



# 2021

## Interim Report



**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

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Directors

Mr. Wang Degen  
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. Wang Degen  
Mr. Lu Zhichao  
Mr. Li Tao

### AUTHORIZED REPRESENTATIVES

Mr. Li Tao  
Ms. Leung Wing Han Sharon

### JOINT COMPANY SECRETARIES

Mr. Huang Zhongcai  
Ms. Leung Wing Han Sharon

### REGISTERED OFFICE

PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

5/F, Administrative Building  
Sichuan TOP IT Vocational Institute  
2000 Xi Qu Avenue  
Pidu District, Chengdu, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai, Hong Kong

### LEGAL ADVISOR AS TO HONG KONG LAW

William Ji & Co. LLP (in association  
with Tian Yuan Law Firm Hong Kong office)  
Suite 702, 7th Floor  
Two Chinachem Central  
26 Des Voeux Road Central  
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  
3/F, 8 Wyndham Street,  
Central, Hong Kong

### PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square,  
Grand Cayman, KY1-1102  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Bank of China  
China Minsheng Bank  
Agricultural Bank of China

### COMPANY'S WEBSITE

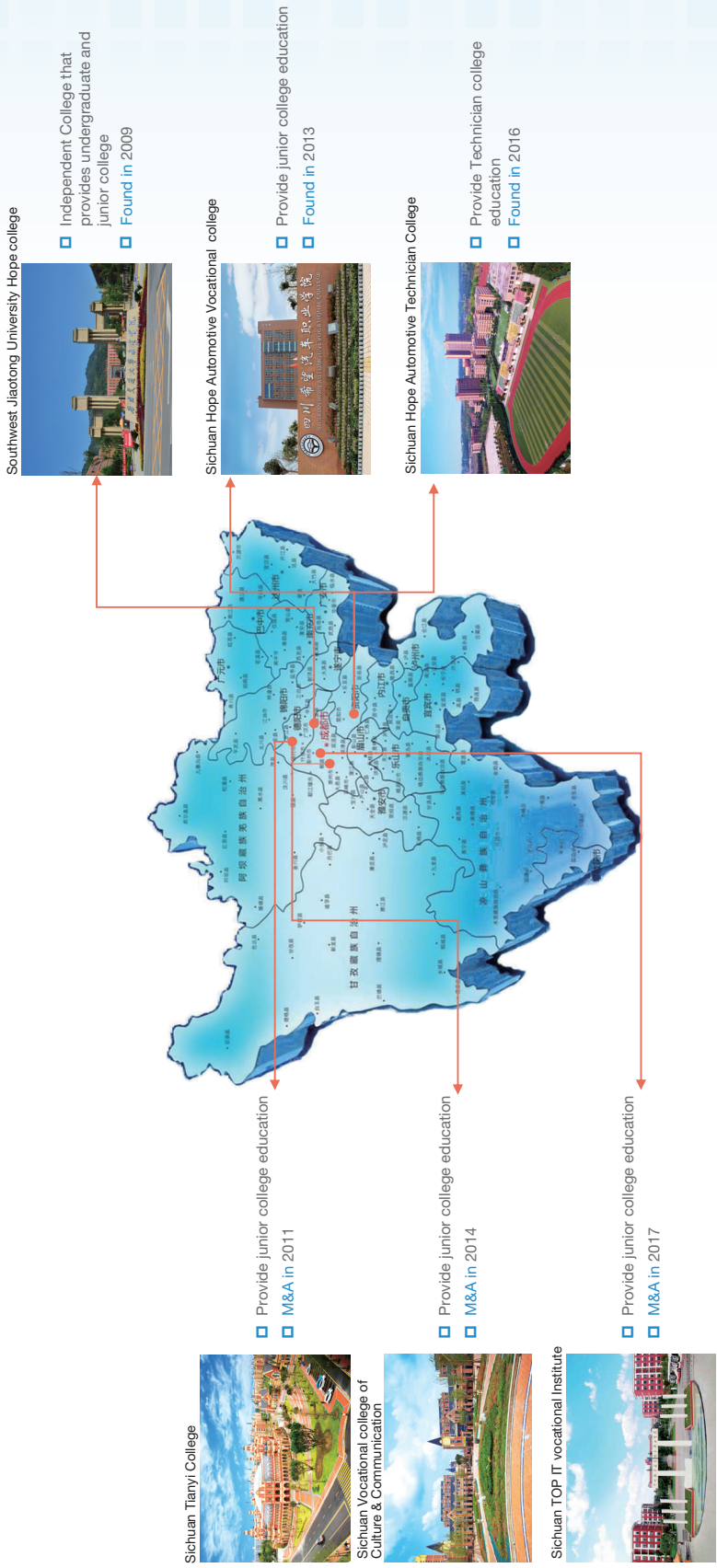
[www.hopeedu.com](http://www.hopeedu.com)

### STOCK CODE

1765

# OUR SCHOOLS

We have 20 Schools domestically and overseas, including 9 Colleges & Universities, 9 Junior Colleges, 2 Technician Colleges



# OUR SCHOOLS

College of Science and technology of Guizhou University



- ☐ Independent College that provides undergraduate education
- ☐ M&A in 2019

Business College of Guizhou University of Finance and Economics



- ☐ Independent College that provides undergraduate education
- ☐ M&A in 2014

Guizhou Vocational Institute of Technology



- ☐ Provide junior college education
- ☐ M&A in 2016

Guizhou Technician College of technology

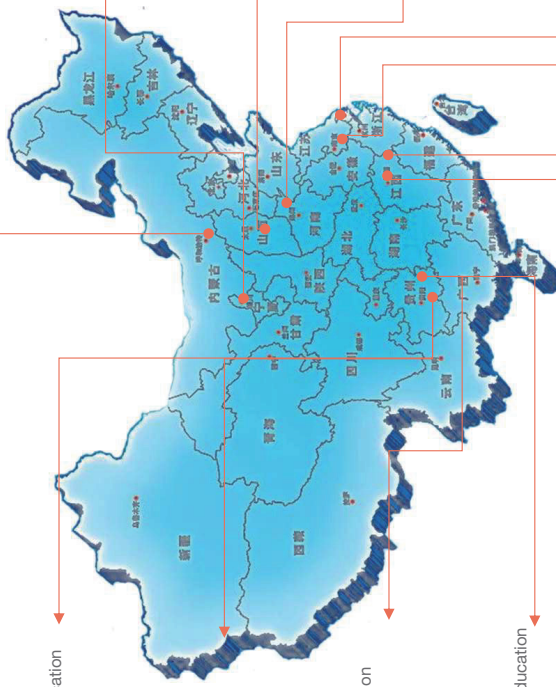


- ☐ Provide Technician college education
- ☐ M&A in 2019

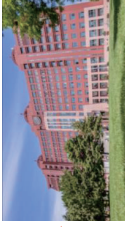
Nanchang Vocational Institute of film and television communication



- ☐ Provide junior college education
- ☐ M&A in 2020



Pioneer College, Inner Mongolia University \*



- ☐ Independent College that provides undergraduate education
- ☐ M&A in 2021

Yinchuan University of Energy



- ☐ Provide Undergraduate and junior college education
- ☐ M&A in 2019

ShanXi Medical University -Jinci College



- ☐ Independent College that provides undergraduate education
- ☐ M&A in 2014

Hebi Automotive Engineering College



- ☐ Provide junior college education
- ☐ M&A in 2019

Suzhou TOP Institute of information & technology



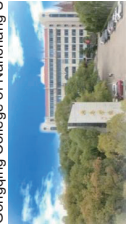
- ☐ Provide junior college education
- ☐ M&A in 2019

Jinken vocational and Technical College\*



- ☐ Provide junior college education
- ☐ M&A in 2021

Gongqing College of Nanchang University\*



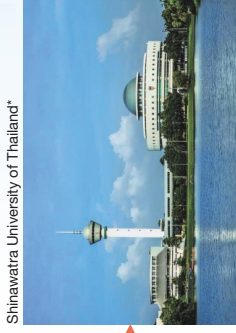
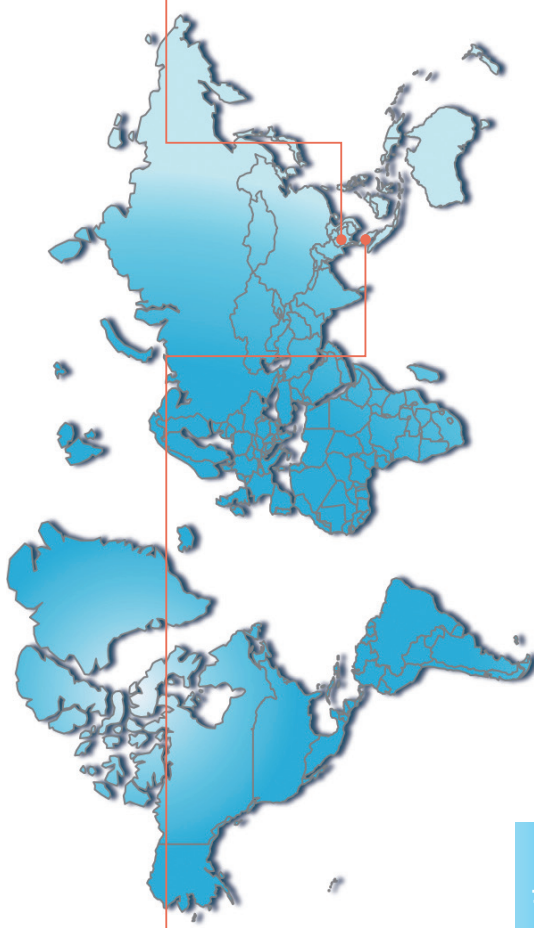
- ☐ Independent College that provides undergraduate education
- ☐ M&A in 2021

# OUR SCHOOLS



INTI International University of Malaysia

- A higher education institution that offers junior college, pre-university, bachelor, master and doctor degrees
- M&A in 2020



Shinawatra University of Thailand\*

- A higher education institution that offers undergraduate, master and doctor degrees
- M&A in 2021

## Campus under construction

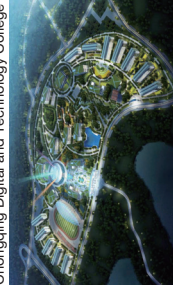
Baiyin Hope Vocational College



Xingtai Vocational Institute of Technology



Chongqing Digital and Technology College



Jiangxi Zhangshu Medical college



Open in Sept 2021.

\*At present, the acquisition agreement has been signed and not yet consolidated.

## FINANCIAL AND OPERATING HIGHLIGHTS

	For the six months ended 28 February 2021 <i>(in millions of RMB)</i> (Unaudited)	For the six months ended 29 February 2020 <i>(in millions of RMB)</i> (Unaudited)	Change <i>(in millions of RMB)</i>	Change <i>(Percentage)</i>
	2020/2021 school year <sup>5</sup>	2019/2020 school year <sup>5</sup>	Change	Change <i>(Percentage)</i>
Revenue	1,183.43	870.63	312.80	35.9%
Gross profit	641.47	457.33	184.14	40.3%
Adjusted gross profit <sup>1</sup>	664.00	480.68	183.32	38.1%
Adjusted gross profit margin	56.1%	55.2%	–	0.9%
Net profit	477.83	333.77	144.06	43.2%
Adjusted net profit <sup>2</sup>	546.71	382.93	163.78	42.8%
Adjusted net profit margin	46.2%	44.0%	–	2.2%
New students enrolled <sup>3</sup>	72,830	48,789	24,041	49.3%
Total student enrollment <sup>4</sup>	196,747	140,125	56,622	40.4%

### Notes:

- Adjusted gross profit is measured by gross profit for the period after eliminating additional depreciation and amortisation from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College, Nanchang Vocational Institute of Film and Television Communication and the INTI Group.
- Adjusted net profit is measured by deducting (i) equity-settled share option expense; (ii) exchange gains or losses; (iii) additional depreciation and amortisation from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College, College of Science and Technology of Guizhou University, Nanchang Vocational Institute of Film and Television Communication and the INTI Group; and (iv) finance cost accrued at amortised cost because of a payment period of over one year for purchase of equity interest under the relevant agreement. The Company considers that the deduction of additional depreciation and amortisation from fair value adjustment resulted from acquisition of identifiable assets could eliminate the potential impact of items that the management does not consider to be indicative of the Group's operating performance, which in turn facilitates the comparison of operating performance between different periods and different companies.
- The number of new students enrolled as of 28 February 2021 includes 71,746 new students enrolled by the Group as announced in October 2020, and 1,084 students of Nanchang Vocational Institute of Film and Television Communication, which was consolidated into the Group during the Reporting Period.



## FINANCIAL AND OPERATING HIGHLIGHTS

4. The total number of students enrolled as of 28 February 2021 includes students of the original five colleges, seven junior colleges, two technical colleges and two newly acquired schools in 2020 (INTI International University, being a college, and Nanchang Vocational Institute of Film and Television Communication, being a junior college) but excludes students enrolled in three schools with which an acquisition agreement has been signed, namely the Gongqing College of Nanchang University, Jinken College of Technology and Shinawatra University in Thailand.
5. A school year generally starts from 1 September of each calendar year and ends on 31 August of the following calendar year.

### Non-IFRS Measurement

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

### Calculation of adjusted gross profit

Item	For the six months ended 28 February 2021 <i>(in millions of RMB)</i> (Unaudited)	For the six months ended 29 February 2020 <i>(in millions of RMB)</i> (Unaudited)
Gross profit	641.47	457.33
Add:		
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition of:		
Jinci College of Shanxi Medical University	0.44	0.44
Sichuan Vocational College of Culture & Communication	0.58	0.58
Sichuan TOP IT Vocational Institute	0.71	0.65
Suzhou Top Institute of Information Technology	2.93	3.41
Yinchuan University of Energy	14.71	17.58
Hebi Automotive Engineering Vocational College	0.49	0.69
Nanchang Vocational Institute of Film and Television Communication	0.93	–
INTI Group	1.74	–
Adjusted gross profit	664.00	480.68

## FINANCIAL AND OPERATING HIGHLIGHTS

### Calculation of adjusted net profit

Item	For the six months ended 28 February 2021 <i>(in millions of RMB)</i> (Unaudited)	For the six months ended 29 February 2020 <i>(in millions of RMB)</i> (Unaudited)
Profit from continuing operations for the period	477.83	333.77
Add:		
Equity-settled share option expense	–	8.19
Exchange loss	16.35	2.96
Additional depreciation and amortisation from fair value adjustment of identifiable assets resulted from acquisition of:		
Jinci College of Shanxi Medical University	0.44	0.44
Sichuan Vocational College of Culture & Communication	0.58	0.58
Sichuan TOP IT Vocational Institute	0.71	0.65
Suzhou Top Institute of Information Technology	3.06	3.75
Yinchuan University of Energy	15.44	18.66
Hebi Automotive Engineering Vocational College	0.58	1.02
College of Science and Technology of Guizhou University	2.22	3.05
Nanchang Vocational Institute of Film and Television Communication	0.93	–
INTI Group	1.74	–
Finance cost accrued at amortised cost because of deferred payment for purchase of equity interest	26.83	9.86
Less:		
Exchange gains	–	–
<b>Adjusted net profit</b>	<b>546.71</b>	<b>382.93</b>

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to the Shareholders the report on the interim results of the Company for the six months ended 28 February 2021.

### RESULTS OF THE COMPANY CONTINUED TO GROW RAPIDLY DURING THE REPORTING PERIOD

As of 28 February 2021, the Company recorded revenue of RMB1.183 billion and adjusted net profit of RMB547 million, representing year-on-year growth of 35.9% and 42.8%, respectively. Our student enrollment was close to 200,000, 40% higher than the previous year. The Company acquired Nanchang Vocational Institute of Film and Television Communication, Gongqing College of Nanchang University, Jinken College of Technology in Nanjing and Shinawatra University in Thailand successively. Meanwhile, Baiyin Hope Vocational College and Xingtai Vocational Institute of Applied Technology have been approved for establishment, respectively, and are expected to enroll students and commence teaching in September this year. Currently, the Company has a total of 20 schools, including 9 undergraduate colleges, 9 higher vocational colleges, and 2 technical colleges. The Company has kept enhancing its management capabilities and continuously promoted precision management since its listing. During the Reporting Period, our adjusted gross profit margin and adjusted net profit margin reached 56.1% and 46.2%, respectively, representing an increase of 89.7 basis points and 221 basis points over the previous corresponding period, respectively. The Company put more emphasis on improving teaching quality, and our reputation was further recognized by society, as evidenced by the new highs in enrollment figures set by some of our schools during the Reporting Period.

### FOCUSING ON INTENSION CONSTRUCTION OF OUR SCHOOLS TO IMPROVE THE QUALITY OF TALENT CULTIVATION

Paying attention to the quality of talent cultivation is not only the social responsibility of school organizers but also the guardian of sustainability of schools amid competition. To improve the quality of talent cultivation, one must first work on the formation of the teaching team. The Company has launched a “foundation strengthening” project to enhance the formation of our teaching teams. The Company hopes to build a well-structured, high-quality teaching team consisting of an adequate number of skillful teachers who are good at teaching in each of our schools in two to three years to fundamentally improve the quality of talent cultivation, the reputation and brand value of our schools and our competitiveness.

Technical skills are the edge of students in employment and the fundamental requirement to perform their duties and serve our society. The Company will further support our schools in the improvement of teaching facilities and equipment and the provision of various types of practical training to allow students to receive at school training in the technical skills required for work. Students equipped with practical skills will be able to better serve the development of industries and economic transformation to the satisfaction of students, parents and society.

## CHAIRMAN'S STATEMENT

Following the issue of the Implementation Rules for the Law for Promoting Private Education of the People's Republic of China (《中華人民共和國民辦教育促進法實施條例》), the private education industry, now with a definitive direction and clearer guidelines, is bound to enter a new phase towards standardized and high-quality development. Under the guidance of the "Implementation Rules" and with the care and support of all Shareholders, the Company will adhere to standardized operations, achieve steady and high-quality development, better fulfill its social responsibility and strive to create greater social value.

### APPRECIATION

Finally, on behalf of the Board, I would like to extend my heartfelt gratitude to all local governments, all sectors of society and our Shareholders for their continued support for the development of Hope Education Group Co., Ltd. I would also like to thank all students and their parents. Also, I would like to express my sincere appreciation to the Board members, the management and all teaching staff within our schools for their contribution and dedication.

Hope Education Group Co., Ltd.

Xu Changjun

*Chairman*

28 April 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, the Group operated and invested in fourteen higher education schools and two technical colleges in China, including (i) six undergraduate colleges, namely Southwest Jiaotong University Hope College, Jinci College of Shanxi Medical University, Business College of Guizhou University of Finance and Economics, College of Science and Technology of Guizhou University, Yinchuan University of Energy and INTI International University; (ii) eight junior colleges, namely Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology, Sichuan TOP IT Vocational Institute, Hebi Automotive Engineering Vocational College, Suzhou Top Institute of Information Technology and Nanchang Vocational Institute of Film and Television Communication; and (iii) two technical colleges, namely Sichuan Hope Automotive Technical College and Guizhou Technical College of Technology. As of 28 February 2021, the student enrollment in our schools was 196,747, representing a significant increase of 40.4% as compared with that as of 29 February 2020. We have established a national enrollment network. In addition, as of the date of this report, the Group has signed acquisition agreements for three schools, namely the Gongqing College of Nanchang University (南昌大學共青學院), Jinken College of Technology (金肯職業技術學院) and Shinawatra University in Thailand.

#### Significant Events for the Reporting Period

- (1) On 29 September 2020, the acquisition of INTI International University was officially completed in accordance with the terms of the agreement. Upon completion, INTI International University became a wholly-owned subsidiary of the Company.
- (2) In October 2020, the Group completed the new enrollment work for the 2020 ~ 2021 school year, with 71,746 new students enrolled, representing an increase of 47.05% over the previous year; the number of students in all schools exceeded 190,000.
- (3) On 12 October 2020, the Group entered into the Share Transfer Agreement and the Voting Rights Proxy Agreement with Dingli Corp., Ltd. (珠海世紀鼎利科技股份有限公司) (hereinafter “Dingli”).
- (4) On 5 February 2021, the Group signed the acquisition agreement for Gongqing College of Nanchang University (南昌大學共青學院) (hereinafter “Gongqing College”), which was established in 1985 at a prime location on the south bank of the middle and lower reaches of the Yangtze River. This acquisition is another important layout of the Company in this important strategic area of Jiangxi Province after the completion of the acquisition of Nanchang Vocational Institute of Film and Television Communication, which further expands our school network and increases market penetration. Meanwhile, through the industrial linkage between higher vocational education and undergraduate education, as well as the synergy with other institutions of the Group, it improved the grades of running schools, enriched the professional settings, delivered more high-quality higher education resources to the local area and served industrial construction.
- (5) On 22 February 2021, the issue of zero coupon convertible bonds due 2026 in the aggregate principal amount of US\$350,000,000 by the Company and the placing of existing Shares and top-up subscription of new Shares under the general mandate took place on the Hong Kong Stock Exchange, pursuant to which a total of US\$600,000,000 was raised by the Company. The net proceeds will be primarily used for business expansion, working capital needs and general corporate purposes.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Our Schools

As of 28 February 2021, we operated six undergraduate colleges, eight junior colleges and two technical colleges. The table below sets out details of the schools under our Group.

School	Year Founded	Year of Joining our Group	Description
Southwest Jiaotong University Hope College	2009	2009	The college offered a total of 46 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region.
Jinci College of Shanxi Medical University	2002	2014	The college offered a total of 13 undergraduate majors and is one of the twelve private undergraduate medical schools in China and is the only independent college in Shanxi that provides clinical medical education.
Business College of Guizhou University of Finance and Economics	2004	2014	The college offered a total of 29 undergraduate majors, featuring economics and management and finance majors.
College of Science and Technology of Guizhou University	2001	2019	The college offered 25 majors to train professional talents possessing knowledge and skills in information technology, science and finance.
Yinchuan University of Energy	1999	2019	The university offered 34 undergraduate majors, covering 8 disciplines, had 1 national key laboratory and 3 provincial experimental teaching demonstration centers. It is the only private university in Ningxia that can enroll foreign students.
Tianyi College	1994	2011	The college offered 32 majors and is one of the first private schools (totaling seven schools) in China and the first private college in Southwest China approved to be a formal private higher education institution.
Sichuan Hope Automotive Vocational College	2013	2013	The college offered 20 majors, specialising in automobile related majors.

## MANAGEMENT DISCUSSION AND ANALYSIS

School	Year Founded	Year of Joining our Group	Description
Sichuan Vocational College of Culture & Communication	2005	2014	The college offered 48 majors, specialising in five distinctive disciplines, namely radio, film and television, culture education, art and design, performing arts and aviation services.
Guizhou Vocational Institute of Technology	2016	2016	The college offered over 20 majors, specialising in pre-school education and healthcare majors.
Sichuan TOP IT Vocational Institute	2000	2017	The college offered 32 majors, specialising in computer and information and software technology majors and is an MOE-approved national demonstration software vocational and technical college and a national high-skilled personnel training base for the electronic information industry.
Hebi Automotive Engineering Vocational College	2011	2019	The college offered over 38 majors to train professional talents possessing automobile related knowledge and skills, and is the only formal automobile engineering higher education institution in Henan Province.
Suzhou Top Institute of Information Technology	2003	2019	The college offered 35 majors, specialising in machinery manufacturing and automation, computer application technology, electronic business, marketing and interior art design majors.
Sichuan Hope Automotive Technical College	2016	2016	The college offered 15 majors to train professional talents possessing automobile related knowledge and skills.
Guizhou Technical College of Technology	2019	2019	The college offered about 20 majors, specialising in preschool education and healthcare majors.
INTI International University	1986	2020	The college offered about 18 majors, specialising in commerce, computer, engineering, medicine, psychology, education, mass media as well as art and design majors.
Nanchang Vocational Institute of Film and Television Communication	2015	2020	The college offered about 25 majors, specialising in film and television performances, art and design and digital media majors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Southwest Jiaotong University Hope College*

The first university (independent college) established by the Group in 2009, located in Chengdu, Sichuan Province, provides undergraduate and junior college education. The one-time employment rate of graduates exceeded 95.0% for seven consecutive years (2013-2019). Transportation and civil engineering were approved as the first-class undergraduate majors at the provincial level and recommended to apply for the first-class undergraduate professional nurturing point at the national level.

### *Jinci College of Shanxi Medical University*

Founded in 2002, Jinci College of Shanxi Medical University is the sole independent college of full-time undergraduate education for medical majors in Shanxi Province approved by the MOE and the People's Government of Shanxi Province and established with new mechanisms and new models. Jinci College has eight departments and divisions, including clinical medicine department, nursing department, oral medicine department, preventive medicine and management department, laboratory department, rehabilitation treatment department, imaging department and fundamentals division; and also offers 13 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.

### *Business College of Guizhou University of Finance and Economics*

Business College of Guizhou University of Finance and Economics is an independent undergraduate college of finance and economics in Guizhou Province. The college comprises 5 departments and 1 division, successively offering 29 undergraduate majors, including accounting and finance, covering 5 disciplines, including economics, management, engineering, arts and law. A professional academic system of multi-disciplinary development in coordination featuring economics and management has begun to take shape. Since joining the Group six years ago, 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

### *College of Science and Technology of Guizhou University*

College of Science and Technology of Guizhou University is a comprehensive independent college in Qiannan Prefecture, Guizhou Province. It has successively won the titles of national “Advanced Independent College (先進獨立學院)”, national “Advanced Grassroots Party Organization with Excellent Performance (創先爭優先進基層黨組織)”, national “8 March Red-banner Group (三八紅旗集體)” and national “Advanced Education and Scientific Research Group under the 11th Five-Year Plan (“十一五”教育科研先進集體)”. At present, the college has 5 professional education departments, namely literature department, law and public management department, engineering department, commerce department and art department as well as 2 public education units, namely Marxism-Leninism education division and sports education and research center. By offering 25 undergraduate majors including Han language literature, journalism, English, law, administration and management, public affairs management, computer science and technology, electronic information science and technology, electronic information engineering, communication engineering, Internet of things technology, finance, business administration, financial management, tourism management, visual communication design, environment design, performance, musical performance and drawing, etc., the college covers seven disciplines, including literature, law, economics, management, science, engineering and art.

### *Yinchuan University of Energy*

Founded in October 1999, the undergraduate college is located in Ningxia and provides undergraduate and junior college education, with three campuses namely Wangtai campus, Binhe campus and Hequan Lake. The college has 12 secondary colleges and 2 education divisions and offers 34 undergraduate majors, hiring 143 teachers with medium-grade titles, 287 teachers with master or doctor degrees, and 156 dual-qualified teachers. It has the largest library among higher education institutions in Ningxia in terms of single zone area, with more than 1 million books. The college has 1 national key laboratory, 3 provincial experimental teaching demonstration centers, 3 provincial off-campus practical education bases for college students, 9 practical teaching centers, 195 experimental training rooms and 65 stable off-campus practice bases for college students built with enterprises. The college is 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). The college has trained over 30,000 graduates in different fields in total and commenced skill training and assessment for various occupations, training over 13,000 corporate employees as well as urban and rural labors in aggregate. By proactively commencing external cooperation in education, the college has successively established long-term and stable school cooperation with 12 foreign high schools, and is the only private higher education institution in Ningxia that can enroll foreign students.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Tianyi College*

Founded in 1994, Tianyi College was one of the first private schools in China and the first full-time private college in Southwest China approved by the State Education Commission to be a formal private higher education institution. As of 28 February 2021, the college was successfully approved with the second batch of national 1+X pilot certificates (website operation and promotion). The college offers 32 majors in 9 main categories, including economics and business, civil engineering and architecture, tourism, electronic information, culture and art, and medicine and health, established three provincial featured majors, one key featured major of Sichuan Association for Non-Government Education (四川省民辦教育協會), and 20 teacher scientific research projects. In respect of cooperation between the college and enterprises, the 2016 and 2018 Baoye order classes were established by the department of construction engineering and Baoye Group, and 1 set of teaching materials was jointly developed. In respect of practical training, 41 off-campus training bases were established.

### *Sichuan Hope Automotive Vocational College*

Sichuan Hope Automotive Vocational College was the first formal higher education institution established by the Group in Ziyang, Sichuan Province in 2013, and has been successively recognized as the high-skilled talents nurturing and training base at national and provincial levels. As of the date of this report, the number of enrolled students achieved a new record high. The college has 20 majors, formulating a characterized and professional deployment centered around automotive related majors, supported by mechanical and engineering majors, extended to operation and management majors and expanded to healthcare and pre-school education majors. It has 181 practical training rooms covering over 20 categories including comprehensive automotive structure. The college has successively signed school-enterprise cooperation agreements with more than 200 well-known enterprises such as Changzheng-BMW Group (長征寶馬集團), Chang'an Automobile (長安汽車), Jianghuai-NIO (江淮蔚來), Minth Group (敏實集團), CALB (中航鋰電) and CATL (寧德時代). The college has successfully applied for 7 education research plans above provincial level, with 112 persons winning various awards at different levels and 25 teaching materials being involved in preparation.

### *Sichuan Vocational College of Culture & Communication*

Sichuan Vocational College of Culture & Communication is a full-time formal higher education institution approved by the People's Government of Sichuan Province, filed by MOE, administered by the Education Office of Sichuan Province, included into the national uniform enrollment scheme and possessing the qualification of independently issuing national recognized college diplomas. The college currently offers a total of 48 (7 five-year and 41 three-year) majors, and endeavours to construct five groups of distinctive specialities, namely radio, film and television, culture education, art and design, performing arts and aviation services, with the focus placed on seven core majors, including film and television multimedia technology, photography and videography technology, preschool education, animation design, advertisement design and production, public culture service and management and drone application technology.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Guizhou Vocational Institute of Technology*

Guizhou Vocational Institute of Technology was the first formal higher education institution established by the Group in Guizhou Province in 2016. The college offers 20 majors, such as automobile inspection and maintenance technology, automobile refitting technology, automobile new energy technology, urban rail transit operation and management, accounting, tourism management, electronic commerce, nursing, applied chemistry, pharmaceutical production and technology, etc. In respect of practical training and cooperation between the college and enterprises, the college has built more than 50 experiment and training rooms, and signed school-enterprise cooperation agreements with more than 100 enterprises such as Shanghai Volkswagen, Wengfu Group, Chanheng Chemical, etc. and more than 20 county-level hospitals in Guizhou.

### *Sichuan TOP IT Vocational Institute*

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

### *Hebi Automotive Engineering Vocational College*

Hebi Automotive Engineering Vocational College is the only formal automobile engineering higher education institution in Henan Province. The college offers 38 majors in automobile, electronics, machinery, economics and management disciplines to address the development needs of the automobile industry. Since 2020, 67 projects above department level, 38 utility model patents, 15 education research achievement awards above provincial level, 2 municipal scientific and technological progress awards (second prize) were added, while 58 academic papers (including 6 core journals) and 28 sets of teaching materials were compiled. The college established good relationship with various prominent automobile manufacturing and related enterprises successively, and entered into tailor-made cooperation agreements with them. Employment rate of graduates have kept above 97% for many years in a row.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Suzhou Top Institute of Information Technology*

Suzhou Top Institute of Information Technology is located in Kunshan, Jiangsu Province, with 35 majors. Focusing on school-enterprise cooperation and deepening the integration of industries and education, in 2019, the college and enterprises deepened cooperation by opening 5 customized classes in the mode of rotating the learning and work experience, as such, internship of more than 2,473 students were successfully completed. There were 27 internship projects, of which, 5 units cooperated for the first time. The college won the title of “excellent college for “government-school-enterprise” cooperation” for six consecutive years, and received an “A grade” in the 2020 Quantitative Assessment for Employment of High School Graduates in Jiangsu Province (江蘇省2020年高校畢業生就業工作量化考核).

### *Sichuan Hope Automotive Technical College*

Sichuan Hope Automotive Technical College was established in 2016 with the approval of the People’s Government of Sichuan Province on the basis of Automobile College. The college is located in Ziyang High-tech Industrial Zone, adjacent to many well-known enterprises such as Sichuan Nanjun Automobile Group Co., Ltd., Hyundai Truck & Bus (China) Co., Ltd. and CRRC GROUP. Leveraging its geographical features, coupled with its strengths in aspects such as cultivation of technicians, technological innovation, technique competition, training and evaluation, the college conducted in-depth collaboration with the enterprises in terms of co-building of training bases, sharing of teaching staff, co-cultivation of technicians, co-studying in technological innovation and co-organization of technique competition. The college adhered to its school operation mode of “collaboration between school and enterprises for industrial studying” by achieving resource sharing and co-development with enterprises.

### *Guizhou Technical College of Technology*

Guizhou Technical College of Technology was established in 2019 with the approval of the People’s Government of Guizhou Province. The college is located in Fuquan City, Guizhou Province and, to date, has established partnerships with 86 major enterprises and industrial associations. In particular, the co-building of internship training bases inside and outside the college has been carried out by its department of nursing with The People’s Hospital of Qiandongnan Miao and Dong Autonomous Prefecture (黔東南苗族侗族自治州人民醫院), The People’s Hospital of Guiyang (貴陽市人民醫院), The First People’s Hospital of Fuquan City, etc.; its department of chemical technology with Guizhou Henghua Co. LTD, etc.; and its department of automobile with BAIC Yinxiang Automobile Co., Ltd, etc..

## MANAGEMENT DISCUSSION AND ANALYSIS

### *INTI International University*

Founded in 1986, INTI International University is a higher education institution with independent legal personality approved by and registered with the Ministry of Education, Malaysia. INTI International University offers undergraduate, postgraduate and doctoral programmes in the fields of business, computing, engineering, medicine, psychology, education, mass communication and art and design. The programmes offered by INTI International University primarily include intensive English programmes, university programmes in business studies, university programmes in engineering, university programmes in computing, certificate in laws, various professional certificates as well as postgraduate programmes such as MBA and master in personal and mobile satellite communication. Areas of study include accounting, business administration, finance, marketing, business information processing, multimedia computing, computer science, computer systems and networks, software engineering and electrical and electronic engineering. INTI International University cooperates with many renowned universities in countries such as the United Kingdom, the United States, Australia and New Zealand to offer various kinds of latest international courses and international linked programmes at certificate, diploma, bachelor's degree and master's degree levels. All courses and programmes are verified and certified by the relevant renowned universities in the United Kingdom, the United States, Australia and New Zealand.

### *Nanchang Vocational Institute of Film and Television Communication*

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

### Education and Teaching

Thoroughly engaged in the education sector for over a decade, the Group has always been focusing on the development of its connotation. Since 2016, the Group has established the education management committee composed of prominent experts in the industry and determined our principal policy on school operation under experts' guidance, while setting out the principal requirements of school operation on satisfaction of students, staff, society and government. The Group guides the rapid, healthy and normative development of our schools, and continuously enhances the quality of school teaching and talent nurturing. Specifically, the Group has been working on the following areas:

1. For teaching and scientific research instruments and equipment, the Group has completed maintenance of laboratory equipment and instruments as well as the multi-media teaching room to ensure that Yinchuan University of Energy could pass the teaching qualification assessment on undergraduate courses by the Ministry of Education. 31 experimental training rooms were newly built and 150,000 books were purchased. Meanwhile, construction of experimental training rooms and procurement of the respective instruments and equipment required for 8 new majors, such as early-stage education and nursery, have been completed for 5 schools in Sichuan Province for ensuring smooth application and assessment works for the new majors.
2. For library facilities and equipment, the Group has significantly invested in the construction of school library facilities and equipment while kept on expanding the varieties and quantities of books to enhance the overall quality and capabilities of our students. Currently, our schools are equipped with a total of over 11.0 million electronic and printed books to satisfy the learning and reading needs of our students.
3. For school premises expansion, the Group has invested about RMB400 million in the expansion of schools and modification of school premises, with focus on the expansion and upgrading of, among others, Business College of Guizhou University of Finance and Economics, College of Science and Technology of Guizhou University and Guizhou Vocational Institute of Technology. In May 2021, Business College of Guizhou University of Finance and Economics and College of Science and Technology of Guizhou University passed the inspection and evaluation by experts from the Ministry of Education, and were approved to be transformed into independent colleges that provide undergraduate education.

## MANAGEMENT DISCUSSION AND ANALYSIS

4. For teacher team building, leveraging on five major competitions, namely the 5th Teacher Classroom Teaching Skills Competition, the 5th Teachers' Experimental Training and Teaching Skill Competition, the 5th Professional Analysis and Exchange Campaign, the 5th Counsellor Quality and Skill Competition and the 7th Career Path Planning Competition for University Students, the Group concentrates on teaching research and scientific research works, and proactively supports teachers to commence various kinds of respective activities. In 2021, all schools have established a total of 362 projects, up by 23% from the previous year, of which 110 projects were at provincial level and 56 projects were at municipal level. 398 academic papers were published, of which 47 were published in core journals, 2 were included in SCI and 1 was included in EI, while 62 sets of teaching materials were published. The Group has obtained 50 patents and authorization, including 1 invention patent, 38 utility model patents and 11 design patents. Quality of projects established by our schools has gradually improved, as evidenced by the increase of the proportion of projects at provincial level from 7.5% in the previous year to 30% as well as the increase of the proportion of academic papers published in core journals from 5.6% in the previous year to 11.8%. Our teachers and students from various schools have established 60 projects at school level, of which 34 have been concluded with 413 student participants. Over 70 seminars on various academic topics were held for our teachers and students.
5. For core major establishment, the Group has proactively applied and established new state-controlled and province-controlled majors to nurture quality vocational talents. In particular, Southwest Jiaotong University Hope College has applied for the undergraduate and college majors for nursery and pre-school education, Sichuan Vocational College of Culture & Communication has applied for dance education major, Sichuan Hope Automotive Vocational College has applied for early-stage education major, Sichuan Tianyi College has applied for medical beauty technology and oral medication technology majors, and Sichuan TOP IT Vocational Institute has applied for sports education major, which have all passed the expert assessment of Sichuan Education Bureau.
6. For new school empowerment, the Group has successively acquired 4 schools, namely Suzhou Top Institute of Information Technology, Hebi Automotive Engineering Professional College, Yinchuan University of Energy and Nanchang Vocational Institute of Film and Television. The Group has assigned management to these 4 schools to ensure their stable and normal operation, while convened various seminars for cadres at middle management level or above for all schools for exchange and communication. In particular, in view of the specific works and actual situation of Yinchuan University of Energy, the Group has commenced the qualification assessment on undergraduate course works for the school on a timely basis, and completed the maintenance of laboratory equipment and instruments as well as the multi-media teaching room for ensuring the school successfully pass the teaching qualification assessment on undergraduate courses by the Ministry of Education. Upon the Group took up its operation, a group of outstanding students from Yinchuan University of Energy achieved success in student competitions under the guidance of the Group's education management committee, who were conferred 1 special prize, 8 second prizes and 2 third prizes at national level as well as 10 first prizes, 17 second prizes, 24 third prizes and 3 outstanding prizes at provincial level.

## MANAGEMENT DISCUSSION AND ANALYSIS

### STUDENT ENROLLMENT

The Group believes the pragmatic teaching philosophy of its schools, its 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		Change	
	As at 28 February 2021	As at 29 February 2020	Change in amount	Change in percentage
<b>Schools</b>				
Undergraduate colleges	98,788	71,259	27,529	38.63%
Junior colleges	80,225	60,631	19,594	32.32%
Technical education	17,734	8,235	9,499	115.35%
<b>Total</b>	<b>196,747</b>	<b>140,125</b>	<b>56,622</b>	<b>40.41%</b>

*Note:*

- (1) The student enrollment information during the Reporting Period was based on the official records of the relevant PRC education authorities or the internal records of our Group's schools, as the case may be.

### CAMPUS UTILISATION RATE

	For the six months ended 28 February 2021	For the six months ended 29 February 2020
Total number of student enrollment	196,747	140,125
Total capacity	227,542	171,170
Overall utilisation rate	86%	82%



## MANAGEMENT DISCUSSION AND ANALYSIS

### IMPACTS OF COVID-19 PANDEMIC ON THE GROUP IN 2020

The COVID-19 pandemic has caused significant impacts in 2020 on the global community and economy. Since the occurrence of the pandemic, the Group has actively implemented pandemic prevention and control measures announced by the government, and promptly adopted measures such as closure of schools and delay of teaching resumption, such that mobility of teachers and students is reduced and the spread of virus in campus is prevented. Meanwhile, online teaching solutions were swiftly developed, and online teaching was rolled out in a reliable and efficient manner, forming an organization and management mechanism of online teaching and guaranteeing that teaching could be carried out in an orderly manner. In May 2020, students of our colleges returned to schools for classes. A teaching mode combining online and offline teaching has been continuously adopted, which enriches teaching styles and enhances teaching quality. We will continue to closely monitor the development of the COVID-19 pandemic and to take effective measures in response to any potential risks. During the Reporting Period, enrollment of the Group's schools was not impacted by the pandemic and achieved continuous growth.

### INDUSTRY POLICY DIRECTION

In 2020, the gross enrollment rate of higher education in China reached 54.4%. Comparing with the gross enrollment rate of 40.0% in 2015, higher education has entered a new phase of popularisation. We are pleased to see that the emphasis and support placed on vocational education by the State has been elevated to an unprecedented level. In September 2020, nine departments, including the MOE, jointly published 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)》, which encourages communities to join forces in advancing vocational education and requests local governments at different levels to provide support for private vocational schools through various means. The National Vocation Education Conference convened on 12 April 2021 demanded Party Committees and governments at all levels to step up efforts in institutional innovation and policy formulation; optimise diversified school operation layout, refine industry-education integration and school-enterprise cooperation policies; accelerate the construction of a modern vocational education system and to cultivate more high-calibre talents, experts and masters with different skills and expertise.

On 16 October 2020, the Outline of the Construction Plan for the Chengdu-Chongqing Double City Economic Circle 《成渝地區雙城經濟圈建設規劃綱要》, deliberated on and passed by the Central Government, clearly proposed to develop the Chengdu-Chongqing region into an important economic centre with national influence, a scientific and technological innovation hub, a new highland for reform and opening up and an ideal location for quality living, such that the region becomes an important growth pole and a new power source to drive the high-quality development across the country. On 31 March 2021, the MOE explicitly proposed to exploit the spillover effect of university and higher education clusters of high standards riding on the strategic, pivotal role of Chongqing and Chengdu to establish a bridgehead for the opening up of higher education in the southwestern region.

Education serves as the foundation for long-term development. Vigorous development of higher education (especially higher vocational education) so as to continuously improve people's education level is a basic national policy, a development priority for the government and the consensus of people from all walks of life. Vocational education in China has entered a new stage of development.

### OUTLOOK

For over a decade, with the initial aspiration of “invigorating the nation with talent cultivation and serving the country with education”, we have been engaging in higher education investment and operation and management of higher education institutions with dedication. On the basis of our core objective and mission of enhancing quality of talent cultivation and assisting students in pursuing their careers to allow them to contribute to social and economic development, we will continuously improve talents cultivation and expand our scale of operation in a steady manner. Going forward, we plan to implement the following strategies:

#### 1. Promote internal development in our existing schools and elevate brand reputation of our institutions continuously

Organic growth has been the cornerstone of our development. We will step up efforts in building our teaching team to ensure the improvement of teaching quality. We will strive to improve technical skills of our students by deepening the reform of teaching modes and actively promoting industry-education integration and school-enterprise cooperation. We will also enhance our career service to expand employment channels by every possible means, improve students’ satisfaction of their employment and in turn promote enrollment through high-quality employment. We will increase our investments to ensure that the conversion of independent colleges established by the Group will be completed on schedule, and achieve sustainable development.

#### 2. Steadily promote expansion of scale of operation and create synergy for development

We will selectively commence operation by mergers and acquisitions, self-operation, entrusted operation or joint operation after considering sources of students in the region, professional features of colleges and employment conditions, with a view to providing more quality higher education degrees to society. We will emphasise synergistic development of our overseas and domestic colleges, and achieve sharing in teaching modes and experience, sources of students and management resources.

### Events after the Reporting Period

- (1) On 2 March 2021, the issue of zero coupon convertible bonds due 2026 in the aggregate principal amount of US\$350,000,000 by Tequ Mayflower Limited, a subsidiary of the Company, and the placing of existing Shares and top-up subscription of new Shares under the general mandate were completed on the Hong Kong Stock Exchange.
- (2) On 6 April 2021, the Company entered into an acquisition agreement with the vendor for the acquisition of 100% equity interest in Shinawatra University. Founded in Thailand in 1996, Shinawatra University is an international university focusing on business and science and technology which uses English as the medium of instruction. Shinawatra University enrolls students from all over the world and provides programmes at undergraduate, postgraduate and doctorate levels. It is recognized by the Ministry of Education of Thailand with higher education qualifications and qualifications of degree awarding. It is included in the white list of education related foreign supervision of the MOE of the PRC, which meets the requirements for mutual recognition of Chinese and Thai education.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (3) On 28 April 2021, the Group reached an acquisition agreement with the vendor for the acquisition of Jinken College of Technology. After the completion of the acquisition, Jinken College will become a subsidiary of the Company, with its financial results to be consolidated into the accounts of the Group. This acquisition represents another important step of the Company to tap into the important strategic region of Jiangsu Province after the completion of the acquisition of Suzhou Top Institute of Information Technology, which further expands our school network and increases market penetration.
- (4) In April 2021, Gansu Baiyin Mingde Vocational College and Xingtai Vocational Institute of Applied Technology have met the requirements for running a school and obtained the approvals from the government, respectively. It is expected that the schools will officially start in September 2021.
- (5) In March 2021, a subsidiary of the Group obtained approval from the MOE of the People's Republic of China to become a sponsor of an undergraduate institution. Upon further obtaining a newly issued Permit for Operating a Private School, such target school will become an affiliated entity of the Group and its financial results will be consolidated into the accounts of the Group.

## FINANCIAL REVIEW

### Overview

For the six months ended 28 February 2021, we recorded revenue of RMB1,183.43 million, adjusted gross profit of RMB664.00 million and gross profit of RMB641.47 million. For the six months ended 28 February 2021, adjusted gross profit margin of the Group was 56.1%, as compared to 55.2% for the corresponding period last year. For the six months ended 28 February 2021, gross profit margin was 54.2%, as compared to 52.5% for the corresponding period last year.

For the six months ended 28 February 2021, adjusted net profit of the Group amounted to RMB546.71 million, representing an increase of RMB163.78 million or 42.8% as compared to the corresponding period last year. For the six months ended 28 February 2021, adjusted net profit margin of the Group was 46.2% as compared to 44.0% for the corresponding period last year.

For the six months ended 28 February 2021, net profit of the Group amounted to RMB477.83 million, representing an increase of RMB144.06 million or 43.2% as compared to the corresponding period last year. For the six months ended 28 February 2021, net profit margin of the Group was 40.4% as compared to 38.3% for the corresponding period last year.

### Revenue

For the six months ended 28 February 2021, revenue of the Group reached RMB1,183.43 million, representing an increase of RMB312.80 million or 35.9% from RMB870.63 million for the corresponding period last year. Such increase was mainly due to (i) the significant increase in the number of students enrolled in various schools in the PRC region; and (ii) the consolidation of newly acquired schools, namely INTI International University and Nanchang Vocational Institute of Film and Television Communication, into the Group's accounts from October 2020.

### Cost of Sales

For the six months ended 28 February 2021, adjusted cost of sales<sup>1</sup> of the Group amounted to RMB519.43 million, representing an increase of RMB129.48 million or 33.2% from RMB389.95 million for the corresponding period last year. For the six months ended 28 February 2021, cost of sales of the Group was RMB541.96 million, representing an increase of RMB128.66 million or 31.1% from RMB413.30 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 original schools of the Group, and (ii) the increase in corresponding costs as a result of the consolidation of two schools upon completion of acquisition during the period.

1. Adjusted cost of sales was measured by cost of sales for the period after eliminating additional depreciation and amortisation from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College, Nanchang Vocational Institute of Film and Television Communication and the INTI Group.

### Gross Profit and Gross Profit Margin

For the six months ended 28 February 2021, adjusted gross profit of the Group amounted to RMB664.00 million, representing an increase of RMB183.32 million or 38.1% from RMB480.68 million for the corresponding period last year. For the six months ended 28 February 2021, adjusted gross profit margin of the Group was 56.1%, as compared to 55.2% for the corresponding period last year.

For the six months ended 28 February 2021, gross profit of the Group was RMB641.47 million, representing an increase of RMB184.14 million or 40.3% from RMB457.33 million for the corresponding period last year. For the six months ended 28 February 2021, gross profit margin of the Group was 54.2% as compared to 52.5% for the corresponding period last year.

Improvement in gross profit margin was mainly due to an increase in revenue from the Group's original schools, coupled with lean management and enhanced cost control. Gross profit margin for the period increased by 1.7%. We believe that with the gradual consolidation of the newly acquired INTI International University, gross profit margin of the Group will enhance further going forward.

### Other Income and Gains

For the six months ended 28 February 2021, other income and gains of the Group amounted to RMB138.50 million, representing a decrease of RMB6.28 million from RMB144.78 million for the corresponding period last year, which was mainly due to the decrease in rental income of RMB11.32 million for the period after the recovery of the leased Ziyang, Jintang and Nanchong campuses to meet the capacity required by the Group's schools given the significant increase in the number of students during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling Expenses

For the six months ended 28 February 2021, selling expenses of the Group amounted to RMB81.75 million, representing an increase of RMB51.81 million from RMB29.94 million for the corresponding period last year. Such increase was mainly due to (i) the increase in human resources, advertising and marketing expenses on the expansion of enrollment in the PRC region, and (ii) the increase on the consolidation of the newly acquired INTI International University during the period.

### Administrative Expenses

For the six months ended 28 February 2021, administrative expenses of the Group amounted to RMB147.97 million, representing an increase of RMB32.38 million from RMB115.59 million for the corresponding period last year. Such increase was mainly due to the increase of RMB32.51 million on the consolidation of INTI International University.

### Other Expenses

For the six months ended 28 February 2021, other expenses of the Group amounted to RMB29.85 million, representing an increase of RMB18.36 million from RMB11.49 million for the corresponding period last year. Such increase was mainly due to the increase in exchange loss for the period.

### Finance Costs

For the six months ended 28 February 2021, finance costs of the Group amounted to RMB145.72 million, representing an increase of RMB43.59 million from RMB102.13 million for the corresponding period last year. Such increase was mainly due to (i) the increase in interest expenses on bank and other borrowings as compared to the corresponding period last year; and (ii) the increase in finance costs as compared to the corresponding period last year accrued at amortised cost because of a payment period of over one year for purchase of Yinchuan and Suzhou Top schools and equity interest under the relevant agreement.

### Profits of the Reporting Period

For the six months ended 28 February 2021, adjusted net profit of the Group amounted to RMB546.71 million, representing an increase of RMB163.78 million or 42.8% from RMB382.93 million for the corresponding period last year. For the six months ended 28 February 2021, adjusted net profit margin was 46.2% as compared to 44.0% for the corresponding period last year.

For the six months ended 28 February 2021, net profit of the Group amounted to RMB477.83 million, representing an increase of RMB144.06 million or 43.2% from RMB333.77 million for the corresponding period last year. For the six months ended 28 February 2021, net profit margin was 40.4% as compared to 38.3% for the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitments

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

	As of 28 February 2021 <i>(in millions of RMB)</i>	As of 31 August 2020 <i>(in millions of RMB)</i>
Contracted, but not provided for:		
Property and equipment	1,135.58	945.92
Acquisition of subsidiaries	400.00	1,226.17
	<u>1,535.58</u>	<u>2,172.09</u>

### Liquidity and Financial Resources

As of 28 February 2021, the Group had total cash and bank balances of RMB3,011.64 million, among which: (i) cash and cash equivalents amounted to RMB2,500.86 million (31 August 2020: RMB2,894.44 million), (ii) pledged and restricted deposits amounted to RMB462.90 million (31 August 2020: RMB513.55 million), and (iii) financial assets at fair value through profit or loss (wealth management products of banks) amounted to RMB47.88 million (31 August 2020: RMB5 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 and 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 2021, the aggregate loan balance amounted to RMB4,101.08 million, among which RMB2,499.39 million was denominated in RMB, RMB7.42 million was denominated in RM, and RMB1,594.27 million was denominated in USD. As of 28 February 2021, the Group's bank loans and other borrowings bore effective interest rates ranging from 4.34% to 8.55% per annum. Without taking into account the loans arising from new schools acquired during 2019, other bank loans and other borrowings of the Group bore effective interest rates ranging from 4.34% to 7.5% per annum. The Group considers that, as subsequent loans bore by the entities of Yinchuan acquisition project 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 2021, current assets of the Group amounted to RMB3,656.60 million, consisting of bank balances of RMB2,500.86 million, pledged and restricted deposits of RMB15.70 million, financial assets at fair value through profit or loss (wealth management products of banks) of RMB47.88 million and other current assets of RMB1,092.16 million. Current liabilities of the Group amounted to RMB4,294.20 million, including accruals and other payables of RMB1,724.88 million, contract liabilities of RMB776.65 million, interest-bearing bank and other loans of RMB1,446.40 million and other current liabilities of RMB346.27 million. As at 28 February 2021, current ratio (current assets divided by current liabilities) of the Group was 0.85 (31 August 2020: 1.18).

### Contingent Liabilities

As of 28 February 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of 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 2021, 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 of 28 February 2021, the Group had approximately 9,902 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 39 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 2021.

### Net Debt to Equity Ratio

Net debt to equity ratio equals to total interest-bearing bank loans and other borrowings of RMB4,101.08 million, net of cash and cash equivalents of RMB2,500.86 million, pledged and restricted deposits of RMB462.90 million and financial assets at fair value through profit or loss (wealth management products of banks) of RMB47.88 million at the end of the Reporting Period, divided by total equity attributable to owners of RMB6,199.64 million at the end of the Reporting Period. The Group's net debt to equity ratio increased from -5.3% as of 31 August 2020 to 17.6% as of 28 February 2021, 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 2021, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank loans by total equity) was approximately 66.2% (31 August 2020: 54.8%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

#### (1) Use of Proceeds from the Listing

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB2,704.86 million. As at 28 February 2021, the Group utilised all of the net proceeds from the Listing in accordance with the allocation set out in the Prospectus.

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

Use	% of total	Net proceeds (in millions of RMB)	Amount utilised (as at 28 February 2021) (in millions of RMB)	Amount unutilised (as at 28 February 2021) (in millions of RMB)
Used to acquire higher education schools and establish new campuses for the acquired schools	40%	1,081.94	1,081.94	–
Used to construct new buildings for education purposes	30%	811.46	811.46	–
Used to repay bank loans and other borrowings	20%	540.97	540.97	–
Used for working capital and general corporate purposes	10%	270.49	270.49	–
<b>Total</b>	<b>100%</b>	<b>2,704.86</b>	<b>2,704.86</b>	<b>–</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

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

On 13 August 2020, an aggregate of 465,000,000 new shares were placed by the Company to not less than six placees (being individuals, corporate, institutional or other investors) at the placing price of HK\$2.55 per share (net placing price amounted to HK\$2.53 per share).

On 5 August 2020, being the date on which the terms of the placing were determined, the closing price per Share was HK\$2.78. The aggregate nominal value and the market value of the placing shares were approximately US\$4,650 and HK\$1,292.70 million, respectively. The gross proceeds from the placing was approximately HK\$1,185.75 million. The net proceeds from the placing (net of underwriting expenses and related expenses) was approximately HK\$1,176.77 million.

The Company intended to apply the net proceeds from the placing primarily for acquisitions of schools in the PRC, construction and development of the Company's schools in the PRC and general corporate purpose as to:

- (a) approximately 70.0% to 80.0% of the net proceeds would be utilised to further extend the education network of the Company and to seek more opportunities for expansion; and
- (b) approximately 20.0% to 30.0% of the net proceeds would be utilised to further enhance the level of operating the existing colleges and universities, improve the conditions of hardware and increase the investment of practical equipment.

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

As at 28 February 2021, the remaining balance of the proceeds from the placing was fully utilised.

### INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period to shareholders (Six month ended 29 February 2020: 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.

Throughout the six months ended 28 February 2021, the Company has complied with the CG 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 during the six months ended 28 February 2021.

Having made specific enquiry with all Directors of the Company, it is confirmed that all Directors have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 28 February 2021.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARE

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 2021.

## OTHER INFORMATION

### QUALIFICATION REQUIREMENT

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement.

We have adopted a specific plan and had taken concrete steps (please refer to the Prospectus of the Company for details) which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement.

### LIQUIDITY AND CAPITAL RESOURCES

The Group’s primary uses of cash are to fund its working capital requirements, its purchase of property and equipment and repayment of loans and related interest expenses. As at the date of this report, the Group has funded its operations principally with cash generated from operations, bank loans, capital contribution by shareholders, net proceeds from Global Offering (as defined in the Prospectus) and other financing from public market. In the future, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from operating activities, bank loans and other borrowings and other funds raised from the capital markets from time to time. As of 28 February 2021, the Group had cash and cash equivalents of RMB2,500.86 million.

### PLEDGED ASSETS

Save as disclosed in note 13 and note 19 under the section “NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION”, as at 28 February 2021, the Group had no additional assets or rights pledged.

### AUDIT COMMITTEE AND REVIEW OF THE 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 2021.

## OTHER INFORMATION

### 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 2021, the interests or short positions of the Directors and chief executives of the Company 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 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 or 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 to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO 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/ Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at 28 February 2021 <sup>(3)</sup>
Wang Huiwu (汪輝武) <sup>(1)</sup>	Executive	Interest in controlled corporation	3,460,948,240	Long Position	47.45%
	Director		500,000,000	Short Position	6.86%
Wang Degen (王德根) <sup>(2)</sup>	Non-executive	Interest of spouse	3,503,190,943	Long Position	48.03%
	Director		500,000,000	Short Position	6.86%

*Notes:*

- (1) 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 51.93% interest in the Company. Accordingly, Wang Huiwu (汪輝武) is deemed as holding interest in the Company through Hope Education Investment Limited.
- (2) Wang Degen (王德根) and Zhang Qiang (張強) are spouses. Therefore, for the purpose of the SFO, Wang Degen (王德根) is deemed or taken to be interested in all the shares Zhang Qiang (張強) is interested in.
- (3) Based on the number of issued shares as at 28 February 2021, being 7,293,802,646 Shares.

Save as disclosed above, as at 28 February 2021, 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 2021 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 2021, the following persons (other than the directors or chief executives of the Company) or entities have 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:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at 28 February 2021 <sup>(2)</sup>
Hope Education Investment Limited <sup>(1)</sup>	Beneficial interest	3,460,948,240	Long Position	47.45%
		500,000,000	Short Position	6.86%
Maysunshine Limited <sup>(1)</sup>	Interest in controlled corporation	3,460,948,240	Long Position	47.45%
		500,000,000	Short Position	6.86%
Tequ Group A Limited <sup>(1)</sup>	Interest in controlled corporation	3,460,948,240	Long Position	47.45%
		500,000,000	Short Position	6.86%
Tequ Group (Hong Kong) Company Limited <sup>(1)</sup>	Interest in controlled corporation	3,460,948,240	Long Position	47.45%
		500,000,000	Short Position	6.86%
Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) <sup>(1)</sup>	Beneficial interest	42,242,703	Long Position	0.58%
		Interest in controlled corporation	3,503,190,943	Long Position
Sichuan Tequ Investment Group <sup>(1)</sup> Limited (四川特驅投資) <sup>(1)</sup>	Interest in controlled corporation	500,000,000	Short Position	6.86%
		3,503,190,943	Long Position	48.03%
Chengdu West Hope Group <sup>(1)</sup> Limited (成都華西希望集團有限公司) ("West Hope") <sup>(1)</sup>	Interest in controlled corporation	500,000,000	Short Position	6.86%
		3,503,190,943	Long Position	48.03%
Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) <sup>(1)</sup>	Interest in controlled corporation	500,000,000	Short Position	6.86%
		3,503,190,943	Long Position	48.03%

## OTHER INFORMATION

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at 28 February 2021 <sup>(3)</sup>
Zhang Qiang (張強) <sup>(1)</sup>	Interest in controlled corporation	3,503,190,943	Long Position	48.03%
		500,000,000	Short Position	6.86%
Chen Yuxin (陳育新) <sup>(1)</sup>	Interest in controlled corporation/ Interest of spouse	3,503,190,943	Long Position	48.03%
		500,000,000	Short Position	6.86%
Zhao Guiqin (趙桂琴) <sup>(1)</sup>	Interest in controlled corporation/ Interest of spouse	3,503,190,943	Long Position	48.03%
		500,000,000	Short Position	6.86%
Credit Suisse Group AG	Interest in controlled corporation	569,239,993	Long Position	7.80%
		534,768,004	Short Position	7.33%
	Investment manager	1,642,000	Long Position	0.02%
Honorich Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	479,909,158	Long Position	6.58%
Datten Investments Limited <sup>(2)</sup>	Interest in controlled corporation	479,909,158	Long Position	6.58%
China Everbright Holdings Co., Limited ("CE Hong Kong") <sup>(2)</sup>	Interest in controlled corporation	479,909,158	Long Position	6.58%
China Everbright Group Ltd. ("China Everbright Group") <sup>(2)</sup>	Interest in controlled corporation	479,909,158	Long Position	6.58%
Central Huijin Investment Limited <sup>(2)</sup> ("Central Huijin") <sup>(2)</sup>	Interest in controlled corporation	479,909,158	Long Position	6.58%

*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 Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

## OTHER INFORMATION

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. 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, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, 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), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 3,460,948,240 Shares of Long Position and 500,000,000 Shares of Short Position.

- (2) 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.

- (3) Based on the number of issued shares of the Company as at 28 February 2021, being 7,293,802,646 Shares.

Save as disclosed above, as at 28 February 2021, the Directors or chief executives of the Company are not aware of any other person or entity 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 2021, the number of relevant Shares subject to outstanding options granted under the 2018 Pre-IPO Share Option Scheme is 284,035,314 Shares, representing approximately 3.9% of the issued share capital of the Company. As of 28 February 2021, 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 RMB per share	Vesting period	The weighted average closing price of the Company's shares		
	As at 1 September 2020	Granted during the period	Exercised during the period	Lapsed during the period	As at 28 February 2021					price of share of the Company before the date of grant	Immediately before the date of exercise	As at the date of exercise of share options
										RMB per share	RMB per share	HK\$ per share
<b>Directors</b>												
Xu Changjun	1,288,871	-	1,288,871	-	-	18 March 2018	From 2 February 2019 to 2 August 2038	0.9311	From 18 March 2018 to 2 February 2019	-	-	-
Li Tao	6,649,167	-	952,000	-	5,697,167	18 March 2018	From 2 February 2019 to 2 August 2038	0.9311	From 18 March 2018 to 2 February 2019	-	-	-
Sub-total	7,938,038	-	2,240,871	-	5,697,167					-	-	-
Employees (including Senior Management) and other Grantees 319 individuals	340,018,004	-	61,679,857	-	278,338,147	18 March 2018	From 2 February 2019 to 2 August 2038	0.5911/0.9311/1.131	From 18 March 2018 to 2 February 2019	-	-	-
<b>Total</b>	<b>347,956,042</b>	<b>-</b>	<b>63,920,728</b>	<b>-</b>	<b>284,035,314</b>					<b>-</b>	<b>-</b>	<b>-</b>

As of 28 February 2021, 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 27 to the Interim Condensed Consolidated Financial Information.*



## INDEPENDENT REVIEW REPORT



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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 41 to 92, 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 2021 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  
28 April 2021

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	For the six months ended	
		28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>REVENUE</b>	4	1,183,434	870,627
Cost of sales		<u>(541,962)</u>	<u>(413,297)</u>
Gross profit		641,472	457,330
Other income and gains	4	138,498	144,778
Reversal of impairment losses	4(iv)	179,901	–
Gain on a bargain purchase		–	27,256
Selling expenses		(81,747)	(29,938)
Administrative expenses		(147,967)	(115,591)
Other expenses		(29,854)	(11,492)
Finance costs	5	(145,719)	(102,133)
Share of profit and loss of:			
A joint venture		10,352	7,661
An associate		<u>(871)</u>	<u>–</u>
<b>PROFIT BEFORE TAX</b>	6	564,065	377,871
Income tax expense	7	<u>(86,232)</u>	<u>(44,098)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>477,833</u>	<u>333,773</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		(19,769)	–
Total comprehensive income for the period		<u>458,064</u>	<u>333,773</u>
Profit attributable to:			
Owners of the Company		477,873	333,599
Non-controlling interests		<u>(40)</u>	<u>174</u>
		<u>477,833</u>	<u>333,773</u>
Total comprehensive income attributable to:			
Owners of the Company		458,385	333,599
Non-controlling interests		<u>(321)</u>	<u>174</u>
		<u>458,064</u>	<u>333,773</u>
Earnings per share attributable to ordinary equity holders of the Company:			
Basic	8	<u>RMB0.066</u>	<u>RMB0.050</u>
Diluted		<u>RMB0.065</u>	<u>RMB0.049</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2021

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	6,368,716	5,065,150
Right-of-use assets	9	1,271,842	1,174,097
Interests in land held for property development	9	145,022	145,022
Investment property		37,824	–
Goodwill	10	826,966	590,456
Amounts due from a joint venture	26(c)	107,556	288,556
Other intangible assets	9	366,134	212,291
Investment in a joint venture		356,450	196,098
Investment in an associate	23	391,629	–
Prepayments	12	1,143,182	335,857
Pledged and restricted deposits	13	447,203	447,851
Deferred tax assets		21,844	2,424
Contract cost assets		3,137	–
<b>Total non-current assets</b>		<b>11,487,505</b>	<b>8,457,802</b>
<b>CURRENT ASSETS</b>			
Trade receivables	11	84,365	27,953
Prepayments, deposits and other receivables	12	789,418	909,135
Amounts due from related parties	26(c)	54,920	56,052
Financial assets at fair value through profit or loss		47,882	5,000
Contract cost assets		1,568	–
Pledged and restricted deposits	13	15,700	65,700
Cash and cash equivalents	13	2,500,861	2,894,437
Assets classified as held for sale	14	161,886	–
<b>Total current assets</b>		<b>3,656,600</b>	<b>3,958,277</b>
<b>CURRENT LIABILITIES</b>			
Contract liabilities	4	776,647	403,620
Trade payables	15	47,323	37,573
Other payables and accruals	16	1,724,875	1,307,621
Deferred income	17	38,765	37,683
Lease liabilities	18	31,903	28,965
Interest-bearing bank and other borrowings	19	1,446,396	1,443,333
Amounts due to related parties	26(c)	60,843	21,694
Taxes payable		167,447	87,759
<b>Total current liabilities</b>		<b>4,294,199</b>	<b>3,368,248</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	1	<b>(637,599)</b>	<b>590,029</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,849,906</b>	<b>9,047,831</b>

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2021

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables	16	168,862	312,861
Deferred income	17	1,400,601	1,252,665
Lease liabilities	18	153,974	120,129
Interest-bearing bank and other borrowings	19	2,654,687	1,670,072
Deferred tax liabilities		126,589	5,687
Amounts due to a related party	26(c)	150,000	-
Derivative financial instruments	20	2,379	-
Contract liabilities	4	1,273	-
Total non-current liabilities		4,658,365	3,361,414
<b>NET ASSETS</b>		<b>6,191,541</b>	<b>5,686,417</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	21	497	493
Reserves		6,199,140	5,682,728
		6,199,637	5,683,221
Non-controlling interests		(8,096)	3,196
Total equity		<b>6,191,541</b>	<b>5,686,417</b>

\_\_\_\_\_  
Xu Changjun  
Director

\_\_\_\_\_  
Wang Huiwu  
Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

Attributable to owners of the Company

	Issued	Share	Capital	Statutory	Share	Retained	Exchange	Non-		Total
	capital	premium*	reserve*	surplus	option	profits*	fluctuation	Total	controlling	equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
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 (note 24)	-	-	-	-	-	-	-	-	(10,788)	(10,788)
Transfer from retained profits	-	-	-	80,318	-	(80,318)	-	-	-	-
De-registration of a subsidiary	-	-	-	-	-	-	-	-	(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>
As at 1 September 2019 (unaudited)	454	2,596,260	598,468	252,261	135,543	638,225	-	4,221,211	2,891	4,224,102
Profit and total comprehensive income for the period	-	-	-	-	-	333,599	-	333,599	174	333,773
Issue of shares upon the exercise of share options	-	6,427	-	-	(1,771)	-	-	4,656	-	4,656
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	30	30
Transfer from retained profits	-	-	-	72,590	-	(72,590)	-	-	-	-
Equity-settled share option arrangement	-	-	-	-	8,192	-	-	8,192	-	8,192
As at 29 February 2020 (unaudited)	<u>454</u>	<u>2,602,687</u>	<u>598,468</u>	<u>324,851</u>	<u>141,964</u>	<u>899,234</u>	<u>-</u>	<u>4,567,658</u>	<u>3,095</u>	<u>4,570,753</u>

\* These reserve accounts comprise the consolidated reserves of RMB6,199,140,000 in the consolidated statement of financial position as at 28 February 2021 (31 August 2020: RMB5,682,728,000).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

		For the six months ended	
		28 February 2021	29 February 2020
		RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		564,065	377,871
	Profit before tax		
	Adjustments for:		
	Depreciation of items of property, plant and equipment	112,211	99,077
	Depreciation of right-of-use assets	32,711	31,222
	Amortisation of other intangible assets	6,495	6,840
	Deferred income released to profit or loss	(9,964)	(13,513)
	Interest income	(56,389)	(45,727)
	Finance costs	145,719	102,133
	(Gains)/losses on disposal of items of property, plant and equipment, net	413	(20,831)
	Gains on disposal of items of intangible assets, net	(345)	–
	Losses on disposal of subsidiaries	–	2,011
	Reversal of impairment losses	(179,901)	–
	Gain on a bargain purchase	–	(27,256)
	Equity-settled share option expense	–	8,192
	Share of profit of a joint venture	(10,352)	(7,661)
	Share of loss of an associate	871	–
	Covid-19-related rent concession from a lessor	(1,925)	–
	Fair value gains/(loss), net:		
	Financial assets through profit or loss	(2,690)	(19,399)
	Derivative instruments		
	– transactions not qualifying as hedges	2,379	–
	Increase in loss allowance on receivables	294	–
	Foreign exchange losses	16,374	2,959
		<b>619,966</b>	<b>495,918</b>
	Decrease/(increase) in prepayments, deposits and other receivables	27,231	(2,164)
	Increase in trade receivables	(21,107)	(8,426)
	Decrease in contract cost assets	1,604	–
	Increase in amounts due from related parties	(2,996)	(11,061)
	Increase/(decrease) in contract liabilities	244,326	(217,565)
	Increase in trade payables	9,750	17,675
	Decrease in amounts due to related parties	(856)	(8,474)
	Decrease/(increase) in other payables and accruals	10,378	(127,537)
	Receipt of government grants related to expense items	5,392	5,354
		<b>893,688</b>	<b>143,720</b>
	Cash generated from operations		
	Bank interest received	5,506	5,736
	Corporate income tax and land appreciation tax paid	(19,635)	(19,093)
		<b>879,559</b>	<b>130,363</b>
	Net cash flows from operating activities		

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	For the six months ended	
		28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(652,759)	(311,742)
Prepaid land lease payments		(424,057)	(180,890)
Additions to other intangible assets		(4,546)	(1,273)
Acquisition of subsidiaries	24	(837,293)	(63,206)
Loan to an acquiree before the acquisition	24	(24,000)	–
Acquisition of subsidiaries that is not a business		–	(42,020)
Prepayment for acquisition of equity interests	12	(480,000)	(35,033)
Proceeds from disposal of items of property, plant and equipment		91	37,970
Proceeds from disposal of items of intangible assets		1,620	–
Decrease/(increase) in amounts due from related parties		181,000	(278,679)
Receipt of government grants for property, plant and equipment		153,590	211,860
Decrease in a restricted bank balance		63,850	663
Loans to an independent third party		–	(87,000)
Decrease in time deposits with original maturity over three months		–	531,469
Decrease/(increase) in financial assets at fair value through profit or loss, net		(42,800)	261,700
Investment income from financial assets at fair value through profit or loss		2,608	22,577
Interest income received from time deposits		–	28,620
Loan repaid by an independent third party		137,000	1,120
Interest income received from related parties		22,586	–
Capital injection into a joint venture		(150,000)	–
Investment in an associate		(274,750)	–
Increase in pledged deposits		(11,739)	–
Interest income received from an independent third party		–	154
Net cash flows from/(used in) investing activities		<u>(2,339,599)</u>	<u>96,290</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank and other borrowings		1,823,250	580,000
Repayment of bank and other borrowings		(768,633)	(591,070)
Interest paid		(110,465)	(91,280)
Principal portion of lease payments		(14,697)	(6,456)
Interest portion of the lease liabilities		(5,789)	(5,153)
Capital contribution by a non-controlling shareholder		–	30
Proceeds from the issue of shares		58,031	4,656
Loan arrangement fees paid		(31,248)	–
Increase in amounts due to related parties		201,323	–
Repayment of other loans recorded in other payables		(10,632)	(28,068)
Repayment of loans from related parties		–	(34,787)
Net cash flows from/(used in) financing activities		<u>1,141,140</u>	<u>(172,128)</u>

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(318,900)	54,525
Cash and cash equivalents at beginning of the period	2,894,437	829,243
Effect of foreign exchange rate changes, net	(77,009)	(2,959)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>2,498,528</u>	<u>880,809</u>
<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)	2,500,861	1,097,417
Less: Non-pledged time deposits with original maturity over three months	-	(216,608)
Bank overdraft	(2,333)	-
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>2,498,528</u>	<u>880,809</u>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 28 February 2021 (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 eight months ended 31 August 2020.

### Going concern

As at 28 February 2021, the Group recorded net current liabilities of approximately RMB637,599,000. Included therein, the Group recorded current portion of contract liabilities and deferred income of RMB776,647,000 and RMB38,765,000, 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 its subsequent cash inflows from the issuance of convertible bonds and placing shares as further detailed in note 29(a), 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. PRINCIPAL 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 eight months ended 31 August 2020.

## 3. OPERATING SEGMENT INFORMATION

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

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

In previous years/periods, the board of directors considered that there were no reportable segments other than the domestic education segment. During the Period, the Group acquired a 100% equity interest in Inti Education Holdings Sdn. Bhd. (“INTI”) and its subsidiaries (the “INTI Group”), a private higher education service provider in Malaysia (as further detailed in note 24), and commenced the business engaging in the provision of global education services in a country other than the PRC. Management monitors the results of the Group’s operating segment separately for the purpose of making decisions about resource allocation and performance assessment. Due to the changes in the composition of segment during the Period, the operating segment information for the six months ended 29 February 2020 was also restated.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit before tax except that interest income, other gains and expenses, non-lease-related finance costs, fair value gains/losses from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Segment assets exclude deferred tax assets, tax recoverable, cash and cash equivalents, financial assets at fair value through profit or loss, assets classified as held for sale and pledged and restricted deposits as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings (other than lease liabilities), amounts due to a related party, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 28 February 2021 and 29 February 2020, respectively.

#### For the six months ended 28 February 2021

	Domestic education RMB' 000 (Unaudited)	Global education RMB' 000 (Unaudited)	Total RMB' 000 (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>	649,485	22,508	671,993
<i>Reconciliation:</i>			
Interest income			56,389
Other gains			14,377
Fair value gains from financial assets at fair value through profit or loss			2,690
Other expenses			(29,854)
Non-lease-related finance costs			(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 2021

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

For the six months ended 29 February 2020

	Domestic education RMB' 000 (Unaudited)	Global education RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
<b>Segment revenue (note 4)</b>			
Revenue from external customers	870,627	–	870,627
<b>Segment results</b>	408,532	–	408,532
<i>Reconciliation:</i>			
Interest income			45,727
Other gains			29,087
Fair value gains from financial assets at fair value through profit or loss			19,399
Other expenses			(11,492)
Non-lease-related finance costs			(96,980)
Unallocated corporate expenses			(16,402)
Profit before tax			377,871

The following table presents information of assets and liabilities of the Group's operating segments as at 28 February 2021 and 31 August 2020.

	Domestic education RMB' 000 (Unaudited)	Global education RMB' 000 (Unaudited)	Total segments RMB' 000 (Unaudited)	Adjustments and elimination RMB' 000 (Unaudited)	Consolidated RMB' 000 (Unaudited)
<b>Total assets</b>					
28 February 2021	10,819,144	1,128,491	11,947,635	3,196,470	15,144,105
31 August 2020	9,000,667	–	9,000,667	3,415,412	12,416,079
<b>Total liabilities</b>					
28 February 2021	6,821,164	186,534	7,007,698	1,944,866	8,952,564
31 August 2020	3,522,811	–	3,522,811	3,206,851	6,729,662

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

#### Geographical information

##### *(a) Revenue from external customers*

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Domestic* – Mainland China	1,033,300	870,627
Overseas – Malaysia	150,134	–
	<u>1,183,434</u>	<u>870,627</u>

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

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

##### *(b) Non-current assets*

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
	Domestic – Mainland China	9,811,212
Overseas – Malaysia	1,099,690	–
	<u>10,910,902</u>	<u>7,718,971</u>

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

#### Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of the Group during the Period and the six months ended 29 February 2020.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 4. REVENUE, OTHER INCOME AND GAINS

#### Revenue

An analysis of revenue is as follows:

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Revenue from contracts with customers	1,182,627	870,627
<i>Revenue from other resources</i>		
Rental of hostels and facilities	807	–
	<u>1,183,434</u>	<u>870,627</u>

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

For the six months ended 28 February 2021

Segments	Note	Domestic education RMB' 000 (Unaudited)	Global education RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Types of goods or services				
Tuition fees		840,744	143,653	984,397
Boarding fees		74,530	–	74,530
Sales of books and daily necessities		40,600	–	40,600
Others	(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 2021

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

#### Revenue *(continued)*

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

For the six months ended 29 February 2020

Segments	Domestic education RMB' 000 (Unaudited)	Global education RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
	Note		
Types of goods or services			
Tuition fees		720,087	720,087
Boarding fees		63,499	63,499
Sales of books and daily necessities		24,288	24,288
Others	(i)	62,753	62,753
Total revenue from contracts with customers			
		870,627	870,627
Timing of revenue recognition			
Services transferred over time		846,339	846,339
Goods transferred at a point in time		24,288	24,288
Total revenue from contracts with customers			
		870,627	870,627

#### *(b) Performance obligations*

Information about the Group's performance obligations is summarised below:

##### Provision of education services

The performance obligations of the services are satisfied over time as the services are rendered in each academic year or training period and advances are required before rendering the services.

##### Sales of goods

The performance obligation is satisfied at a point in time upon delivery of goods, and payment in advance is normally required.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Revenue (continued)

(c) Contract liabilities

Contract liabilities are expected to be recognised as revenue:

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Within one year	776,647	403,620
Over one year	1,273	–
	<u>777,920</u>	<u>403,620</u>

Changes in contract liabilities during the period are as follows:

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Carrying amount at beginning of the period	403,620	738,891
Additions from acquisition of subsidiaries (note 24)	132,092	117,108
Revenue recognised that was included in the contract liabilities at beginning of the period	(230,784)	(421,465)
Revenue recognised that was included in the contract liabilities arising from acquisition of subsidiaries	(120,927)	(67,845)
Increase due to cash received, excluding amounts recognised as revenue during the period	596,048	271,746
Exchange realignment	(2,129)	–
Carrying amount at end of the period	<u>777,920</u>	<u>638,435</u>

Contract liabilities at the end of each reporting period represented advances received from students. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the respective applicable programme. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered. The decrease in contract liabilities was mainly due to the recognition of revenue relating to the provision of formal education services during the Period.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 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 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>Other income</b>			
Interest income from bank balances		9,732	20,822
Interest income from loans to a related party		9,855	8,912
Interest income from loans to an independent third party		36,802	15,993
		<hr/>	<hr/>
Total interest income		56,389	45,727
Deferred income released to profit or loss:			
– related to assets	17	5,651	5,499
– related to expenses	17	4,313	8,014
Government grants received	(ii)	10,703	6,358
Rental income		4,675	15,999
Service income	(iii)	39,700	14,695
Donation income		240	67
Others		13,787	8,022
		<hr/>	<hr/>
		135,458	104,381
<b>Gains</b>			
Gains on disposal of items of property, plant and equipment		5	20,998
Gains on disposal of other intangible assets		345	–
Fair value gains on financial assets at fair value through profit or loss, net		2,690	19,399
		<hr/>	<hr/>
		3,040	40,397
		<hr/>	<hr/>
Total other income and gains		138,498	144,778
		<hr/>	<hr/>
Reversal of impairment losses	(iv)	179,901	–
		<hr/>	<hr/>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

Notes:

- (i) During the Period and the six months ended 29 February 2020, others mainly represented income received from the provision of other education services such as self-study examination education services, adult education services and training services to the students, 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 29 February 2020, the 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 purchase of textbooks, dormitory bedding and examination materials.
- (iv) During the Period, the Group reached an agreement with the vendors (the “Vendors”) from acquisition of Yinchuan University of Energy and relating entities (collectively the “Yinchuan Group”), with details disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2019, that certain receivables of the Yinchuan Group due from the Vendors amounting to RMB179,901,000, that had been fully impaired on acquisition date, will be offset by the payables for acquisitions of the Yinchuan Group, resulting a gain from reversal of impairment losses amounting to RMB179,901,000.

### 5. FINANCE COSTS

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

	For the six months ended	
	28 February 2021 RMB’ 000 (Unaudited)	29 February 2020 RMB’ 000 (Unaudited)
Interest on bank loans, overdraft and other borrowings	113,100	84,150
Interest expense on lease liabilities (note 18)	5,789	5,153
Increase in the discounted amounts of payables arising from the passage of time	26,830	12,830
	<u>145,719</u>	<u>102,133</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

## 6. PROFIT BEFORE TAX

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

	Notes	For the six months ended	
		28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Cost of services provided		541,962	413,297
Employee benefit expense:			
Wages and salaries		312,164	202,023
Equity-settled share option expense		–	6,225
Pension scheme contributions (defined contribution scheme)		49,578	33,444
		361,742	241,692
Management fees	(i)	85,176	75,187
Depreciation of items of property, plant and equipment	9	112,211	99,077
Depreciation of right-of-use assets*	9	32,711	31,222
Amortisation of other intangible assets	9	6,495	6,840
Marketing and advertising costs		23,440	8,825
Losses on disposal of subsidiaries		–	2,011
Lease payments not included in the measurement of lease liabilities	18	1,720	1,207
Auditors' remuneration		3,380	6,800
Equity-settled share option expense		–	1,967
Fair value loss on derivative instruments – transactions not qualifying as hedges	20	2,379	–
Losses on disposal of items of property, plant and equipment		418	167

Note:

(i) During the Period and the six months ended 29 February 2020, management fees represented the annual fees payable to the universities where 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.

\* During the Period, the depreciation of right-of-use assets of RMB32,711,000 (For the six months ended 29 February 2020: RMB31,222,000) and RMB1,654,000 (For the six months ended 29 February 2020: Nil) was recognised in profit or loss and capitalised as addition to construction in progress, respectively.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 7. INCOME TAX

The major components of income tax expense of the Group are as follows:

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Current – Mainland China		
Corporate income tax for the period	86,885	36,907
Underprovision of PRC corporate income tax in prior periods	–	2,597
PRC land appreciation tax for the period	–	6,225
Current – Malaysia		
Corporate income tax for the period	(11,027)	–
Deferred	10,374	(1,631)
Total tax charged for the period	<u>86,232</u>	<u>44,098</u>

The Company is not subject to income tax from business carried out in the Cayman Islands. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended 29 February 2020.

During the Period, no corporate income tax was provided on the income from the provision of formal education services by certain private schools in the People's Republic of China ("PRC Private Schools") of the Group, which have 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 providing formal educational services and had enjoyed the preferential tax treatment since their establishment. 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. In addition, according to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain PRC Private Schools of the Group that are located in Sichuan Province and engaged in the encouraged business of higher vocational education services are entitled to a preferential CIT rate of 15% since 1 January 2019. The non-academic education services provided by these schools are subject to corporate income tax at a rate of 25%.

All of the Group's non-school subsidiaries established in the PRC were subject to the PRC corporate income tax rate of 25% during the Period, except for a subsidiary established in Horgos, Xinjiang, the PRC which is exempted from income tax for the first five years since 2018 in accordance with the preferential tax rules.

Subsidiaries incorporated in Malaysia were subject to the Malaysian corporate income tax rate of 24% 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 are based on the following data:

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company for the purpose of calculating basic and diluted earnings per share	<u>477,873</u>	<u>333,599</u>
	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	7,244,984,707	6,667,130,122
Effect of dilution – weighted average number of ordinary shares: Share options*	<u>145,297,540</u>	<u>99,372,515</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>7,390,282,247</u>	<u>6,766,502,637</u>

\* The weighted average number of ordinary shares were 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

Movements in property, plant and equipment, other intangible assets, right-of-use assets and investment properties during the Period are as follows:

	Interests in land held for property development RMB' 000 (Unaudited) (note (a))	Property, plant and equipment RMB' 000 (Unaudited) (note (b))	Other intangible assets RMB' 000 (Unaudited)	Right-of-use assets RMB' 000 (Unaudited)
Carrying amounts at 1 September 2020	145,022	5,065,150	212,291	1,174,097
Additions	–	785,068	4,753	67,798
Acquisition of subsidiaries (note 24)	–	769,294	160,280	102,067
Disposals	–	(454)	(1,244)	–
Classified as held for sale (note 14)	–	(125,509)	–	(36,377)
Depreciation/amortisation charged to profit or loss for the Period (note 6)	–	(112,211)	(6,495)	(32,711)
Depreciation capitalised	–	1,654	–	(1,654)
Exchange realignment	–	(14,276)	(3,451)	(1,378)
Carrying amounts at 28 February 2021	<u>145,022</u>	<u>6,368,716</u>	<u>366,134</u>	<u>1,271,842</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 2021, 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 RMB1,982,797,000 (31 August 2020: RMB1,758,167,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (c) As at 28 February 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB175,194,000 (31 August 2020: RMB380,446,000) were pledged to secure the bank loans granted to the Group (note 19(a)).
- (d) As at 28 February 2021, the Group's prepaid land lease payments with a net carrying amount of approximately RMB66,600,000 (31 August 2020: RMB44,842,000) were pledged to secure the bank loans granted to the Group (note 19(a)).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 10. GOODWILL

	28 February 2021 RMB' 000 (Unaudited)
Cost and net carrying amount at 1 September 2020	590,456
Acquisition of subsidiaries during the Period (note 24)	240,896
Exchange realignment	(4,386)
	<hr/>
Cost and net carrying amount at 28 February 2021	<u>826,966</u>

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Management did not identify any 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 various precaution measures undertaken by the respective local authorities which included, inter alia, closure of campuses and delays in school commencement 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 abovementioned action plans, management has concluded that there was no impairment indicator of goodwill at 28 February 2021. Accordingly, management did not perform impairment testing on goodwill as at 28 February 2021.

### 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 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Within 1 month	9,627	2,034
1 to 2 months	16,333	107
2 to 3 months	10,072	6,558
Over 3 months	48,333	19,254
	<hr/>	<hr/>
	<u>84,365</u>	<u>27,953</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Current portion:</b>			
Loans to third parties	(a)	570,551	707,551
Interest receivables from third parties	(a)	118,259	95,469
Cash in transit		2,113	37,534
Prepayments for management fees		847	1,567
Prepaid expenses		24,467	12,706
Deposits		17,041	14,037
Staff advance		17,223	3,530
Interest receivable from time deposits		8,660	4,354
Other receivables		29,163	32,387
Others		1,094	–
		<u>789,418</u>	<u>909,135</u>
<b>Non-current portion:</b>			
Prepayments for property, plant and equipment		9,598	19,569
Prepayments for acquisitions of equity interests	(b)	753,206	291,288
Prepayments for land lease payments		380,378	25,000
		<u>1,143,182</u>	<u>335,857</u>
		<u>1,932,600</u>	<u>1,244,992</u>

Notes:

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

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Guixi Property:</b>			
Principal	(i)	446,550	446,550
Interest receivables		98,387	81,548
		<u>544,937</u>	<u>528,098</u>
<b>Songjiang Investment</b>			
Zhongsheng Real Estate	(ii)	–	87,000
Principal	(iii)	124,001	174,001
Interest receivables		19,872	13,921
		<u>143,873</u>	<u>187,922</u>
		<u>688,810</u>	<u>803,020</u>

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

Notes: *(continued)*

- (a) Loans to third parties and interest receivables from third parties consisted of the following: *(continued)*
- (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 and will become mature within two years from the date when the loans were granted. The interest is paid half-yearly, and the principal of the loans will be repaid in a lump sum as the loans become mature. The loans are secured by the pledge of certain buildings and car parks (the “Collaterals”) belonging to Guixi Property.
- As at 28 February 2021, the principal of the loans of RMB446,550,000 and interest receivables with the amount of RMB98,387,000 have been past due. The Group does not recognise any expected credit losses (“ECLs”) as the fair value of the Collaterals held by the Group as at 31 August 2020 over the principal of the loans and the interest receivables of approximately RMB1,098,013,000 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 2020. The Group has taken actions in recovering the loans and interest receivables through the Collaterals.
- (ii) The interest-free loan of RMB87,000,000 to Luohe City Yancheng District Songjiang Investment Development Co., Ltd. (“Songjiang Investment”) for acquiring land use rights in Luohe City has been fully recovered in November 2020.
- (iii) The balance represented a loan to Chongqing Zhongsheng Real Estate Development Company Limited (“Zhongsheng Real Estate”), a former subsidiary of the Group, which bears interest at a fixed rate of 8% per annum. The loan and interest receivable are secured by 60% equity interests in Zhongsheng Real Estate.
- (b) The balances at 28 February 2021 represented the prepayments for the acquisition of certain sponsor rights and equity interests in the sponsor who owns the sponsor rights over schools, of which RMB255,585,000 bears interest at a fixed rate of 12% per annum. The remaining prepayments are interest-free.

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 2021

### 13. CASH AND CASH EQUIVALENTS

	Notes	28 February 2021 RMB'000 (Unaudited)	31 August 2020 RMB'000 (Audited)
Cash and bank balances		2,052,851	3,127,988
Other cash and cash equivalents		630,913	–
Time deposits		280,000	280,000
		<u>2,963,764</u>	<u>3,407,988</u>
<i>Less:</i>			
<i>Pledged time deposits for:</i>			
Bank loans – non-current	19(a)	(260,000)	(260,000)
Performance guarantee	(i)		
Current		(12,000)	(12,000)
Non-current		(8,000)	(8,000)
<i>Restricted bank balance in escrow accounts</i>	(ii)		
Current		–	(50,000)
Non-current		(166,351)	(179,851)
<i>Restricted bank balances for:</i>			
Current		(3,700)	(3,700)
Non-current	19(a)	(12,852)	–
Total pledged and restricted deposits		<u>(462,903)</u>	<u>(513,551)</u>
Cash and bank balances		<u>2,500,861</u>	<u>2,894,437</u>

Notes:

- (i) Pledged time deposits mainly consisted of deposits pledged for the performance guarantee of the construction of new campus in Sichuan Province and which 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
RMB	1,308,207	1,163,042
Hong Kong Dollar ("HK\$")	226,930	1,071,622
Ringgit Malaysia ("RM")	112,094	33
United States Dollar ("US\$")	1,316,533	1,173,291
Cash and cash equivalents	<u>2,963,764</u>	<u>3,407,988</u>

### 14. ASSETS CLASSIFIED AS HELD FOR SALE

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Right-of-use assets	36,377	–
Property, plant and equipment	125,509	–
	<u>161,886</u>	<u>–</u>

On 23 December 2020, the Group and the People's Government of Nanchong City (the "Purchaser") entered into an acquisition agreement, pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to acquire the land use right together with all the buildings erected thereon for a total cash consideration of RMB308,024,000. As at 28 February 2021, the above-mentioned assets were classified as assets held for sale. As at the date of this report, the disposal of the above assets has not been completed.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 15. 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 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Within 1 month	26,328	17,795
1 to 2 months	3,631	3,450
2 to 3 months	4,822	1,300
Over 3 months	12,542	15,028
	<u>47,323</u>	<u>37,573</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

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### 16. OTHER PAYABLES AND ACCRUALS

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Current portion:</b>		
Payables for purchase of property, plant and equipment	777,760	567,349
Payables for acquisitions of equity interests	193,495	63,000
Miscellaneous advances received from students	75,805	74,498
Accrued bonuses and other employee benefits	92,223	89,018
Government scholarship	24,709	56,671
Payables for purchase of teaching materials and operating expenditure	31,316	39,084
Payables for management fees	54,719	7,709
Construction deposits	52,533	38,916
Other taxes payable	59,518	51,366
Other payables and accrued expenses	286,965	244,178
Construction loan from Mianzhu Education Bureau	75,832	75,832
	<u>1,724,875</u>	<u>1,307,621</u>
<b>Non-current portion:</b>		
Payables for acquisitions of equity interests	158,835	303,360
Other payables	10,027	9,501
	<u>168,862</u>	<u>312,861</u>
	<u><u>1,893,737</u></u>	<u><u>1,620,482</u></u>

Except for payables arising from the acquisition of a 100% equity interest in Shanghai Pumeng Zhichuan Educational Technology Co., Ltd. amounting to RMB40,000,000, which bear interest at a fixed rate of 6.0% per annum, all other payables and accruals are unsecured and non-interest-bearing.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. DEFERRED INCOME

	28 February 2021 RMB' 000 (Unaudited)
<i>Government grants related to assets</i>	
At 1 September 2020	1,264,163
Government grants received	153,590
Released to profit or loss (note 4)	(5,651)
	<hr/>
At 28 February 2021	<u>1,412,102</u>
	<hr/>
Current	11,501
Non-current	1,400,601
	<hr/>
	<u>1,412,102</u>
	<hr/>
<i>Government grants related to expense items</i>	
At 1 September 2020	26,185
Government grants received	5,392
Released to profit or loss (note 4)	(4,313)
	<hr/>
At 28 February 2021 – Current	<u>27,264</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

28 FEBRUARY 2021

### 18. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the Period are as follows:

	28 February 2021 RMB' 000 (Unaudited)
Carrying amount at 1 September 2020	149,094
Acquisition of subsidiaries (note 24)	53,732
Additions	812
Covid-19-related rent concession from a lessor	(1,925)
Accretion of interest recognised during the Period	5,789
Payments	(20,486)
Exchange realignment	(1,139)
	<hr/>
Carrying amount at 28 February 2021	185,877
Analysed into:	
Current portion	31,903
Non-current portion	153,974
	<hr/> <hr/>

The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 28 February 2021 RMB' 000 (Unaudited)
Interest on lease liabilities	5,789
Depreciation charge of right-of-use assets	32,711
Expense relating to short-term leases (included in cost of sales and administrative expenses)	1,720
	<hr/>
Total amount recognised in profit or loss	40,220
	<hr/> <hr/>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

	As at 28 February 2021			As at 31 August 2020		
	Effective interest rate (%) (Unaudited)	Maturity (Unaudited)	RMB' 000 (Unaudited)	Effective interest rate (%) (Audited)	Maturity (Audited)	RMB' 000 (Audited)
<b>Current</b>						
Bank loans – secured	4.35-5.66	2021	163,570	4.35-6.00	2020-2021	493,570
Bank loans – secured	8.55	on demand	82,495	8.55	On demand	82,495
Other borrowings – secured		on demand	8,000		On demand	8,000
Bank overdraft – unsecured		on demand	2,333			–
Current portion of:						
– long term bank loans – secured	4.34-7.06	2021	969,316	4.75-7.06	2020-2021	685,997
– other borrowings – secured	7.00-7.05	2021	220,682	7.00-7.50	2020-2021	173,271
			<u>1,446,396</u>			<u>1,443,333</u>
<b>Non-current</b>						
Bank loans – secured	4.34-7.06	2022-2025	2,390,687	4.34-7.06	2021-2025	1,183,839
Other borrowings – secured	7.00	2023	264,000	7.00-7.50	2021-2023	486,233
			<u>2,654,687</u>			<u>1,670,072</u>
			<u>4,101,083</u>			<u>3,113,405</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Notes:

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

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
RMB	2,499,387	3,113,405
RM	7,425	–
US\$	1,594,271	–
Bank and other borrowings	<u>4,101,083</u>	<u>3,113,405</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 are pledged for bank loans of RMB22,592,000 as at 28 February 2021 (31 August 2020: RMB157,500,000):

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<i>Net book amount of:</i>		
Property, plant and equipment (note 9(c))	175,194	380,446
Prepaid land lease payments (note 9(d))	66,600	44,842
	<u>241,794</u>	<u>425,288</u>

- (ii) Buildings and car parks of third parties:

Guixi Property's buildings and car parks with the fair value of RMB843,723,000 as at 31 August 2020 were pledged for the bank loans of the Group amounting to RMB250,000,000 as at 28 February 2021 (31 August 2020: RMB250,000,000).

The building in construction owned by Ningxia Baota Petrochemical Technology Industry Development Co., Ltd. ("Baota Petrochemical") and two prepaid land lease payments owed by Baota Petrochemical and Ningxia Baota United Chemical Co., Ltd. were pledged for the bank loans of the Group amounting to RMB64,995,000 as at 28 February 2021 (31 August 2020: RMB64,995,000).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Notes: *(continued)*

(a) Mortgages over the following assets *(continued)*:

(iii) The Company's deposits amounting to RMB260,000,000 (note 13) as at 28 February 2021 (31 August 2020: RMB260,000,000) were pledged for the bank loan of the Group amounting to RMB250,000,000 (31 August 2020: RMB250,000,000) and deposits amounting RMB12,852,000 were set aside as security for the payment of a three-month principal and/or interest payable arising from the bank loan of the Group amounting to RMB1,599,363,000 (31 August 2020: Nil).

(b) Pledges of equity interests in the following subsidiaries to secure the bank loans and other borrowings granted to the Group:

(i) 100% of the equity interest in Sichuan Yonghe Education Investment Limited has been pledged for bank loans of RMB300,000,000 as at 28 February 2021 (31 August 2020: RMB300,000,000);

(ii) 100% of the equity interest in Sichuan Top Education Co., Ltd. has been pledged for the other borrowings of RMB364,000,000 as at 28 February 2021 (31 August 2020: RMB424,000,000);

(iii) 100% of the equity interest in Sichuan Guojian Investment Limited, the guarantee granted by Sichuan Hope Education Industry Group Limited, and the rights over tuition fees of Southwest Jiaotong University Hope College have been provided or pledged to China National Investment and Guaranty Corporation to counter guarantee the corporate guarantee provided by China National Investment and Guaranty Corporation in relation to the Group's asset-backed securities borrowings of RMB185,000,000 as at 28 February 2021 (31 August 2020: RMB302,000,000);

(iv) 100% of the equity interest in Taiyuan Xudong Technology Development Co., Ltd. has been pledged for bank loans of RMB150,000,000 as at 28 February 2021 (31 August 2020: RMB90,000,000); and

(v) 100% of the equity interest in Shanghai Shurui Investment Consulting Co., Ltd. has been pledged for bank loans of RMB250,000,000 as at 28 February 2021 (31 August 2020: RMB250,000,000).

(vi) 100% of the equity interests in Shanghai Pumeng Zhichuan Educational Technology Co., Ltd. and Kunshan Xinwei Education Investment & Development Co., Ltd. have been pledged for the bank loan of RMB172,800,000 as at 28 February 2021 (31 August 2020: RMB192,000,000).

(vii) 100% of the equity interest in Hope Education Group (Hong Kong) Co., Ltd. has been pledged for the bank loan of RMB1,594,271,000 as at 28 February 2021 (31 August 2020: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Notes: *(continued)*

- (c) The Group's other borrowings of RMB8,000,000 as at 28 February 2021 (31 August 2020: RMB8,000,000) are guaranteed by a third party. At the same time, Yinchuan University of Energy has given a corporate guarantee to the third party to counter-guarantee the corporate guarantee over the Group's other borrowings.
- (d) The rights over tuition or boarding fees of the following schools:

	Loan amount	
	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Sichuan Tianyi College	77,530	96,796
Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Business College of Guizhou University of Finance and Economics, Sichuan Vocational College of Culture & Communication	300,000	300,000
Southwest Jiaotong University Hope College	185,000	302,000
Sichuan TOP IT Vocational Institute	364,000	424,000
Jinci College of Shanxi Medical University	188,310	249,040
Yinchuan University of Energy	17,500	17,500
Suzhou Top Institute, Kunshan Technical School	172,800	192,000
College of Science and Technology of Guizhou University	272,000	282,000
	<b>1,577,140</b>	<b>1,863,336</b>

In addition, certain of the Group's bank and other borrowings are guaranteed by the following related parties:

Name of related party <i>(as defined in note 26)</i>	Loan amount	
	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Tequ Education and Mr. Wang Huiwu	–	50,000
Mr. Wang Huiwu	322,800	392,000
	<b>322,800</b>	<b>442,000</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Interest rate swaps	<u>2,379</u>	<u>–</u>

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss.

### 21. SHARE CAPITAL

	28 February 2021 US\$ (Unaudited)	31 August 2020 US\$ (Audited)
Authorised:		
10,000,000,000 shares of US\$0.00001 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
7,293,802,646 shares (31 August 2020: 7,229,881,918 ordinary shares) of US\$0.00001 each	<u>72,938</u>	<u>72,299</u>
Equivalent to approximately	<u>RMB497,436</u>	<u>RMB493,286</u>

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

	Number of shares in issue (Unaudited)	Share capital RMB (Unaudited)
At 1 September 2020	7,229,881,918	493,286
Share options exercised	<u>63,920,728</u>	<u>4,150</u>
At 28 February 2021	<u>7,293,802,646</u>	<u>497,436</u>

The subscription rights attaching to 63,920,728 share options were exercised at the subscription price of HKD1.08 per share (note 27), resulting in the issue of 63,920,728 shares for a total cash consideration of RMB58,031,000.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 22. DIVIDENDS

At the meeting of the Directors held on 28 April 2021, the Directors did not recommend any payment of an interim dividend (six months ended 29 February 2020: Nil).

### 23. INVESTMENT IN AN ASSOCIATE

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000
Share of net assets	330,762	–
Goodwill on acquisition	60,867	–
	<u>391,629</u>	<u>–</u>

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest attributable to the Group	Principal activities
Dingli Corp., Ltd. (“Dingli”)	Ordinary shares	The PRC/ Mainland China	8.75%(a)	(b)

Notes:

- (a) In accordance with a voting rights proxy agreement entered into by the de facto controller of Dingli with the Group on 12 October 2020, the voting rights attached to 8% shareholdings of Dingli were entrusted to the Group (“Entrusted Voting Rights”). On the same day, the de facto controller of Dingli entered into an acting-in-concert agreement with the Group, pursuant to which, in relation to the Entrusted Voting Rights, the de facto controller of Dingli undertook to exercise his voting rights at the general meeting of Dingli in accordance with the decision made by the Group. If there are other matters beyond the Entrusted Voting Rights that require the de facto controller of Dingli to exercise a shareholder’s voting rights, he shall exercise his voting rights at the general meeting of Dingli in accordance with the decision made by the Group. Hence, the Group holds in aggregate the voting rights of Dingli of approximately 16.75%.
- (b) Dingli is principally engaged in vocational education business and the provision of products and services for mobile communication network optimisation as well as internet of things service.

On 25 January 2021, the Group acquired 8.75% equity interests of Dingli, whose A shares have been listed on the Shenzhen Stock Exchange, from the de facto controller of Dingli, an independent third party, at a total cash consideration of RMB392,500,000. Upon completion, the Company owns 8.75% equity interests in Dingli and it becomes an associate and is accounted for using the equity method.

Further details of the acquisition have been set out in the announcements of the Company dated 12 October 2020 and 25 January 2021, and the circular in connection with the above acquisition dated 7 March 2021.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 24. BUSINESS COMBINATIONS

- (a) On 29 September 2020, the Group acquired a 100% equity interest in INTI, a company incorporated in Malaysia and engaged in the provision of higher education services. The purchase consideration was USD140,000,000 (equivalent to approximately RMB955,342,000).

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

- (b) On 21 October 2020, the Group acquired a 100% equity interest in Nanchang Dongmei Education Technology Co., Ltd. (南昌東美教育科技有限公司), which holds the sponsor right in Nanchang Vocational Institute of Film and Television Communication, and 100% sponsor rights in Jiangxi Fanmei Art Secondary Professional School (collectively Nanchang Schools), from independent third parties at the consideration of RMB85,092,000. The acquisition of Nanchang Schools 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 INTI Group and Nanchang Schools have been accounted for using the acquisition method.

The Group has elected to measure the non-controlling interest in the INTI Group at the non-controlling interest's proportionate share of the INTI Group's identifiable net assets.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 24. 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:

	INTI Group RMB' 000 (Unaudited)	Nanchang Schools RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Property, plant and equipment	668,529	100,765	769,294
Right-of-use assets	59,067	43,000	102,067
Other intangible assets	158,935	1,345	160,280
Investment properties	38,660	–	38,660
Deferred tax assets	26,593	–	26,593
Cash and bank balances	134,738	22,469	157,207
Pledged deposit	1,138	–	1,138
Trade receivables	33,802	2,040	35,842
Prepayments and other receivables	16,251	1,316	17,567
Contract cost assets	6,433	–	6,433
Contract liabilities	(121,065)	(11,027)	(132,092)
Amount due to the Group	–	(24,000)	(24,000)
Accruals and other payables	(75,818)	(88,938)	(164,756)
Bank loans and other borrowings	(6,970)	–	(6,970)
Bank overdraft	(3,298)	–	(3,298)
Tax payables	(21,520)	–	(21,520)
Lease liabilities	(53,732)	–	(53,732)
Deferred tax liabilities	(119,963)	–	(119,963)
Total identifiable net assets at fair value	741,780	46,970	788,750
Non-controlling interests	10,788	–	10,788
	<u>752,568</u>	<u>46,970</u>	<u>799,538</u>

In the opinion of the Directors, the fair value of trade receivables, prepayments and other receivables as at the respective acquisition dates of the INTI Group and Nanchang Schools amounted to RMB50,053,000 and RMB3,356,000, respectively. The total gross contractual amounts of trade receivables, prepayments and other receivables of the INTI Group and Nanchang Schools were RMB50,566,000 and RMB3,356,000, respectively, of which other receivables of RMB513,000 and nil, respectively, 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Goodwill arising from the above acquisitions:

	INTI Group RMB' 000 (Unaudited)	Nanchang Schools RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Consideration satisfied by:			
Cash	920,309	72,347	992,656
Prepayments in prior year	35,033	–	35,033
Other payables	–	12,745	12,745
	<hr/>	<hr/>	<hr/>
Total consideration	955,342	85,092	1,040,434
Less: Net assets acquired	(752,568)	(46,970)	(799,538)
	<hr/>	<hr/>	<hr/>
Provisional goodwill*	<u>202,774</u>	<u>38,122</u>	<u>240,896</u>

\* The valuation of land and buildings for INTI Group acquired had not been completed by the date the interim financial statements were approved for issue by the Directors. Thus, property, plant and equipment may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 October 2021 (one year after the transaction).

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of INTI Group and Nanchang Schools 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:

	INTI Group RMB' 000 (Unaudited)	Nanchang Schools RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Consideration settled by cash	(920,309)	(72,347)	(992,656)
Realised exchange gain	1,454	–	1,454
Cash and cash equivalents acquired	131,440	22,469	153,909
	<hr/>	<hr/>	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(787,415)</u>	<u>(49,878)</u>	<u>(837,293)</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

	INTI Group RMB' 000 (Unaudited)	Nanchang Schools RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Revenue	150,134	8,512	158,646
Consolidated profit	<u>17,142</u>	<u>3,242</u>	<u>20,384</u>

Had the combinations 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 RMB1,217,281,000 and RMB481,693,000, respectively.

### 25. COMMITMENTS

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

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	1,135,585	945,923
Acquisition of equity interests	<u>400,000</u>	<u>1,226,168</u>
	<u>1,535,585</u>	<u>2,172,091</u>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 26. 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	A relative of Mr. Wang Huiwu
Sichuan Tequ Investment Group Ltd. ("Tequ Investment Group")	One of the jointly controlling shareholders
Sichuan Tequ Education Management Co., Ltd. ("Tequ Education")	A company controlled by the jointly controlling shareholders
Mianzhu May Sunshine Property Development Co., Ltd. ("Mianzhu Property")	A company controlled by Tequ Education
College of Science and Technology of Guizhou University	Joint venture of the Group
Ziyang Automobile Science and Technology Vocational College ("Ziyang Automobile College")	A school controlled by Tequ Education
Ziyang May Sunshine Property Development Co., Ltd. ("Ziyang Property")	A company controlled by Tequ Education
Sichuan Dawu Trading Co., Ltd. ("Dawu Trading")	A company controlled by a close relative of Mr. Wang Huiwu
Sichuan Rongxing Driving School Co., Ltd. ("Rongxing Driving School")	A company controlled by a close relative of Mr. Wang Huiwu
Sichuan Tianyuan Insurance Co., Ltd. ("Tianyuan Insurance")	A company controlled by Dawu Trading

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

Related parties	Relationships
Guizhou Mayflower Property Development Co., Ltd. ("Guizhou Mayflower Property")	A company controlled by Tequ Education
Chengdu Mayflower Property Management Co., Ltd. ("Chengdu Mayflower Property Management")	A company controlled by Dawu Trading
Sichuan Wuyang Construction Co., Ltd. ("Wuyang Construction")	A company controlled by a close relative of Mr. Wang Huiwu
Chengdu Mayflower Senior Technical School ("Chengdu Mayflower Technical")	A company controlled by Tequ Education
Sichuan Mayflower Wine Sales Co., Ltd. ("Mayflower Wine Sales")	A company controlled by Ziyang Property
Jintang Golden May Property Development Co., Ltd. ("Jintang Property")	A company controlled by Tequ Education

#### (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) *A loan provided to College of Science and Technology of Guizhou University*

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Loan provided/(repaid)	(181,000)	278,679
Interest expense charged	9,855	8,912
Interest received	(22,586)	–
Effective interest rate, per annum	8%	8%

During the Period, the Group received a repayment of interest-bearing loans amounting to RMB181,000,000 from College of Science and Technology of Guizhou University. The interest is payable yearly and the remaining principal of the loan will be repaid in a lump sum when the loan becomes mature in 2024.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 26. 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 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Loan received	201,323	–
Interest expense charged	1,140	–
Effective interest rate, per annum	6%	–

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

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Guizhou Mayflower Property	796	–
College of Science and Technology of Guizhou University	22	–
Wuyang Construction	–	35,960
Jintang Property	–	68,660
	<b>818</b>	<b>104,620</b>

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 arm's length pricing obtained from the market.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 26. 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 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Mayflower Wine Sales	1,451	819
Chengdu Mayflower Property Management	601	358
Tianyuan Insurance	386	446
Mr. Wang Xiaoqiang	149	900
Wuyang Construction	11	300
Others	424	42
	<u>3,022</u>	<u>2,865</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 arm's length pricing obtained from the market.

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

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Chengdu Mayflower Technical	–	6,215
Ziyang Automobile College	1,101	2,315
Rongxing Driving School	524	893
Others	317	979
	<u>1,942</u>	<u>10,402</u>

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

##### *(vi) Services provided to related parties*

	For the six months ended	
	28 February 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
College of Science and Technology of Guizhou University	5,000	2,394
Others	134	–
	<u>5,134</u>	<u>2,394</u>

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

#### (c) Balances with related parties

##### *Amounts due from related parties*

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Non-trade in nature</b>		
College of Science and Technology of Guizhou University		
– Current	3,226	15,366
– Non-current	107,556	288,556
	<u>110,782</u>	<u>303,922</u>
<b>Trade in nature – current</b>		
Chengdu Mayflower Technical	18,802	20,006
Chengdu Mayflower Property Management	4,107	2,519
Ziyang Automobile College	9,581	8,543
College of Science and Technology of Guizhou University	9,582	7,695
Guizhou Mayflower Property	–	796
Chengdu Pixian Hope Vocational College	5	908
Wuyang Construction	8,808	–
Jintang Property	236	–
Rongxing Driving School	133	–
Others	440	219
	<u>51,694</u>	<u>40,686</u>
	<u>162,476</u>	<u>344,608</u>

Except for the principal loan due from College of Science and Technology of Guizhou University of RMB107,556,000, amounts due from the related party are unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

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

*Amounts due to related parties*

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Non-trade in nature</b>		
Mr. Wang Huiwu		
– Current, repayable on demand	52,055	–
– Non-current, due on 31 July 2022	150,000	–
	<u>202,055</u>	<u>–</u>
<b>Trade in nature</b>		
Wuyang Construction	7,482	17,932
Ziyang Property	–	1,600
Tianyuan Insurance	391	714
Others	915	1,448
	<u>8,788</u>	<u>21,694</u>
	<u>210,843</u>	<u>21,694</u>

Except for the unsecured amounts due to Mr. Wang Huiwu of RMB202,055,000 which bear interest at an interest rate of 6%, payables 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 2021 RMB' 000 (Unaudited)	29 February 2020 RMB' 000 (Unaudited)
Salaries, allowances and benefits in kind	2,222	1,495
Equity-settled share option expense	–	432
Pension scheme contributions	185	181
	<u>2,407</u>	<u>2,108</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 27. SHARE OPTION SCHEME

On 18 March 2018, the Company adopted a share option scheme (the “2018 Pre-IPO Share Option Scheme”) for the purpose of providing incentives to senior management, mid-level employees and staff who contribute to the success of the Group. The 2018 Pre-IPO Share Option Scheme became effective on 18 March 2018. The 2018 Pre-IPO Share Option Scheme expired on 3 August 2018, the date on which the shares of the Company first commenced trading on the Stock Exchange of Hong Kong Limited, after which period no further Pre-IPO Share Options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

#### (i) Movements in share options

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

	Weighted average exercise price HKD	Number of options
At 1 September 2020	1.14	347,956,042
Exercised during the Period (note 21)	1.08	(63,920,728)
At 28 February 2021	<u>1.15</u>	<u>284,035,314</u>

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 2021:

	Number of share options	Exercise price per share HKD	Fair value per share RMB	Exercise period
Tranche A Options	338,745	0.6800	0.4427	30.1.2019 – 18.3.2038
Tranche B Options	178,391,209	1.0700	0.3542	30.1.2019 – 18.3.2038
Tranche C Options	<u>105,305,360</u>	1.3000	0.3133	30.1.2019 – 18.3.2038
	<u>284,035,314</u>			

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 27. SHARE OPTION SCHEME (continued)

At the end of the reporting period, the Company had 284,035,314 share options outstanding under the 2018 Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 284,035,314 additional ordinary shares of the Company and additional share capital of US\$2,840 (equivalent to approximately RMB18,378) and share premium of RMB273,699,000 (before issue expenses).

At the date of approval of this financial information, the Company had 284,035,314 share options outstanding under the 2018 Pre-IPO Share Option Scheme, which represented approximately 3.9% of the Company's shares in issue as at that date.

### 28. 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 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
<b>Financial assets</b>				
Pledged and restricted deposits, non-current portion	447,203	447,851	447,203	447,851
Amounts due from a joint venture, non-current portion	107,556	288,556	107,556	288,556
Wealth management products	47,882	5,000	47,882	5,000
	<u>602,641</u>	<u>741,407</u>	<u>602,641</u>	<u>741,407</u>
<b>Financial liabilities</b>				
Other payables, non-current portion	168,862	312,861	168,862	312,861
Interest-bearing bank loans, non-current portion	2,654,687	1,670,072	2,608,395	1,665,372
Amounts due to a related party, non-current portion	150,000	–	150,000	–
Interest rate swaps	2,379	–	2,379	–
	<u>2,975,928</u>	<u>1,982,933</u>	<u>2,929,636</u>	<u>1,978,233</u>

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of the restricted bank balance, pledged 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 2021

### 28. 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 invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments, the non-current restricted bank balance, the non-current pledged deposits and the non-current amounts due from a joint venture by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group entered into interest rate swap contracts with a bank in Hong Kong, which are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The carrying amounts of interest rate swaps are the same as their fair values.

The fair values of the non-current interest-bearing bank and other borrowings, amounts due to a related party 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 2021 was assessed to be insignificant.

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

Assets/(liabilities) measured at fair value:

As at 28 February 2021

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets Level 1 RMB' 000 (Unaudited)	Significant observable inputs Level 2 RMB' 000 (Unaudited)	Significant unobservable inputs Level 3 RMB' 000 (Unaudited)	
Wealth management products	–	47,882	–	47,882
Derivative financial instruments – interest rate swaps	–	(2,379)	–	(2,379)
	<u>–</u>	<u>(2,379)</u>	<u>–</u>	<u>(2,379)</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Assets/(liabilities) measured at fair value: *(continued)*

As at 31 August 2020

	Fair value measurement using			Total RMB' 000 (Audited)
	Quoted prices in active markets Level 1 RMB' 000 (Audited)	Significant observable inputs Level 2 RMB' 000 (Audited)	Significant unobservable inputs Level 3 RMB' 000 (Audited)	
Wealth management products	—	5,000	—	5,000

The Group did not have any derivative financial instruments in the prior year, and therefore, no comparative information for derivative financial instruments is disclosed.

Assets for which fair values are disclosed:

As at 28 February 2021

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets Level 1 RMB' 000 (Unaudited)	Significant observable inputs Level 2 RMB' 000 (Unaudited)	Significant unobservable inputs Level 3 RMB' 000 (Unaudited)	
Pledged and restricted deposits, non-current	—	447,203	—	447,203
Amounts due from a joint venture, non-current portion	—	—	107,556	107,556
	—	447,203	107,556	554,759

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Assets for which fair values are disclosed: *(continued)*

As at 31 August 2020

	Fair value measurement using			Total RMB' 000 (Audited)
	Quoted prices in active markets Level 1 RMB' 000 (Audited)	Significant observable inputs Level 2 RMB' 000 (Audited)	Significant unobservable inputs Level 3 RMB' 000 (Audited)	
Pledged and restricted deposits, non-current portion	–	447,851	–	447,851
Amounts due from a joint venture, non-current portion	–	–	288,556	288,556
	<u>–</u>	<u>447,851</u>	<u>288,556</u>	<u>736,407</u>

Liabilities for which fair values are disclosed:

As at 28 February 2021

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets Level 1 RMB' 000 (Unaudited)	Significant observable inputs Level 2 RMB' 000 (Unaudited)	Significant unobservable inputs Level 3 RMB' 000 (Unaudited)	
Interest-bearing bank loans, non-current portion	–	–	2,608,395	2,608,395
Other payable, non-current portion	–	–	168,862	168,862
Amounts due to a related party	–	–	150,000	150,000
	<u>–</u>	<u>–</u>	<u>2,927,257</u>	<u>2,927,257</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

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

Liabilities for which fair values are disclosed: *(continued)*

As at 31 August 2020

	Fair value measurement using			Total RMB' 000 (Audited)
	Quoted prices in active markets Level 1 RMB' 000 (Audited)	Significant observable inputs Level 2 RMB' 000 (Audited)	Significant unobservable inputs Level 3 RMB' 000 (Audited)	
Interest-bearing bank loans, non-current portion	–	–	1,665,372	1,665,372
Other payable, non-current portion	–	–	312,861	312,861
	–	–	1,978,233	1,978,233

### 29. EVENTS AFTER THE REPORTING PERIOD

- (a) On 22 February 2021, the Company (the “Guarantor”) and its wholly-owned subsidiary, Tequ Mayflower Limited (the “Issuer”), have entered into the CB Subscription Agreement with Credit Suisse AG, Hong Kong Branch (the “Manager and Pacing Agent”), pursuant to which the Manager has conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the convertible bonds to be issued by the Issuer (the “Bonds”) in the aggregate principal amount of US\$350,000,000 due 2026. Based on the initial conversion price of HK\$3.85 and the fixed exchange rate and assuming full conversion of the bonds at the initial conversion price, the Bonds will be convertible into 704,827,272 shares.

Meanwhile, on 22 February 2021, the Company, Hope Education Investment Limited (the “Seller”), and the Manager and Pacing Agent entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to sell, and the Manager has agreed to act as the agent of the Seller to procure on a best effort basis places to purchase, the placing shares at the placing price of HK\$2.80 for each placing share, and (ii) the Seller conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the subscription shares at a price which is equivalent to the placing price of HK\$2.80 for each placing share.

The above-mentioned issue of the Bonds and placing of existing shares and top-up subscription of new shares had been completed on 2 March 2021.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 FEBRUARY 2021

### 29. EVENTS AFTER THE REPORTING PERIOD *(continued)*

- (b) In March 2021, one of the Group's subsidiary obtained the approval from the Ministry of Education of the People's Republic of China to be the sponsor of one specific independent college, of which the Group had made prepayments for the acquisition amounted to RMB255,585,000 with details in note 12(b). The registration of the sponsorship had not been completed as at the date of this report. The further details can be referred to the Company's announcement dated on 28 April 2021.
- (c) In April 2021, the Group entered into an acquisition agreement with independent individuals (the "Vendors"), pursuant to which, the Group has conditionally agreed to indirectly acquire 100% sponsor interest in Jinken Vocational Institute of Technology (金肯職業技術學院) with details disclosed in the Company's announcement dated on 28 April 2021.

### 30. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

### 31. 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 28 April 2021.

## DEFINITIONS

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

“Board” or “Board of Directors”	The board of Directors of the Company
“Business College of Guizhou University of Finance and Economics”	Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院), a college established under the laws of PRC in 2004, acquired by our Group in April 2014 and approved by the MOE to be operated under the cooperation between Guizhou University of Finance and Economics and our Group in September 2014
“Business Day”	A day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CG Code” or “Corporate Governance Code”	The code on corporate governance practices set out in Appendix 14 to the Listing Rules
“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 Science and Technology of Guizhou University”	College of Science and Technology of Guizhou University* (貴州大學科技學院), a college established under the laws of PRC in May 2001, approved by the MOE to be operated under the cooperation between Guizhou University and a third party in December 2014
“Company” or “our Company”	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
“Date of this Report”	28 April 2021
“Director(s)”	The directors of our Company
“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 Vocational 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

“HK\$” or “Hong Kong Dollar(s)”	The lawful currency of Hong Kong, Hong Kong dollars
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“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 of Shanxi Medical University”	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
“Jinken College of Technology”	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 counter-party in April 2021
“Listing”	The listing of the Company’s Shares on the Main Board
“Listing Date”	3 August 2018, the date on which the Company’s Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“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 of and operated in parallel with the GEM of the Stock Exchange

## DEFINITIONS

“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
“Prospectus”	The prospectus published by the Company on 24 July 2018
“Reporting Period”	The six months ended 28 February 2021
“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 Department of Education”	Sichuan Department of Education
“Sichuan Hope Automotive Technical 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
“Sichuan Hope Automotive Vocational 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
“Sichuan TOP IT Vocational 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
“Sichuan Vocational 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



## DEFINITIONS

“Southwest Jiaotong University 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
“State”	The central government of the PRC, including all governmental subdivisions (such as provincial, municipal and other regional or local government entities)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tequ Education”	Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司), a limited liability company established under the laws of PRC on 30 November 2017 following the division under reorganization, the shareholding of which largely mirrors that of Hope Education and is indirectly controlled by Mr. Wang Huiwu
“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)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Yinchuan Group”	The six entities the Group acquired in 2019, namely Yinchuan University of Energy, Yinchuan Vocational School of Science and Technology, Vocational-technical Training Center of Yinchuan University, Ningxia Modern Senior Technical School, Car Driving Training School of Yinchuan University Education Group, and Auto Repair Factory of Yinchuan University Education Group
“%”	Percent