    |  |
|                           |  |  | 4,152,068,240            | Long Position                    | 51.72%   |
|                           |  | Founder of a<br>discretionary trust<br>who can influence<br>how the trustee<br>exercises his<br>discretion | 718,395,000              | Short Position                   | 8.95%  |

## OTHER INFORMATION

| Name of Director                     | Position                               | Capacity/<br>Nature of<br>Interest    | Number of<br>Shares Held | Long Position/<br>Short Position | Approximate<br>Percentage of<br>Shareholding in<br>the Company<br>as at 28 February<br>2022 <sup>(5)</sup> |
|--------------------------------------|--|---------------------------------------|--------------------------|----------------------------------|--|
| Li Tao <sup>(2)</sup>                | Executive Director                     | Beneficial interest                   | 5,697,167                | Long Position                    | 0.07%  |
| He Shengli                           | Non-executive Director<br>and chairman | Beneficial interest                   | 840,000                  | Long Position                    | 0.01%  |
| Tang Jianyuan <sup>(3)&amp;(4)</sup> | Non-executive Director                 | Interest in controlled<br>corporation | 77,050,101               | Long Position                    |  |
|                                      |  | Interest of spouse                    | 15,826,106               | Long Position                    |  |
|                                      |  |                                       | 92,876,207               |                                  | 1.16%  |
|                                      |  | Interest in controlled<br>corporation | 5,489,028                | Short Position                   |  |
|                                      |  | Interest of spouse                    | 1,127,447                | Short Position                   |  |
|                                      |  |                                       | 6,616,475                |                                  | 0.08%  |

### Notes:

- (1) As at 28 February 2022, Wang Huiwu (汪輝武) holds 100% interest in Maysunshine Trust Limited (Credit Suisse Trust Limited as trustee), Maysunshine Trust Limited holds 100% interest in Maysunshine Holdings Limited, Maysunshine Holdings Limited hold 96% interest in Maysunshine Limited, Maysunshine Limited hold 49% interest in Hope Education Investment Limited, Hope Education Investment Limited holds 51.58% interest in the Company. Accordingly, Wang Huiwu (汪輝武) is deemed as holding interest in the Company through Hope Education Investment Limited.
- (2) Mr. Li Tao is interested in 5,697,167 share options to subscribe for 5,697,167 Shares granted under the 2018 Pre-IPO Share Option Scheme.
- (3) As at 28 February 2022, Tang Jianyuan (唐健源) holds approximately 82.96% interest in Striving Origin Company Limited (生博根源有限公司), Striving Origin Company Limited (生博根源有限公司) holds approximately 13.50% interest in Tequ Group Limited (特驅集團有限公司), Tequ Group Limited (特驅集團有限公司) holds approximately 16.615% interest in Hope Education Investment Limited (希望教育投資有限公司), and Hope Education Investment Limited (希望教育投資有限公司) holds approximately 51.58% interest in the Company. Accordingly, Tang Jianyuan (唐健源) is deemed as holding interest in the Company through Hope Education Investment Limited (希望教育投資有限公司).
- (4) As at 28 February 2022, Liu Birong (劉碧容) holds approximately 17.04% interest in Striving Origin Company Limited (生博根源有限公司), Striving Origin Company Limited (生博根源有限公司) holds approximately 13.50% interest in Tequ Group Limited (特驅集團有限公司), Tequ Group Limited (特驅集團有限公司) holds approximately 16.615% interest in Hope Education Investment Limited (希望教育投資有限公司), and Hope Education Investment Limited (希望教育投資有限公司) holds approximately 51.58% interest in the Company. Liu Birong (劉碧容) is spouse of Tang Jianyuan (唐健源). Accordingly, Tang Jianyuan (唐健源) is deemed to be interested in the same number of shares of Striving Origin Company Limited (生博根源有限公司) held by Liu Birong (劉碧容).
- (5) As at 28 February 2022, the number of issued shares was 8,027,550,706 Shares.

Save as disclosed above, as at 28 February 2022, none of the Directors and chief executive(s) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Options granted to the Directors, at no time during the six months ended 28 February 2022 was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporations.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the knowledge of any of Directors or chief executives of the Company, as at 28 February 2022, the following persons (other than the Directors or chief executives of the Company) or entities have an interest or short positions in Shares and underlying Shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholder  | Capacity/Nature of Interest        | Number of Shares Held | Long Position/<br>Short Position | Approximate Percentage of Shareholding in the Company as at 28 February 2022 <sup>(4)</sup> |
|--|------------------------------------|-----------------------|----------------------------------|---|
| Hope Education Investment Limited <sup>(1)</sup>                               | Beneficial interest                | 4,140,948,240         | Long Position                    | 51.58%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Credit Suisse Trust Limited <sup>(1)</sup>                                     | Trustee                            | 4,140,948,240         | Long Position                    | 51.58%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Maysunshine Limited <sup>(1)</sup>   | Interest in controlled corporation | 4,140,948,240         | Long Position                    | 51.58%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Maysunshine Holdings Limited <sup>(1)</sup>                                    | Interest in controlled corporation | 4,140,948,240         | Long Position                    | 51.58%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Tequ Group A Limited <sup>(1)</sup>  | Interest in controlled corporation | 4,140,948,240         | Long Position                    | 51.58%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Tequ Group (Hong Kong) Company Limited <sup>(1)</sup>                          | Interest in controlled corporation | 4,140,948,240         | Long Position                    |   |
|  | Beneficial interest                | 42,242,703            | Long Position                    |   |
|  |                                    | 4,183,190,943         |                                  | 52.11%  |
| Shanghai Yi Zeng Management Co., Ltd.<br>(上海乙增管理有限公司) <sup>(1)</sup>           | Interest in controlled corporation | 718,395,000           | Short Position                   | 8.95%   |
|  |                                    | 4,183,190,943         | Long Position                    | 52.11%  |
| Sichuan Tequ Investment <sup>(1)</sup>   | Interest in controlled corporation | 4,183,190,943         | Long Position                    | 52.11%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |
| Chengdu West Hope Group Limited<br>(成都華西希望集團有限公司) ("West Hope") <sup>(1)</sup> | Interest in controlled corporation | 4,183,190,943         | Long Position                    | 52.11%  |
|  |                                    | 718,395,000           | Short Position                   | 8.95%   |

## OTHER INFORMATION

| Name of Shareholder  | Capacity/Nature of Interest                              | Number of Shares Held | Long Position/<br>Short Position | Approximate Percentage of Shareholding in the Company as at 28 February 2022 <sup>(4)</sup> |
|--|--|-----------------------|----------------------------------|---|
| Sichuan Puhua Agricultural Technology Development Limited<br>(四川普華農業科技發展有限公司) <sup>(1)</sup> | Interest in controlled corporation                       | 4,183,190,943         | Long Position                    | 52.11%  |
|  |  | 718,395,000           | Short Position                   | 8.95%   |
| Zhang Qiang (張強) <sup>(1)</sup>  | Interest in controlled corporation                       | 4,183,190,943         | Long Position                    | 52.11%  |
|  |  | 718,395,000           | Short Position                   | 8.95%   |
| Wang Degen (王德根) <sup>(1)</sup>  | Interest of spouse                                       | 4,183,190,943         | Long Position                    | 52.11%  |
|  |  | 718,395,000           | Short Position                   | 8.95%   |
| Chen Yuxin (陳育新) <sup>(1)</sup>  | Interest in controlled corporation                       | 4,183,190,943         | Long Position                    | 52.11%  |
|  |  | 718,395,000           | Short Position                   | 8.95%   |
| Zhao Guiqin (趙桂琴) <sup>(1)</sup>   | Interest in controlled corporation                       | 4,183,190,943         | Long Position                    | 52.11%  |
|  | Interest of spouse                                       | 718,395,000           | Short Position                   | 8.95%   |
| Credit Suisse Group AG <sup>(2)</sup>  | Interest in controlled corporation<br>Investment Manager | 870,338,605           | Long Position                    |   |
|  |  | 1,734,000             | Long Position                    |   |
|  |  | 872,072,605           |                                  | 10.86%  |
|  |  | 765,819,420           | Short Position                   | 9.54%   |
| China Everbright Limited <sup>(3)</sup>  | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |
| Honorich Holdings Limited <sup>(3)</sup>   | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |
| Datten Investments Limited <sup>(3)</sup>  | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |
| China Everbright Holdings Co., Limited<br>("CE Hong Kong") <sup>(3)</sup>                    | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |
| China Everbright Group Limited<br>("China Everbright Group") <sup>(3)</sup>                  | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |
| Central Huijin Investment Limited<br>("Central Huijin") <sup>(3)</sup>                       | Interest in controlled corporation                       | 475,005,158           | Long Position                    | 5.92%   |

### Notes:

- (1) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited.

Maysunshine Limited is owned as to 96.00% by Maysunshine Holdings Limited, which is in turn 100% beneficially owned by Wang Huiwu (汪輝武) whereas Credit Suisse Trust Limited acts as trustee.

## OTHER INFORMATION

Thus, Maysunshine Limited, Tequ Group A Limited, and Maysunshine Holdings Limited, are deemed to be interested in 4,140,948,240 Shares of Long Position and 718,395,000 Shares of Short Position.

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Wang Degen (王德根) and Zhang Qiang (張強) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owned as to 52.20% by Zhang Qiang (張強).

Thus, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Wang Degen (王德根), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,183,190,943 Shares of Long Position and 718,395,000 Shares of Short Position.

Hope Education Investment Limited indirectly holds relevant interests and short positions through a series of its controlled corporations, including holding of unlisted derivatives (physical settlement: 423,395,000 Shares (short positions); others: 423,395,000 Shares (long positions)).

- (2) Credit Suisse Group AG indirectly holds relevant interests and short positions through a series of its controlled corporations, including holding of certain listed derivatives (convertible instruments: 30,809,505 Shares (long positions) and unlisted derivatives (cash settlement: 42,618,000 Shares (long positions) and 40,408,000 Shares (short positions); physical settlement: 423,395,000 Shares (long positions) and 4,961,320 Shares (short positions)).
- (3) China Everbright Limited was owned as to approximately 49.39% by Honorich Holdings Limited and 0.35% by Everbright Investment & Management Limited (光大投資管理有限公司), respectively.

Honorich Holdings Limited was wholly-owned by Datten Investments Limited, and each of Everbright Investment & Management Limited (光大投資管理有限公司) and Datten Investments Limited was in turn wholly-owned by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 63.16% by Central Huijin.

Accordingly, each of China Everbright Limited, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong, China Everbright Group and Central Huijin is deemed to be interested in the Shares or security interest in shares held by each of related controlled corporation under the SFO.

- (4) Based on the number of issued shares of the Company as at 28 February 2022, being 8,027,550,706 Shares.

Save as disclosed above, as at 28 February 2022, the Directors and chief executives of the Company are not aware of any other person or corporation who has an interest or short positions in Shares or underlying Shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

## 2018 PRE-IPO SHARE OPTION SCHEME

As of 28 February 2022, the number of relevant Shares subject to outstanding options granted under the 2018 Pre-IPO Share Option Scheme is 230,287,254 Shares, representing approximately 2.9% of the issued share capital of the Company. As of 28 February 2022, our Company had granted Pre-IPO Share Options to 321 Participants under the 2018 Pre-IPO Share Option Scheme.

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme:

| Grantees   | Number of share options |                           |                             |                          |                        | Date of grant | Exercise period                       | Exercise Price per share option<br>HKD<br>per share | Vesting period                        | Weighted average closing price of the Company's shares |                                      |   |
|--|-------------------------|---------------------------|-----------------------------|--------------------------|------------------------|---------------|---------------------------------------|---|---------------------------------------|--|--------------------------------------|---|
|  | As at 1 September 2021  | Granted during the period | Exercised During the period | Lapsed during the period | As at 28 February 2022 |               |                                       |   |                                       | Price of Share of the Company before the date of grant | Immediately before the exercise date | As at the date of exercise of share options |
|  |                         |                           |                             |                          |                        |               |                                       |   |                                       | RMB  | RMB                                  | HK\$  |
| Directors  |                         |                           |                             |                          |                        |               |                                       |   |                                       |  |                                      |   |
| Li Tao   | 5,697,167               | -                         | 0                           | -                        | 5,697,167              | 18 March 2018 | From 2 February 2019 to 18 March 2038 | 1.07  | From 18 March 2018 to 2 February 2019 | -  | -                                    | -   |
| Sub-total  | 5,697,167               | -                         | 0                           | -                        | 5,697,167              |               |                                       |   |                                       | -  | -                                    | -   |
| Employees<br>(including Senior Management) and other Grantees<br>319 individuals | 270,880,620             | -                         | 46,290,533                  | -                        | 224,590,087            | 18 March 2018 | From 2 February 2019 to 18 March 2038 | 0.68/1.07/1.30                                      | From 18 March 2018 to 2 February 2019 | -  | -                                    | -   |
| Total  | 276,577,787             | -                         | 46,290,533                  |                          | 230,287,254            |               |                                       |   |                                       |  |                                      |   |

As of 28 February 2022, save for disclosed above, no share options were exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme.

*Note: Details of the 2018 Pre-IPO Share Option Scheme adopted on 18 March 2018 are set out in Note 24 to the condensed consolidated financial statements of this report.*

## INDEPENDENT REVIEW REPORT

To the board of directors of Hope Education Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 80, which comprises the condensed consolidated statement of financial position of Hope Education Group Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 28 February 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young*

Certified Public Accountants

Hong Kong

26 April 2022

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

|  | Notes | For the six months ended                      |   |
|--|-------|---|---|
|  |       | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| <b>REVENUE</b>   | 4     | 1,526,524                                     | 1,183,434                                     |
| Cost of sales  |       | <u>(752,006)</u>                              | <u>(541,962)</u>                              |
| 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   |       | <u>(18,927)</u>                               | <u>(871)</u>                                  |
| <b>PROFIT BEFORE TAX</b>   | 6     | 498,726                                       | 564,065                                       |
| Income tax expense   | 7     | <u>(68,906)</u>                               | <u>(86,232)</u>                               |
| <b>PROFIT FOR THE PERIOD</b>   |       | <u><u>429,820</u></u>                         | <u><u>477,833</u></u>                         |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |   |   |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: |       |   |   |
| Exchange differences on translation of foreign operations                                    |       | <u>(33,709)</u>                               | <u>(19,769)</u>                               |
| Total comprehensive income for the period  |       | <u><u>396,111</u></u>                         | <u><u>458,064</u></u>                         |
| Profit attributable to:  |       |   |   |
| Owners of the Company  |       | 430,176                                       | 477,873                                       |
| Non-controlling interests  |       | <u>(356)</u>                                  | <u>(40)</u>                                   |
|  |       | <u><u>429,820</u></u>                         | <u><u>477,833</u></u>                         |
| Total comprehensive income attributable to:  |       |   |   |
| Owners of the Company  |       | 395,889                                       | 458,385                                       |
| Non-controlling interests  |       | <u>222</u>                                    | <u>(321)</u>                                  |
|  |       | <u><u>396,111</u></u>                         | <u><u>458,064</u></u>                         |
| Earnings per share attributable to ordinary equity holders of the Company:                   |       |   |   |
| Basic  | 8     | <u><u>RMB0.054</u></u>                        | <u><u>RMB0.066</u></u>                        |
| Diluted  |       | <u><u>RMB0.045</u></u>                        | <u><u>RMB0.065</u></u>                        |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2022

|   | Notes | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited and<br>restated) |
|---|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                       |       |   |   |
| Property, plant and equipment                   | 9     | 9,918,420                                     | 8,425,972   |
| Right-of-use assets                             | 9     | 1,994,449                                     | 1,405,412   |
| Interests in land held for property development | 9     | 140,978                                       | 142,592   |
| Other intangible assets                         | 9     | 1,263,604                                     | 797,111   |
| Investment property                             |       | 35,610  | 36,817  |
| Goodwill  | 10    | 2,041,249                                     | 1,296,672   |
| Amount due from a related party                 | 23(c) | 50,000  | –   |
| Investment in a joint venture                   |       | 515,808                                       | 500,830   |
| Investment in an associate                      | 20    | –   | 381,337   |
| Prepayments, deposits and other receivables     | 12    | 758,254                                       | 859,390   |
| Pledged and restricted deposits                 | 13    | 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  |
| <b>CURRENT ASSETS</b>                           |       |   |   |
| Trade receivables                               | 11    | 72,226  | 126,106   |
| Prepayments, deposits and other receivables     | 12    | 930,015                                       | 1,016,078   |
| Amounts due from related parties                | 23(c) | 770,026                                       | 56,629  |
| Contract cost assets                            |       | 5,571   | 2,515   |
| Pledged and restricted deposits                 | 13    | 20,380  | 161,034   |
| Cash and cash equivalents                       | 13    | 913,988                                       | 4,357,287   |
| Total current assets                            |       | 2,712,206                                     | 5,719,649   |
| <b>CURRENT LIABILITIES</b>                      |       |   |   |
| Contract liabilities                            |       | 1,255,085                                     | 1,485,362   |
| Trade payables                                  | 14    | 72,224  | 57,709  |
| Other payables and accruals                     | 15    | 3,241,144                                     | 2,814,398   |
| Deferred income                                 | 16    | 58,987  | 44,960  |
| Lease liabilities                               |       | 26,597  | 30,927  |
| Derivative financial instruments                |       | –   | 2,817   |
| Interest-bearing bank and other borrowings      | 17    | 1,320,172                                     | 2,140,396   |
| Amounts due to related parties                  | 23(c) | 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  |

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2022

|  | Notes | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited and<br>restated) |
|--|-------|---|---|
| <b>NON-CURRENT LIABILITIES</b>               |       |   |   |
| Other payables                               | 15    | 554,887                                       | 619,452   |
| Deferred income                              | 16    | 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   | 17    | 791,620                                       | 970,106   |
| Deferred tax liabilities                     |       | 110,554                                       | 114,173   |
| Contract liabilities                         |       | 1,558   | 1,562   |
| Total non-current liabilities                |       | <u>4,977,654</u>                              | <u>5,182,839</u>  |
| <b>NET ASSETS</b>                            |       | <u><b>8,243,566</b></u>                       | <u><b>7,806,827</b></u>                                   |
| <b>EQUITY</b>                                |       |   |   |
| Equity attributable to owners of the Company |       |   |   |
| Issued capital                               | 18    | 545   | 542   |
| Reserves                                     |       | <u>8,250,275</u>                              | <u>7,813,761</u>  |
|  |       | 8,250,820                                     | 7,814,303   |
| Non-controlling interests                    |       | <u>(7,254)</u>                                | <u>(7,476)</u>  |
| Total equity                                 |       | <u><b>8,243,566</b></u>                       | <u><b>7,806,827</b></u>                                   |

He Shengli  
Director

Wang Huiwu  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

|  | Attributable to owners of the Company  |                           |                             |                                       |                                  |                              |  |                  |                                      |                         |
|--|--|---------------------------|-----------------------------|---------------------------------------|----------------------------------|------------------------------|--|------------------|--------------------------------------|-------------------------|
|  | Issued capital<br>RMB'000<br>(note 18) | Share premium*<br>RMB'000 | Capital reserve*<br>RMB'000 | Statutory surplus reserve*<br>RMB'000 | Share option reserve*<br>RMB'000 | Retained profits*<br>RMB'000 | Exchange fluctuation reserve*<br>RMB'000 | Total<br>RMB'000 | Non-controlling interests<br>RMB'000 | Total equity<br>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        | (7,476)                              | 7,806,827               |
| Profit for the period                                      | -                                      | -                         | -                           | -                                     | -                                | 430,176                      | -  | 430,176          | (356)                                | 429,820                 |
| Other comprehensive income for the period:                 |  |                           |                             |                                       |                                  |                              |  |                  |                                      |                         |
| Exchange differences on translation of foreign operations  | -                                      | -                         | -                           | -                                     | -                                | -                            | (34,287)                                 | (34,287)         | 578                                  | (33,709)                |
| Total comprehensive income for the period                  | -                                      | -                         | -                           | -                                     | -                                | 430,176                      | (34,287)                                 | 395,889          | 222                                  | 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>(7,254)</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        | 3,196                                | 5,686,417               |
| Profit for the period                                      | -                                      | -                         | -                           | -                                     | -                                | 477,873                      | -  | 477,873          | (40)                                 | 477,833                 |
| Other comprehensive income for the period:                 |  |                           |                             |                                       |                                  |                              |  |                  |                                      |                         |
| Exchange differences on translation of foreign operations  | -                                      | -                         | -                           | -                                     | -                                | -                            | (19,488)                                 | (19,488)         | (281)                                | (19,769)                |
| Total comprehensive income for the period                  | -                                      | -                         | -                           | -                                     | -                                | 477,873                      | (19,488)                                 | 458,385          | (321)                                | 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>(8,096)</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

|   | Notes | For the six months ended                      |   |
|---|-------|---|---|
|   |       | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |       |   |   |
| 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                        | 9     | 1,614   | –   |
| Amortisation of other intangible assets                                   | 9     | 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   | 5     | 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   |
|   |       | 444,744                                       | 893,688                                       |
| Cash generated from operations  |       | 444,744                                       | 893,688                                       |
| Bank interest received  |       | 10,174  | 5,506   |
| Corporate income tax paid   |       | (50,092)                                      | (19,635)                                      |
|   |       | 404,826                                       | 879,559                                       |
| Net cash flows from operating activities                                  |       | 404,826                                       | 879,559                                       |

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

|   |    | For the six months ended |                     |
|---|----|--------------------------|---------------------|
|   |    | 28 February<br>2022      | 28 February<br>2021 |
|   |    | RMB'000                  | RMB'000             |
|   |    | (Unaudited)              | (Unaudited)         |
| Notes                                       |    |                          |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |    |                          |                     |
|   |    | (981,458)                | (652,759)           |
|   |    | (588,121)                | (424,057)           |
|   |    | (5,486)                  | (4,546)             |
|   | 21 | (147,428)                | (837,293)           |
|   |    | (40,000)                 | (24,000)            |
|   |    | (105,000)                | –                   |
|   |    | –                        | (480,000)           |
|   |    | 256                      | 91                  |
|   |    | –                        | 1,620               |
|   |    |                          |                     |
|   |    | 18,694                   | 181,000             |
|   |    | 632                      | 22,586              |
|   |    | (181,587)                | –                   |
|   |    | (50,000)                 | –                   |
|   |    | 24,000                   | 153,590             |
|   |    | –                        | 52,111              |
|   |    | (45,000)                 | –                   |
|   |    | 12,000                   | –                   |
|   | 20 | (59,422)                 | –                   |
|   |    | –                        | (42,800)            |
|   |    | 10                       | 2,608               |
|   |    | –                        | 137,000             |
|   |    | 320                      | –                   |
|   |    | –                        | (150,000)           |
|   |    | –                        | (274,750)           |
|   |    | <b>(2,147,590)</b>       | <b>(2,339,599)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |    |                          |                     |
|   |    | 449,245                  | 1,823,250           |
|   |    | (2,036,168)              | (768,633)           |
|   |    | (96,467)                 | (110,465)           |
|   |    | (8,441)                  | –                   |
|   |    | (10,616)                 | (14,697)            |
|   |    | (3,927)                  | (5,789)             |
|   |    | 40,628                   | 58,031              |
|   |    | 2,300                    | –                   |
|   |    | –                        | (31,248)            |
|   |    | –                        | 201,323             |
|   |    | (11,922)                 | (10,632)            |
|   |    | <b>(1,675,368)</b>       | <b>1,141,140</b>    |

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

|   | For the six months ended                      |   |
|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>(3,418,132)</b>                            | <b>(318,900)</b>                              |
| 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)                                      |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>   | <b>913,988</b>                                | <b>2,498,528</b>                              |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>   |   |   |
| Cash and cash equivalents as stated in the consolidated statement of financial position (note 13) | 913,988                                       | 2,500,861                                     |
| Bank overdraft  | –   | (2,333)                                       |
| Cash and cash equivalents as stated in the consolidated statement of cash flows                   | 913,988                                       | 2,498,528                                     |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 3. OPERATING SEGMENT INFORMATION

For the six months ended 28 February 2022

|  | Domestic<br>education<br>RMB'000<br>(Unaudited) | Global<br>education<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|---|---|---------------------------------|
| <b>Segment revenue (note 4)</b>  |   |   |                                 |
| Revenue from external customers  | <u>1,355,922</u>                                | <u>170,602</u>                                | <u>1,526,524</u>                |
| <b>Segment results</b>   | 533,758   | 34,696  | 568,454                         |
| <i>Reconciliation:</i>   |   |   |                                 |
| 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<br>through profit or loss |   |   | 10                              |
| Finance costs (other than interest on lease liabilities)                       |   |   | (125,749)                       |
| Unallocated corporate expenses   |   |   | <u>(13,047)</u>                 |
| Profit before tax  |   |   | <u>498,726</u>                  |

For the six months ended 28 February 2021

|  | Domestic<br>education<br>RMB'000<br>(Unaudited) | Global<br>education<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|---|---|---------------------------------|
| <b>Segment revenue (note 4)</b>  |   |   |                                 |
| Revenue from external customers  | <u>1,033,300</u>                                | <u>150,134</u>                                | <u>1,183,434</u>                |
| <b>Segment results</b>   | 650,916   | 22,489  | 673,405                         |
| <i>Reconciliation:</i>   |   |   |                                 |
| Interest income  |   |   | 56,389                          |
| Fair value gains from financial assets at fair value<br>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   |   |   | <u>(11,600)</u>                 |
| Profit before tax  |   |   | <u>564,065</u>                  |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 3. OPERATING SEGMENT INFORMATION *(continued)*

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

### 4. REVENUE, OTHER INCOME AND GAINS

#### Revenue

An analysis of revenue is as follows:

|                                       | For the six months ended                      |   |
|---------------------------------------|---|---|
|                                       | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(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   |
|                                       | <u>1,526,524</u>                              | <u>1,183,434</u>                              |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

## 4. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue (continued)

#### Disaggregated revenue information for revenue from contracts with customers

For the six months ended 28 February 2022

| Segments                                    | Note | Domestic<br>education<br>RMB'000<br>(Unaudited) | Global<br>education<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(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                                      | (i)  | 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        |      | 35,572  | –   | 35,572                          |
| 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                                    | Note | Domestic<br>education<br>RMB'000<br>(Unaudited) | Global<br>education<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(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                                      | (i)  | 77,426  | 5,674   | 83,100                          |
| 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        |      | 40,600  | –   | 40,600                          |
| Total revenue from contracts with customers |      | <u>1,033,300</u>                                | <u>149,327</u>                                | <u>1,182,627</u>                |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 4. REVENUE, OTHER INCOME AND GAINS *(continued)*

#### Other income and gains

An analysis of other income and gains is as follows:

|   | Notes | For the six months ended                      |   |
|---|-------|---|---|
|   |       | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| <b>Other income</b>   |       |   |   |
| 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  |
| <b>Total interest income</b>  |       | <b>36,631</b>                                 | <b>56,389</b>                                 |
| Deferred income released to profit or loss:                                       |       |   |   |
| – related to assets   | 16    | 6,065   | 5,651   |
| – related to expenses   | 16    | 7,328   | 4,313   |
| Government grants received  | (ii)  | 4,275   | 10,703  |
| Rental income   |       | 5,818   | 4,675   |
| Service income  | (iii) | 32,120  | 39,700  |
| Donation income   |       | –   | 240   |
| Reversal of impairment losses   |       | –   | 179,901                                       |
| Others  |       | 14,228  | 13,787  |
|   |       | <b>106,465</b>                                | <b>315,359</b>                                |
| <b>Gains</b>  |       |   |   |
| Gains on disposal of items of property,<br>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<br>profit or loss, net |       | 10  | 2,690   |
| Fair value gain on an interest swap   |       | 2,817   | –   |
| Gain on a bargain purchase  |       | 3,194   | –   |
| Gains on lease modifications  |       | 44  | –   |
| Gain on exchange differences, net   |       | 38,257  | –   |
|   |       | <b>86,490</b>                                 | <b>3,040</b>                                  |
| <b>Total other income and gains</b>   |       | <b>192,955</b>                                | <b>318,399</b>                                |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 4. REVENUE, OTHER INCOME AND GAINS *(continued)*

### Other income and gains *(Continued)*

Notes:

- (i) During the Period and the six months ended 28 February 2021, others mainly represented income received from the provision of other education services, including self-study examination education services, adult education services, registration services and training services to the students and independent third parties, which was amortised within the training periods of the services rendered.
- (ii) Government grants received represented the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognised as other income in profit or loss when received. There were no unfulfilled conditions or contingencies relating to these grants.
- (iii) During the Period and the six months ended 28 February 2021, service income mainly represented income derived from granting the rights of canteen and convenient store operations to independent third-party operators and income from services provided to the students related to the introduction of internship and abroad study.

## 5. FINANCE COSTS

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

|  | For the six months ended                      |   |
|--|---|---|
|  | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(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  | –   |
|  | <b>130,899</b>                                | <b>145,719</b>                                |
| Capitalisation rate of borrowing costs capitalised                               | <b>6.11%</b>                                  | –   |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 6. PROFIT BEFORE TAX

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

|  | For the six months ended                      |   |
|--|---|---|
|  | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(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   | –   |

\* During the Period and the six months ended 28 February 2021, management fees represented the annual fees payable to the universities with which the Group had entered into cooperation agreements to operate independent colleges. Management fees are charged based on a certain percentage of tuition fees received or receivable by the Group.

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

### 7. INCOME TAX *(continued)*

The Company is not subject to income tax from the business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended 28 February 2021.

According to the Implementation Rules for the Law for Promoting Private Education issued in the People's Republic of China (the "PRC"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. Up to the date of approval of this financial information, no separate policies, regulations or rules have been promulgated by such authorities in this regard. During the Period, no corporate income tax was provided on the income from the provision of formal education services by the private schools in the PRC (the "PRC Private Schools") of the Group, which have been elected to be private schools requiring reasonable returns. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, these PRC Private Schools did not pay corporate income tax for the income from formal educational services and have enjoyed the preferential tax treatment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Period for these schools. The non-academic education services provided by these schools are subject to corporate income tax at a rate of 25%.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain subsidiaries that are located in Sichuan Province and engaged in the encouraged business are entitled to a preferential CIT rate of 15%. Certain subsidiaries were established in Horgos, Xinjiang, the PRC and are exempted from income tax for the first five years after they have obtained their first production and operation income, in accordance with the preferential tax rules.

All of the Group's non-school subsidiaries established in the PRC were subject to PRC corporate income tax at a rate of 25% during the Period, except those subsidiaries which are mentioned above.

Subsidiaries incorporated in Malaysia were subject to the Malaysian corporate income tax rate of 24% during the Period.

Non-school subsidiaries incorporated in Thailand were subject to the corporate income tax rate of 20% and the school incorporated in Thailand was exempted from corporate income tax during the Period.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 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<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| <b>Earnings</b>   |   |   |
| 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)                                      | –   |
|   | <u>393,295</u>                                | <u>477,873</u>                                |
| Profit attributable to ordinary equity holders of the Company, before fair value losses on convertible bonds used in the diluted earnings per share calculation | <u>393,295</u>                                | <u>477,873</u>                                |

|   | Notes | Number of shares<br>For the six months ended |                                    |
|---|-------|--|------------------------------------|
|   |       | 28 February<br>2022<br>(Unaudited)           | 28 February<br>2021<br>(Unaudited) |
| <b>Shares</b>   |       |  |                                    |
| Weighted average number of ordinary shares used in the basic earnings per share calculation   | (i)   | <u>8,006,367,997</u>                         | <u>7,244,984,707</u>               |
| Effect of dilution – weighted average number of ordinary shares:                              | (ii)  |  |                                    |
| Share options   |       | 28,799,011                                   | 145,297,540                        |
| Convertible bonds   |       | <u>704,827,273</u>                           | <u>–</u>                           |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation |       | <u>8,739,994,281</u>                         | <u>7,390,282,247</u>               |

Notes:

- (i) The weighted average number of 8,006,367,997 ordinary shares in issue during the Period has been adjusted to reflect the new shares issue as set out in note 18 to the interim condensed financial information (For the six months ended 28 February 2021: 7,244,984,707 ordinary shares in issue during the six months ended 28 February 2021).
- (ii) The weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 9. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT, PROPERTY, PLANT AND EQUIPMENT, OTHER INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

|   | Interests in<br>land held for<br>property<br>development<br>RMB'000<br>(Unaudited)<br>(note (a)) | Property,<br>plant and<br>equipment<br>RMB'000<br>(Unaudited)<br>(note (b)) | Other<br>intangible<br>assets<br>RMB'000<br>(Unaudited)<br>(note (c)) | Right-of-use<br>assets<br>RMB'000<br>(Unaudited) |
|---|--|---|---|--|
| Carrying amounts at 1 September 2021                                  | 142,592  | 8,425,972   | 797,111   | 1,405,412  |
| Additions   | –  | 835,776   | 4,892   | 405,670  |
| Acquisition of subsidiaries (note 21)                                 | –  | 838,690   | 476,319   | 220,257  |
| Disposals   | –  | (132)   | –   | –  |
| Disposal of a subsidiary  | –  | (15)  | –   | –  |
| Depreciation/amortisation charged to profit<br>or loss for the Period | (1,614)  | (159,814)   | (9,772)   | (36,257)   |
| Adjustment due to lease modifications                                 | –  | –   | –   | 966  |
| Exchange realignment  | –  | (22,057)  | (4,946)   | (1,599)  |
| Carrying amounts at 28 February 2022                                  | <u>140,978</u>   | <u>9,918,420</u>  | <u>1,263,604</u>  | <u>1,994,449</u>                                 |

Notes:

- (a) The Group's interests in land use rights for property development were in respect of prepayments for the rights to use certain pieces of land situated in Mainland China over fixed periods and held under leases with terms of 40 to 70 years.
- (b) As at 28 February 2022, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB2,450,869,000 (31 August 2021: RMB2,387,034,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (c) As at 28 February 2022, management has concluded that there was no impairment indicator of trade name with indefinite useful life with a net carrying amount of RMB144,186,000 and thus no impairment test was performed.
- (d) As at 28 February 2022, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB277,970,000 (31 August 2021: RMB140,432,000) were pledged to secure the bank loans granted to the Group (note 17(a)).
- (e) As at 28 February 2022, the Group's prepaid land lease payments with a net carrying amount of approximately RMB22,874,000 (31 August 2021: RMB55,995,000) were pledged to secure the bank loans granted to the Group (note 17(a)).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 10. GOODWILL

|   | 28 February<br>2022<br>RMB'000<br>(Unaudited)<br>(Restated) |
|---|---|
| Cost and net carrying amount at 1 September 2021        | 1,296,672   |
| Acquisition of subsidiaries during the Period (note 21) | 750,910   |
| Exchange realignment                                    | (6,333)   |
|   | <hr/>   |
| Cost and net carrying amount at 28 February 2022        | <u>2,041,249</u>  |

Note:

Following the completion of the fair value review during the Period, the Group made a retrospective adjustment of RMB25,132,000 to the provisional "Accruals and other payables" originally recorded during the year ended 31 August 2021 arising from the acquisition of Pioneer College, Inner Mongolia University. The adjustment resulted in a restatement to the "Accruals and other payables – rental payable" and goodwill in the consolidated statement of financial position. The effect of the adjustment made during the 12-month period from acquisition date (the "Measurement Period") in the consolidated statement of financial position is set out below:

|   | Fair value<br>recognised on the<br>acquisition date<br>RMB'000 | Adjustment<br>during the<br>Measurement<br>Period<br>RMB'000 | Fair value<br>recognised<br>on the<br>acquisition date<br>RMB'000<br>(Restated) |
|---|--|--|---|
| Property, plant and equipment               | 404,279  | –  | 404,279   |
| Right-of-use assets                         | 61,558   | –  | 61,558  |
| Other intangible assets                     | 255,442  | –  | 255,442   |
| Cash and bank balances                      | 34,968   | –  | 34,968  |
| Prepayments and other receivables           | 708  | –  | 708   |
| Contract liabilities                        | (44,904)   | –  | (44,904)  |
| Accruals and other payables                 | (87,801)   | (25,132)   | (112,933)   |
| Due to the Group                            | (175,847)  | –  | (175,847)   |
| Bank loans and other borrowings             | (16,756)   | –  | (16,756)  |
| Deferred income                             | (493)  | –  | (493)   |
|   | <hr/>  | <hr/>  | <hr/>   |
| Total identifiable net assets at fair value | 431,154  | (25,132)   | 406,022   |
|   | <hr/>  | <hr/>  | <hr/>   |
| Total consideration                         | 500,000  | –  | 500,000   |
| Less: Net assets acquired                   | (431,154)  | 25,132   | (406,022)   |
|   | <hr/>  | <hr/>  | <hr/>   |
| Goodwill                                    | <u>68,846</u>  | <u>25,132</u>  | <u>93,978</u>   |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 10. GOODWILL *(continued)*

The Group performed its annual impairment testing in August and when circumstances indicated that the carrying value may be impaired. During the Period, the share price of the Group decreased significantly resulting in that the total amount of the market capitalisation of the Group was lower than the net assets of the Group as at 28 February 2022. In the opinion of the management, the decrease in share price was mainly due to the adverse market conditions but there were no significant adverse changes in the operating results and macro environment for the education business in Mainland China during the Period. The outbreak of the novel coronavirus (COVID-19) had a certain impact on the education business of the Group in Malaysia, mainly due to domestic travel restrictions and closure of campuses during the outbreak period. The Group has put in place certain alternative action plans for its students during the campus closure period, which included the implementation of on-line modules and website distance learning activities.

In view of the implementation of the above-mentioned action plans, management has concluded that there was no impairment indicator of goodwill at 28 February 2022. Accordingly, management did not perform impairment testing on goodwill as at 28 February 2022.

### 11. 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<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(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                                    |
|                | <u>72,226</u>                                 | <u>126,106</u>                            |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|  | Note | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|--|------|---|---|
| <b>Current portion:</b>                          |      |   |   |
| Loans to third parties                           | (a)  | 531,551                                       | 576,551                                   |
| Interest receivables from third parties          | (a)  | 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>                          |
| <b>Non-current portion:</b>                      |      |   |   |
| 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                            | (a)  | 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>                   |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Note:

- (a) Loans to third parties and interest receivables from third parties consisted of the following:

|                            | Notes | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|----------------------------|-------|---|---|
| Guixi Property:            | (i)   |   |   |
| Principal                  |       | 446,550                                       | 446,550                                   |
| Interest receivables       |       | 131,893                                       | 115,353                                   |
|                            |       | <u>578,443</u>                                | <u>561,903</u>                            |
| An independent third party |       |   |   |
| Principal                  |       | –   | 60,000                                    |
| Interest receivables       |       | –   | 253                                       |
|                            |       | <u>–</u>                                      | <u>60,253</u>                             |
| Zhongsheng Real Estate     | (ii)  |   |   |
| Principal                  |       | 115,001                                       | 70,001                                    |
| Interest receivables       |       | 26,716  | 23,095                                    |
|                            |       | <u>141,717</u>                                | <u>93,096</u>                             |
|                            |       | <u>720,160</u>                                | <u>715,252</u>                            |

- (i) Loans of RMB446,550,000 to Chengdu Wuhou Guixi Property Development Company Limited (“Guixi Property”), a company controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute, bear interest at a fixed rate of 7.5% per annum. The loans are secured by the pledge of certain buildings and car parks (the “Collateral”) belonging to Guixi Property.

As at 28 February 2022, the principal of the loans of RMB446,550,000 and interest receivables arising thereon with the amount of RMB131,893,000 have been past due. The Group does not recognise any expected credit losses (“ECLs”) as the fair value of the Collateral held by the Group as at 31 August 2021 over the principal of the loans and the interest receivables of approximately RMB1,079,776,000 is significantly higher than the aggregate amount of the loans and the interest receivables. The fair value of the Collateral was determined by an independent qualified valuer at 31 August 2021. The fair value was revisited by the directors with reference to the market trend of the real estate market in which there were no significant adverse changes during the Period. The Group has taken legal actions in recovering the loans and interest receivables through the Collateral.

- (ii) The balance represented loans to Chongqing Zhongsheng Real Estate Development Company Limited (“Zhongsheng Real Estate”), a former subsidiary of the Group, and interest receivables arising thereon at a fixed rate of 8% per annum. The loan and interest receivable are secured by 60% equity interests in Zhongsheng Real Estate.

Except as disclosed above, all the receivables are interest-free, are not secured with collateral and have no recent historical of default.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 13. CASH AND CASH EQUIVALENTS

|   | Notes | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|---|-------|---|---|
| Cash and bank balances                                    |       | 962,506                                       | 4,534,404                                 |
| Time deposits with original maturity of over three months |       | 268,000                                       | 280,000                                   |
|   |       | <u>1,230,506</u>                              | <u>4,814,404</u>                          |
| <i>Less:</i>  |       |   |   |
| <i>Pledged deposits for:</i>                              |       |   |   |
| Bank loans  |       |   |   |
| Current   |       | (1,048)                                       | (12,823)                                  |
| Non-current   | 17(a) | (260,000)                                     | (260,000)                                 |
| Performance guarantee – Current                           | (i)   | (8,000)                                       | (8,000)                                   |
| <i>Restricted bank balance in escrow accounts</i>         | (ii)  |   |   |
| Current   |       | –   | (130,553)                                 |
| Non-current   |       | (36,138)                                      | (36,083)                                  |
| <i>Other restricted bank balances – current</i>           |       | (11,332)                                      | (9,658)                                   |
| Total pledged and restricted deposits                     |       | <u>(316,518)</u>                              | <u>(457,117)</u>                          |
| Cash and bank balances                                    |       | <u><u>913,988</u></u>                         | <u><u>4,357,287</u></u>                   |

Notes:

- (i) Pledged deposits for performance guarantee mainly consisted of deposits pledged for the performance guarantee of the construction of new campus in Sichuan Province and will be released from pledged deposits according to the construction progress.
- (ii) The amount represents cash received from relating authorities and placed into escrow accounts for the construction of a new campus and procurement of school equipment in Jiangxi Province. During the Period, a government grant of RMB130,000,000 and interest income arising thereon of RMB553,000 had been released from the escrow accounts and repaid to the government following the termination of the construction of a new campus.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 13. CASH AND CASH EQUIVALENTS *(Continued)*

The cash and cash equivalents were denominated in the following currencies:

|                               | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|-------------------------------|---|---|
| RMB                           | 1,035,676                                     | 3,885,035                                 |
| Hong Kong Dollar ("HK\$")     | 13,358  | 14,867                                    |
| Malaysian ringgit ("RM")      | 127,182                                       | 153,687                                   |
| United States Dollar ("US\$") | 7,856   | 760,796                                   |
| Thailand Baht ("THB")         | 46,434  | 19  |
| Cash and cash equivalents     | <u>1,230,506</u>                              | <u>4,814,404</u>                          |

### 14. 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<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(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                                    |
|                | <u>72,224</u>                                 | <u>57,709</u>                             |

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 15. OTHER PAYABLES AND ACCRUALS

|   | Notes | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited)<br>(Restated) |
|---|-------|---|---|
| <b>Current portion:</b>   |       |   |   |
| Payables for purchase of property, plant and equipment                              |       | 810,373                                       | 911,724   |
| Payables for acquisitions of equity interests                                       | (a)   | 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  | (b)   | 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  |
|   |       | <b>3,241,144</b>                              | <b>2,814,398</b>  |
| <b>Non-current portion:</b>   |       |   |   |
| Payables for conversion of certain independent colleges into fully private colleges |       | 545,866                                       | 609,288   |
| Other payables  |       | 9,021   | 10,164  |
|   |       | <b>554,887</b>                                | <b>619,452</b>  |
|   |       | <b>3,796,031</b>                              | <b>3,433,850</b>  |

Notes:

- (a) At 28 February 2022, payables for acquisitions of equity interests include liability of a put option granted to a shareholder amounted to RMB318,711,000 (31 August 2021: Nil).
- (b) Loans from third parties were provided by two companies controlled by the former shareholder of Shaanxi University, which bore interest at interest rates of 15% and 15.5% per annum, respectively, repayable on demand and were not secured with collateral.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 16. DEFERRED INCOME

|   | 28 February 2022<br>RMB'000<br>(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 (note 4)               | (6,065)                                    |
|   | <hr/>                                      |
| At 28 February 2022                               | <u>1,564,998</u>                           |
|   | <hr/>                                      |
| Current   | 28,203                                     |
| Non-current                                       | 1,536,795                                  |
|   | <hr/>                                      |
|   | <u>1,564,998</u>                           |
|   | <hr/>                                      |
| <i>Government grants related to expense items</i> |  |
| At 1 September 2021                               | 30,897                                     |
| Government grants received                        | 7,215                                      |
| Released to profit or loss (note 4)               | (7,328)                                    |
|   | <hr/>                                      |
| At 28 February 2022 – Current                     | <u>30,784</u>                              |
|   | <hr/>                                      |

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

|                                  | 28 February 2022                        |                      |                     | 31 August 2021                        |                    |                   |
|----------------------------------|---|----------------------|---------------------|---------------------------------------|--------------------|-------------------|
|                                  | Effective interest rate (%) (Unaudited) | Maturity (Unaudited) | RMB'000 (Unaudited) | Effective interest rate (%) (Audited) | Maturity (Audited) | RMB'000 (Audited) |
| <b>Current</b>                   |   |                      |                     |                                       |                    |                   |
| Bank loans – secured             | 4.30-7.00                               | 2022-2023            | 539,245             | 4.35-5.20                             | 2021               | 35,000            |
| Bank loans – secured             | -                                       | on demand            | 3,570               | -                                     | On demand          | 3,570             |
| Bank loans – unsecured           | -                                       | -                    | -                   | 4.80                                  | 2021               | 28,635            |
| Other borrowings – secured       | -                                       | -                    | -                   | 10.33                                 | 2021               | 30,015            |
| Current portion of:              |   |                      |                     |                                       |                    |                   |
| - long term bank loans – secured | 4.75-6.50                               | 2022-2023            | 247,898             | 4.75-6.50                             | 2021-2022          | 189,692           |
| - syndicated loan – secured      | -                                       | -                    | -                   | LIBOR+2.6                             | 2021               | 1,601,675         |
| - other borrowings – secured     | 7.00-15.05                              | 2022-2023            | 529,459             | 7.00-14.50                            | 2021-2022          | 251,809           |
|                                  |   |                      | <u>1,320,172</u>    |                                       |                    | <u>2,140,396</u>  |
| <b>Non-current</b>               |   |                      |                     |                                       |                    |                   |
| Bank loans – secured             | 4.34-6.50                               | 2023-2025            | 532,000             | 4.34-6.50                             | 2022-2025          | 681,957           |
| Other borrowings – secured       | 7.16-15.05                              | 2023-2025            | 259,620             | 7.00-14.50                            | 2022-2023          | 288,149           |
|                                  |   |                      | <u>791,620</u>      |                                       |                    | <u>970,106</u>    |
|                                  |   |                      | <u>2,111,792</u>    |                                       |                    | <u>3,110,502</u>  |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

The Group's bank and other borrowings are denominated in the following currencies:

|                           | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|---------------------------|---|---|
| RMB                       | 2,111,792                                     | 1,505,522                                 |
| RM                        | –   | 3,305                                     |
| US\$                      | –   | 1,601,675                                 |
| Bank and other borrowings | <u>2,111,792</u>                              | <u>3,110,502</u>                          |

The Group's bank loans and other borrowings are secured by:

(a) Mortgages over the following assets:

- (i) Certain of the Group's non-current assets were pledged for bank loans of RMB206,000,000 as at 28 February 2022 (31 August 2021: RMB119,830,000):

|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|---|---|---|
| <i>Net book amount of:</i>                |   |   |
| Property, plant and equipment (note 9(c)) | 277,970                                       | 140,432                                   |
| Prepaid land lease payments (note 9(e))   | 22,874  | 55,995                                    |
|   | <u>300,844</u>                                | <u>196,427</u>                            |

- (ii) Buildings of third parties:

The bank and other loans of the Group amounting to RMB26,626,000 as at 28 February 2022 (31 August 2021: RMB94,716,000) were pledged by the buildings owned by third parties.

- (iii) The Group's deposits amounting to RMB260,000,000 (note 13) as at 28 February 2022 (31 August 2021: RMB260,000,000) were pledged for the bank loan of the Group amounting to RMB250,000,000 (31 August 2021: RMB250,000,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(continued)*

(b) Pledges of equity interests in the following subsidiaries:

- (i) 100% of the equity interest in Top Education has been pledged for the bank loans of RMB264,000,000 as at 28 February 2022 (31 August 2021: RMB364,000,000).
- (ii) 100% of the equity interests in Shanghai Pumeng Zhichuan Education Technology Co., Ltd. and Kunshan Xinwei Education Investment & Development Co., Ltd. have been pledged for bank loans of RMB134,400,000 as at 28 February 2022 (31 August 2021: RMB134,400,000).
- (iii) 100% of the equity interest in Taiyuan Xudong Technology Development Co., Ltd. has been pledged for the bank loans of RMB150,000,000 as at 28 February 2022 (31 August 2021: Nil).

(c) The rights over tuition or boarding fees of the following schools:

|   | Loan amount                                   |   |
|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
| Sichuan Tianyi College                            | 38,998  | 38,264                                    |
| Southwest Jiaotong University Hope College        | –   | 185,000                                   |
| Sichuan TOP IT Vocational Institute               | 264,000                                       | 364,000                                   |
| Suzhou Top Institute, Kunshan Technical School    | 134,400                                       | 134,400                                   |
| Jinken Vocational and Technical College           | 26,626  | 48,076                                    |
| Guizhou Qiannan College of Science and Technology | 232,000                                       | 232,000                                   |
|   | <b>696,024</b>                                | <b>1,001,740</b>                          |

(d) Guarantees from the following parties:

|   | Loan amount                                   |   |
|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
| Mr. Wang Huiwu, one of the ultimate jointly controlling parties | 846,096                                       | 134,400                                   |
| Former shareholders of Nanjing Jinken                           | 154,328                                       | 332,420                                   |
| Former shareholders of Shaanxi University                       | 163,556                                       | –   |
|   | <b>1,163,980</b>                              | <b>466,820</b>                            |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 18. SHARE CAPITAL

|   | 28 February<br>2022<br>US\$<br>(Unaudited) | 31 August<br>2021<br>US\$<br>(Audited) |
|---|--|--|
| Authorised:   |  |  |
| 10,000,000,000 shares of US\$0.00001 each   | <u>100,000</u>                             | <u>100,000</u>                         |
| Issued and fully paid:  |  |  |
| 8,027,550,706 shares (31 August 2021:<br>7,981,260,173 ordinary shares) of US\$0.00001 each | <u>80,276</u>                              | <u>79,813</u>                          |
| Equivalent to approximately   | <u>RMB544,815</u>                          | <u>RMB541,863</u>                      |

A summary of movements in the Company's share capital is as follows:

|                         | Number of<br>shares in issue<br>(Unaudited) | Share capital<br>RMB<br>(Unaudited) |
|-------------------------|---|-------------------------------------|
| At 1 September 2021     | 7,981,260,173                               | 541,863                             |
| Share options exercised | <u>46,290,533</u>                           | <u>2,952</u>                        |
| At 28 February 2022     | <u>8,027,550,706</u>                        | <u>544,815</u>                      |

The subscription rights attaching to 46,290,533 share options were exercised at the subscription price from HK\$1.07 to HK\$1.30 per share (note 24), resulting in the issue of 46,290,533 shares for a total cash consideration of RMB40,628,000.

### 19. DIVIDENDS

At the meeting of the Directors held on 26 April 2022, the Directors did not recommend any payment of interim dividend (Six months ended 28 February 2021: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 20. INVESTMENT IN AN ASSOCIATE

|                         | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000 |
|-------------------------|---|------------------------------|
| Share of net assets     | –   | 293,491                      |
| Goodwill on acquisition | –   | 87,846                       |
|                         | <u>–</u>                                      | <u>381,337</u>               |

The Group indirectly held 8.75% equity interests in Dingli Corp., Ltd. (“Dingli”) through its indirectly subsidiary, Sichuan Tequ Mayflower Education Management Co., Ltd. (“Tequ Mayflower”). The Group are in the position to exercise significant influence on Dingli and accounted for it using the equity method.

On 31 August 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Tequ Mayflower to Chengdu Pengyang Enterprise Management Consulting Limited, a related party, at a total consideration of RMB527,000,000, which in turn indirectly disposed of the 8.75% equity interests in Dingli. The disposal had been approved at the extraordinary general meeting of the Company held on 20 November 2021. The net assets of Tequ Mayflower at the date of the disposal are as follows:

|                                   | RMB'000        |
|-----------------------------------|----------------|
| Net assets disposed of:           |                |
| Property, plant and equipment     | 15             |
| Investment in an associate        | 362,410        |
| Cash and bank balances            | 59,422         |
| Prepayments and other receivables | 646            |
| Due from the related parties      | 69,157         |
| Accruals and other payables       | (6,613)        |
|                                   | <u>485,037</u> |
| Gain on disposal of a subsidiary  | 41,963         |
|                                   | <u>527,000</u> |
| Satisfied by:                     |                |
| Due from a related party          | <u>527,000</u> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 20. INVESTMENT IN AN ASSOCIATE *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

|   | RMB'000       |
|---|---------------|
| Cash and bank balances disposed of  | 59,422        |
| Cash received during the Period   | —             |
| Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary | <u>59,422</u> |

### 21. BUSINESS COMBINATIONS

- (a) On 18 November 2021, the Group acquired a 100% equity interest in Faith Star (Thailand) Company Limited and its subsidiary Shinawatra University (the “Shinawatra University Group”) which is engaged in the provision of private higher education services in Thailand. The purchase consideration was THB1,039,000,000 (equivalent to approximately RMB204,528,000).

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

- (b) On 25 February 2022, the Group acquired a 70% sponsor right in a private university in Xi’an City, Shaanxi Province, the PRC (the “Shaanxi University”) from independent third parties (the “seller”). As part of the agreement, the Group granted the seller a right to sell the remaining sponsor right of 30% to the Group at any time at a consideration, which is dependent on the audited earnings before interest, taxes, depreciation and amortization of Shaanxi University of the preceding year when put option was exercised. The put option granted is accounted for as financial liability at the fair value through profit or loss. The total consideration of the acquisition of the abovementioned 100% sponsor right is RMB808,711,000.

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

The principal activity of these newly acquired schools is mainly the provision of education services.

The acquisitions of the Shinawatra University Group and Shaanxi University have been accounted for using the acquisition method.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 21. BUSINESS COMBINATIONS *(Continued)*

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

|   | Shinawatra<br>University<br>Group<br>RMB'000<br>(Unaudited) | Shaanxi<br>University<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(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>                  |

In the opinion of the Directors, the fair values of trade receivables, prepayments and other receivables as at the respective acquisition dates of the Shinawatra University Group and Shaanxi University amounted to RMB2,047,000 and RMB46,817,000, respectively. The total gross contractual amounts of trade receivables, prepayments and other receivables of the Shinawatra University Group and Shaanxi University were RMB2,047,000 and RMB477,879,000, respectively, of which other receivables of RMB431,062,000 of Shaanxi University are expected to be uncollectible.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The Group incurred transaction costs of RMB514,000 during the Period and RMB690,000 during the year ended 31 August 2021 for the acquisition of the Shinawatra University Group. These transaction costs have been expensed and are included in other expenses in the profit or loss.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 21. BUSINESS COMBINATIONS *(continued)*

Goodwill arising from the above acquisitions:

|  | Shinawatra<br>University<br>Group<br>RMB'000<br>(Unaudited) | Shaanxi<br>University<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(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>                  |

\* The identifiable net assets for Shaanxi University acquired should be subjected to the provisional payable for the land use right, of which the Group is in customary process of obtaining the relevant certificate. Therefore, the identifiable net assets may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 25 February 2023 (one year after the transaction).

The gain on a bargain purchase arose from the increase in fair value of the property, plant and equipment of the Shinawatra University Group and the need of the vendor to dispose of the investment as a result of the lack of management experience in operating an education institute.

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

Analyses of the cash flows in respect of the above acquisitions are as follows:

|  | Shinawatra<br>University<br>Group<br>RMB'000<br>(Unaudited) | Shaanxi<br>University<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|---|---|---------------------------------|
| Cash paid during the period  | (181,573)   | –   | (181,573)                       |
| Cash and cash equivalents acquired   | <u>33,754</u>   | <u>391</u>                                      | <u>34,145</u>                   |
| Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities | <u>(147,819)</u>  | <u>391</u>                                      | <u>(147,428)</u>                |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 21. BUSINESS COMBINATIONS *(continued)*

Contribution to the Group's revenue and consolidated profit for the Period since the respective acquisition dates are as follows:

|                     | Shinawatra<br>University<br>Group<br>RMB'000<br>(Unaudited) | Shaanxi<br>University<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|---------------------|---|---|---------------------------------|
| Revenue             | 10,375  | –   | 10,375                          |
| Consolidated profit | <u>2,873</u>  | <u>–</u>  | <u>2,873</u>                    |

Had the combination taken place at the beginning of the Period, the revenue of the Group and the profit of the Group for the Period would have been increased by:

|                     | Shinawatra<br>University<br>Group<br>RMB'000<br>(Unaudited) | Shaanxi<br>University<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|---------------------|---|---|---------------------------------|
| Revenue             | 19,731  | 214,903   | 234,634                         |
| Consolidated profit | <u>5,291</u>  | <u>22,735</u>                                   | <u>28,026</u>                   |

### 22. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting periods:

|                                  | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|----------------------------------|---|---|
| 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>                          |

## 23. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Name and relationship

The Directors are of the opinion that the following parties/companies are related parties that had significant transactions or balances with the Group during the Period.

| Related parties  | Relationships   |
|--|---|
| Mr. Wang Huiwu   | One of the ultimate jointly controlling parties                   |
| Mr. Chen Yuxin   | One of the ultimate jointly controlling parties                   |
| Mr. Wang Xiaoqiang   | Relative of Mr. Wang Huiwu  |
| Sichuan Tequ Investment Group Ltd.<br>("Tequ Investment Group")                              | One of the jointly controlling shareholders                       |
| Sichuan Tequ Education Management Co., Ltd.<br>("Tequ Education")                            | A company controlled by the jointly controlling shareholders      |
| Ziyang Automobile Science and Technology Vocational College ("Ziyang Automobile College")    | A school controlled by Tequ Education                             |
| Ziyang May Sunshine Property Development Co., Ltd.<br>("Ziyang Property")                    | A company controlled by a close relative of Mr. Wang Huiwu        |
| Sichuan Mayflower Wine Sales Co., Ltd.<br>("Mayflower Wine Sales")                           | A company controlled by a close relative of Mr. Wang Huiwu        |
| Sichuan Rongxing Driving School Co., Ltd.<br>("Rongxing Driving School")                     | A company controlled by a close relative of Mr. Wang Huiwu        |
| Sichuan Mayflower Construction Project Co., Ltd.<br>("Sichuan Mayflower Construction")       | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Xiwang Tianyuan Insurance Co., Ltd.<br>("Tianyuan Insurance")                                | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Chengdu Mayflower Property Management Co., Ltd.<br>("Chengdu Mayflower Property Management") | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Sichuan Wuyang Construction Co., Ltd.<br>("Wuyang Construction")                             | A company controlled by a close relative of Mr. Wang Huiwu        |
| Chengdu Mayflower Senior Technical School<br>("Chengdu Mayflower Technical")                 | A company controlled by Tequ Education                            |
| Guizhou Mayflower Property Development Co., Ltd.<br>("Guizhou Mayflower Property")           | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Chengdu Wanfengyuan Catering Service Co., Ltd.<br>("Chengdu Wanfengyuan Catering Service")   | A company controlled by a close relative of Mr. Wang Huiwu        |
| Guizhou Qiannan College of Science and Technology  | Joint venture of the Group before 31 May 2021                     |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

#### (a) Name and relationship *(continued)*

| Related parties  | Relationships   |
|--|---|
| Gongqing College of Nanchang University  | Joint venture of the Group  |
| Meishan Tequ Linjia Education Consulting Co., Ltd. (“Meishan Tequ Linjia”)       | A company controlled by Tequ Investment Group                     |
| Meishan Tequ Shuanglin Education Consulting Co., Ltd. (“Shuanglin Education”)    | A company controlled by Tequ Investment Group                     |
| Chengdu Pengyang Enterprise Management Consulting Co., Ltd. (“Chengdu Pengyang”) | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Middle School of Shaanxi University  | Legally owned by the Group  |
| Tequ Mayflower   | A company jointly controlled by Mr. Wang Huiwu and Mr. Chen Yuxin |
| Meishan Tequ Bolin Enterprise Management Co., Ltd.                               | An associate of Tequ Investment Group                             |

#### (b) Transactions with related parties

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

##### (i) Loans provided to related parties

|  | For the six months ended                      |   |
|--|---|---|
|  | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| To joint ventures*                       |   |   |
| Loans provided                           | 4,306   | –   |
| Loans repaid                             | (23,000)                                      | (181,000)                                     |
| Interest expense charged                 | 511   | 9,855   |
| Interest received                        | (632)   | (22,586)                                      |
| Effective interest rate, per annum       | 6%-6.5%                                       | 8%  |
| A loan provided to Shuanglin Education** | <u>181,587</u>                                | <u>–</u>                                      |

\* The Group provided loans to and received loans repaid by Gongqing College of Nanchang University during the Period and received loans repaid by Guizhou Qiannan College of Science and Technology during the six months ended 28 February 2021.

\*\* The loan provided to Shuanglin Education during the Period was for the payment of land and further information can be found in the Company’s announcement dated 24 December 2021.

The above loans are unsecured.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

#### (b) Transactions with related parties *(continued)*

##### *(ii) A loan received from Mr. Wang Huiwu*

|                                    | For the six months ended                      |   |
|------------------------------------|---|---|
|                                    | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Loans received                     | –   | 201,323                                       |
| Interest expense charged           | 5,389   | 1,140   |
| Effective interest rate, per annum | 6%  | 6%  |

##### *(iii) Procurement of property, equipment and fixtures*

|                            | For the six months ended                      |   |
|----------------------------|---|---|
|                            | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Guizhou Mayflower Property | –   | 796   |
| Other related parties      | 30  | 22  |
|                            | <u>30</u>                                     | <u>818</u>                                    |

The considerations for the construction and procurement of properties were determined at prices mutually agreed between the Group and its related parties with reference to the pricing obtained from the market.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

#### (b) Transactions with related parties *(continued)*

##### *(iv) Goods purchased and services received from related parties*

|                                       | For the six months ended                      |   |
|---------------------------------------|---|---|
|                                       | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Chengdu Wanfengyuan Catering Service  | 1,451   | –   |
| Mayflower Wine Sales                  | 1,271   | 1,451   |
| Chengdu Mayflower Property Management | 337   | 601   |
| Tianyuan Insurance                    | 881   | 386   |
| Mr. Wang Xiaoqiang                    | 127   | 149   |
| Wuyang Construction                   | –   | 11  |
| Others                                | 140   | 424   |
|                                       | <u>4,207</u>                                  | <u>3,022</u>                                  |

The purchases of goods or services from the related parties were determined at prices mutually agreed between the Group and its related parties with reference to the pricing obtained from the market.

##### *(v) Properties leased to related parties*

|                           | For the six months ended                      |   |
|---------------------------|---|---|
|                           | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Ziyang Automobile College | 339   | 1,101   |
| Rongxing Driving School   | 524   | 524   |
| Others                    | 9   | 317   |
|                           | <u>872</u>                                    | <u>1,942</u>                                  |

Rental charges were determined at prices mutually agreed between the Group and its related parties with reference to the pricing obtained from an appraiser.

## 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

### (b) Transactions with related parties *(continued)*

#### *(vi) Goods sold and services provided to related parties*

|   | For the six months ended                      |   |
|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Gongqing College of Nanchang University           | 10,363  | –   |
| Chengdu Mayflower Property Management             | 299   | –   |
| Chengdu Wanfengyuan Catering Service              | 241   | –   |
| Guizhou Qiannan College of Science and Technology | –   | 7,387   |
| Others  | 548   | 134   |
|   | <u>11,451</u>                                 | <u>7,521</u>                                  |

Services provided to the related parties were charged at prices mutually agreed between the Group and its related parties with reference to the pricing obtained from the market.

#### *(vii) Acquisition of an equity interest from a related party*

On 23 December 2021, the Group acquired a 100% equity interest in Meishan Tequ Bolin Real Estate Limited from Meishan Tequ Bolin Enterprise Management Limited, an associate of Tequ Investment Group, at a consideration of RMB50,000,000. The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

#### (c) Balances with related parties

*Amounts due from related parties*

|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|---|---|---|
| <b>Non-trade in nature</b>                        |   |   |
| Gongqing College of Nanchang University – current | 4,331   | 23,115                                    |
| <b>Trade in nature – current</b>                  |   |   |
| Shuanglin Education                               | 181,587                                       | –   |
| Chengdu Pengyang                                  | 527,000                                       | –   |
| Middle School of Shaanxi University               | 47,827  | –   |
| Chengdu Mayflower Technical                       | 1,834   | 18,803                                    |
| Gongqing College of Nanchang University           | 993   | 6,848                                     |
| Chengdu Mayflower Property Management             | 677   | 2,309                                     |
| Ziyang Automobile College                         | 2,397   | 1,676                                     |
| Guizhou Mayflower Property                        | 1,313   | 1,313                                     |
| Wang Xiao Qiang                                   | 699   | 686                                       |
| Wuyang Construction                               | –   | 500                                       |
| Rongxing Driving School                           | 133   | –   |
| Others  | 1,235   | 1,379                                     |
|   | <u>765,695</u>                                | <u>33,514</u>                             |
| <b>Trade in nature – non-current</b>              |   |   |
| Meishan Tequ Linjia                               | 50,000  | –   |
|   | <u>820,026</u>                                | <u>56,629</u>                             |

Except for the amounts due from Gongqing College of Nanchang University of RMB4,331,000, amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 23. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

#### (c) Balances with related parties *(continued)*

*Amounts due to related parties*

|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
|---|---|---|
| <b>Non-trade in nature</b>              |   |   |
| Mr. Wang Huiwu – current                | 184,956                                       | 179,905                                   |
| <b>Trade in nature</b>                  |   |   |
| Wuyang Construction                     | 15,518  | 15,518                                    |
| Tianyuan Insurance                      | 71  | 582                                       |
| Gongqing College of Nanchang University | 24,791  | –   |
| Tequ Mayflower                          | 50,101  | –   |
| Sichuan Mayflower Construction          | 126,028                                       | –   |
| Others                                  | 1,992   | 3,130                                     |
|   | <u>218,501</u>                                | <u>19,230</u>                             |
|   | <u>403,457</u>                                | <u>199,135</u>                            |

Except for the amounts due to Mr. Wang Huiwu of RMB184,956,000 and amounts due to Sichuan Mayflower Construction of RMB26,028,000, amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

#### (d) Compensation of key management personnel of the Group:

|   | For the six months ended                      |   |
|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 28 February<br>2021<br>RMB'000<br>(Unaudited) |
| Salaries, allowances and benefits in kind | 1,367   | 2,222   |
| Pension scheme contributions              | 146   | 185   |
|   | <u>1,513</u>                                  | <u>2,407</u>                                  |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 24. SHARE OPTION SCHEME

#### (i) Movements in share options

The following share options were outstanding under the 2018 Pre-IPO Share Option Scheme during the Period:

|                                       | Weighted average<br>exercise price<br>HK\$ | Number of options |
|---------------------------------------|--|-------------------|
| At 1 September 2021                   | 1.16                                       | 276,577,787       |
| Exercised during the Period (note 18) | 1.07                                       | (46,290,533)      |
| At 28 February 2022                   | 1.17                                       | 230,287,254       |

There are in total three tranches of share options under the 2018 Pre-IPO Share Option Scheme, namely tranche A (“Tranche A Options”), tranche B (“Tranche B Options”) and tranche C (“Tranche C Options”).

#### (ii) Outstanding share options

The following table discloses the details of share options outstanding at 28 February 2022:

|                   | Number of<br>share options | Exercise price<br>per share<br>HK\$ | Fair value<br>per share<br>RMB | Exercise period       |
|-------------------|----------------------------|-------------------------------------|--------------------------------|-----------------------|
| Tranche A Options | 168,372                    | 0.6800                              | 0.4427                         | 30.1.2019 – 18.3.2038 |
| Tranche B Options | 125,037,323                | 1.0700                              | 0.3542                         | 30.1.2019 – 18.3.2038 |
| Tranche C Options | 105,081,559                | 1.3000                              | 0.3133                         | 30.1.2019 – 18.3.2038 |
|                   | <u>230,287,254</u>         |                                     |                                |                       |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

|   | Carrying amount                               |   | Fair value                                    |   |
|---|---|---|---|---|
|   | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) | 28 February<br>2022<br>RMB'000<br>(Unaudited) | 31 August<br>2021<br>RMB'000<br>(Audited) |
| <b>Financial assets</b>                                 |   |   |   |   |
| Pledged and restricted deposits,<br>non-current portion | 296,138                                       | 296,083                                   | 296,138                                       | 296,083                                   |
| Other receivables, non-current portion                  | 98,278  | –   | 98,278  | –   |
|   | <u>394,416</u>                                | <u>296,083</u>                            | <u>394,416</u>                                | <u>296,083</u>                            |
| <b>Financial liabilities</b>                            |   |   |   |   |
| Other payables, non-current portion                     | 554,887                                       | 619,452                                   | 554,887                                       | 619,452                                   |
| Liability of a put option granted to a shareholder      | 318,711                                       | –   | 318,711                                       | –   |
| Convertible bonds                                       | 1,856,008                                     | 1,892,889                                 | 1,856,008                                     | 1,892,889                                 |
| Interest-bearing bank loans, non-current portion        | 791,620                                       | 970,106                                   | 768,278                                       | 951,972                                   |
| Derivative financial instruments                        |   |   |   |   |
| – interest rate swap                                    | –   | 2,817                                     | –   | 2,817                                     |
|   | <u>3,521,226</u>                              | <u>3,485,264</u>                          | <u>3,497,884</u>                              | <u>3,467,130</u>                          |

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of the pledged and restricted deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, trade payables, short-term interest-bearing bank and other borrowings and the current portion of amounts due from/to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group has estimated the fair value of the non-current pledged and restricted deposits by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the non-current interest-bearing bank and other borrowings and the non-current other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current financial liabilities as at 28 February 2022 was assessed to be insignificant.

The fair value of liability of a put option granted to a shareholder was based on the significant unobservable inputs, including the estimated audited earnings before interest, taxes, depreciation and amortization and discount rate. It's estimated that with all other variables held constant, a significant increase (decrease) in the estimated audited earnings before interest, taxes, depreciation and amortization would result in a significant increase (decrease) in the fair value of the put option granted to a shareholder, and a significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the put option granted to a shareholder.

The fair value of convertible bonds is measured using the binomial model. The model incorporates unobservable inputs including share price volatility and discount rate. The carrying amount of the conversion right embedded in the composite instrument is the same as its fair value. Below is a summary of significant unobservable inputs to the valuation of convertible bonds together with a quantitative sensitivity analysis as at 28 February 2022:

|  | Valuation technique | Significant unobservable input | Rate                               | Sensitivity of fair value to the input   |
|--|---------------------|--------------------------------|------------------------------------|--|
| Financial liabilities designated as at fair value through profit or loss (convertible bonds) | Binomial model      | Volatility of share price      | 59.81%<br>(31 August 2021: 57.61%) | 5% increase/decrease would result in increase/decrease in fair value by RMB3,008,000/ RMB5,606,000 |
|  |                     | Discount rate                  | 10.33%<br>(31 August 2021: 9.93%)  | 5% increase/decrease would result in decrease/increase in fair value by RMB3,302,000/ RMB3,308,000 |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

The Group did not have any financial assets measured at fair value as at 28 February 2022 and 31 August 2021.

Liabilities measured at fair value:

28 February 2022

|  | Fair value measurement using  |  |  | Total<br>RMB'000<br>(Unaudited) |
|--|---|--|--|---------------------------------|
|  | Quoted<br>prices in<br>active<br>markets<br>Level 1<br>RMB'000<br>(Unaudited) | Significant<br>observable<br>inputs<br>Level 2<br>RMB'000<br>(Unaudited) | Significant<br>unobservable<br>inputs<br>Level 3<br>RMB'000<br>(Unaudited) |                                 |
| Convertible bonds                                  | -   | -  | 1,856,008  | 1,856,008                       |
| Liability of a put option granted to a shareholder | -   | -  | 318,711  | 318,711                         |
|  | <u>-</u>  | <u>-</u>   | <u>2,174,719</u>   | <u>2,174,719</u>                |

31 August 2021

|  | Fair value measurement using  |  |  | Total<br>RMB'000<br>(Unaudited) |
|--|---|--|--|---------------------------------|
|  | Quoted<br>prices in<br>active<br>markets<br>Level 1<br>RMB'000<br>(Unaudited) | Significant<br>observable<br>inputs<br>Level 2<br>RMB'000<br>(Unaudited) | Significant<br>unobservable<br>inputs<br>Level 3<br>RMB'000<br>(Unaudited) |                                 |
| Convertible bonds  | -   | -  | 1,892,889  | 1,892,889                       |
| Derivative financial instruments<br>– interest rate swap | -   | 2,817  | -  | 2,817                           |
|  | <u>-</u>  | <u>2,817</u>   | <u>1,892,889</u>   | <u>1,895,706</u>                |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2022

### 26. EVENTS AFTER THE REPORTING PERIOD

- (i) The resolution related to a proposed adoption of share option scheme (the “2022 Share Option Scheme”) was passed by the Shareholders by way of poll at the extraordinary general meeting held on 18 March 2022 (“Adoption Date”). The Group may grant options to any participant who can make contributions to the business development or performance growth of the Group, with the maximum number of options granted being no more than 10% of the number of issued shares on Adoption Date and the 2022 Share Option Scheme will be valid for a period of ten years commencing from the Adoption Date, unless terminated in advance under the relevant requirements of the scheme. Further information can be found in the Company’s announcement and circular dated 3 March 2022.
- (ii) On 18 April 2022, the Group entered into the Sale and Purchase Agreements with the related parties, under which the Group agreed to acquire the properties as the training venues and student accommodation at a total consideration of RMB217,982,400. Further information can be found in the Company’s announcement dated 19 April 2022.
- (iii) On 21 April 2022, the Group provided Yunnan International Trust Co., Ltd. (“Yunnan Trust”) a guarantee to obtain a trust loan with a principal amount of no more than RMB800,000,000. Further information can be found in the Company’s announcement dated 26 April 2022.

### 27. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 26 April 2022.

## DEFINITIONS

In this report, 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 report, 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 Company 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   |

## DEFINITIONS

|   |   |
|---|---|
| “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)   |
| “Independent Third Party(ies)”                      | An individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates  |
| “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  |

## DEFINITIONS

|   |   |
|---|---|
| “Jinken College”                            | Jinken College of Technology, which began enrollment over 20 years ago in 2000, is in Jiangning District, Nanjing City, Jiangsu Province, the PRC, and an acquisition agreement has been entered into between the Group and the Vendors in April 2021 |
| “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  |
| “M&A”                                       | Mergers and acquisitions  |
| “Reporting Period”                          | The six months ended 28 February 2022   |
| “RMB” or “Renminbi”                         | Renminbi, the lawful currency for the time being of the PRC   |
| “SFO” or “Securities and Futures Ordinance” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “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”                     | Shinawatra University, established in Thailand in 1996, and an acquisition agreement has been entered into between the Group and the counter-party in April 2021  |
| “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   |

## DEFINITIONS

|                                   |   |
|-----------------------------------|---|
| “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   |
| “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   |