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HOPE EDUCATION GROUP CO., LTD.

希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1765)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2023

The Board of the Company is pleased to announce the annual results and the audited consolidated financial statements of the Group for the year ended 31 August 2023, together with the comparative figures for the year ended 31 August 2022.

HIGHLIGHTS

1. Increasing investment in school operations for the improvement of operating conditions

We continued to increase our investment in school operations for the improvement of our operating conditions and to strengthen the foundation of internal development. During the Reporting Period, the capital expenditure on our expansion amounted to RMB1,498 million. Such funds were mainly used for the renovation and expansion of schools, upgrading of teaching practical equipment and transformation and enhancement of the campus environment. During the Reporting Period, the Group had invested in a comprehensive training unit comprising big data, artificial intelligence, internet of things, communications engineering, software development and industrial robots, as well as an additional 172 training centres in respect of high-speed rail simulation training units, cooking training units and construction work training units, which provided us with more than 20,000 square metres of additional practicum and training units.

2. Putting students as the top priority and strengthening employment services

We adhere to pro-employment strategies and strengthen the pro-employment policies. We have been continuously reforming and optimising our teaching contents and methods, strengthening the teaching of professional knowledge and skills required for front-line positions, and striving to improve students' hands-on ability and problem-solving abilities. At the same time, we help students obtain various professional qualifications certificates and skill level certificates. The Company cooperated with schools to actively integrate various resources, promote multi-type school-enterprise cooperation, widely open employment channels, build employment platforms, and make every effort to promote multi-channel high-quality employment of graduates. During the Reporting Period, the employment department visited more than 2,141 enterprises offline, contacted more than 4,200 enterprises online and completed 651 school-enterprise cooperation negotiations. A total of 54 large-scale mutual selections and 681 special job fairs have been held, offering more than 150,000 internship and employment positions. Since the Listing, the schools operated by the Company have provided more than 400,000 talents on different levels with various professional skills for society, making contributions to the economic development of society.

3. Rising reputation in school operation with student enrollment reaching another new high

The quality of school operation and social reputation of the schools operated by the Company have been steadily improved, which has strongly driven and promoted student enrollment. For the 2023–2024 school year, the number of new student enrollment in the schools operated by the Company exceeded 100,000 for the first time, and the number of enrolled students exceeded 290,000, hitting a record high. In the past 5 years, the compound growth rate of new student enrollment in the schools operated by the Company reached 26.4%, and the compound growth rate of enrolled students reached 27.6%.

4. Achieving new results in overseas school operation

The Company's schools established overseas, including INTI International University in Malaysia, Metharath University in Thailand and the Wekerle Business School in Hungary, have consistently expanded their scale of school operation and achieved steady growth compared with that before acquisition. The quality of the school operation and social reputation have been improved. INTI International University in Malaysia ranked top 600 for the first time in the QS World University Rankings in 2024, ranking 556th.

5. Building a team of excellent teachers through recruitment and nurturing

With our increasing efforts in recruiting teachers, we welcomed more than 3,000 teachers, among which, our talents with professional skill levels or above had reached more than 400 individuals, at the same time, 2,199 various trainings were actively conducted internally to build up the talent pipeline. During the Reporting Period, the remuneration paid to our teachers amounted to RMB1,051 million, representing a year-on-year increase of 21.1%. All of our schools have achieved improvements in teachers' professional capabilities, through different ways including the enhancement of on-the-job academic qualifications, mentoring, academic exchanges, and tactics of "going out and inviting in". We also organized and encouraged all our school teachers to participate in various national, provincial and municipal competitions, which earned us a total of 205 awards, including 30 national awards and 87 provincial awards. Through talent recruitment, diversified training and "promoting training by competitions", the overall quality of our teachers has been advanced.

6. Focusing on the levels of professional skills and enhancing employment and entrepreneurship capabilities

Emphasizing the "combination of morality and technology as well as education and training", we actively promoted the integration of industry and education, school-enterprise cooperation and collaborative education in our schools. We have successively signed school-enterprise cooperation agreements with China Railway No.8 Engineering (中鐵八局), CR Chengdu (成都鐵路局), China Railway Wuhan Electrification Bureau (中鐵武漢電氣化局), CATL (寧德時代), BYD (比亞迪), China Aviation Lithium Battery (中航鋰電), Chery Automobile (奇瑞汽車), Hikvision (海康威視), Tianma Microelectronics Co., Ltd. (天馬微電子有限公司), Shandong GoerTek Inc. (山東歌爾股份有限公司), Geely Automobile (吉利汽車), BOE (京東方), SAIC Volkswagen Automotive Co. Ltd. (上汽大眾汽車有限公司), CALB Co., Ltd. (中創新航科技股份有限公司) and Sunac Land (融創樂園).

7. Sharing quality resources and promoting the internationalization of vocational education

In response to the national “Belt and Road Initiative”, we continued to step up our investment efforts in the internationalization of education. Up to now, we have established a presence in 33 overseas countries and have obtained cooperation relationships with 75 overseas colleges to further explore the path of internationalization of vocational education.

During the Reporting Period, INTI International University in Malaysia has attached great importance to academic development since it was taken over by the Group. QS ranked among the top 600 in the world for the first time, achieving a leap from an excellent university in Asia to a world-renowned school. It is expected that the growth rate of new student enrollment at INTI International University will exceed 40% in the 2024 school year.

During the Reporting Period, Metharath University in Thailand increased its efforts in curriculum innovation and talent introduction. The number of lecturers with a doctoral degree or above increased by more than 35%, driving a year-on-year increase of 71.6% in student enrollment for the school year. Externally, at least 20 memoranda of understanding were signed with other institutions from more than 10 countries in Asia, Europe and Australia to help attract more international students. In terms of scientific research, we have increased investment and published 25% more papers as compared with last year, laying a solid foundation for better improvement of international ranking.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW ON INDUSTRY POLICIES

1. On 16 October 2022, General Secretary Xi Jinping proposed “implementing the strategy of rejuvenating the country through science and education and strengthening the support of talents for modernization”, “stepping up the construction of a strong country in education, in science and technology and in talents”; stated explicitly that “coordinating the synergy and innovation of vocational education, higher education and continuing education, promoting the integration of vocational and regular education, industry and education, as well as science and education, optimizing the positioning of vocational education”; requested that “stepping up the development of national strategic talents, nourishing more masters, strategic scientists, first-class science leaders and innovation teams, young technology talents, outstanding engineers, national craftsmen and highly skilled talents” in the report of the 20th National Congress of the Communist Party of China.

We considered that:

The Central Committee of the Communist Party of China further emphasized the key role of talents in the process of strengthening the country and realizing the great rejuvenation of the Chinese nation, including vocational education, the training of highly skilled talents and national craftsmen in the national development strategy, prioritized vocational education to an unprecedented level, thereby providing strong protection and favourable social environment to the development of vocational education, further expanded the space for the development of higher education and vocational education, and strengthened the confidence of practitioners in higher education and vocational education in their development.

2. On 14 December 2022, the Outline for the Strategic Plan for Expanding Domestic Demand (2022–2035) (《擴大內需戰略規劃綱要 (2022–2035年)》) issued by the Central Committee of the Communist Party of China and the State Council requested “the ongoing implementation of pro-employment strategies, adherence to the orientation towards economic development and employment, expansion to employment capacity, improvement on the quality of employment, and the promotion to full employment; emphasis on the relief to the structural conflicts of employment, acceleration in the improvement on skills and quality of workers, development on modern vocational education, and improvement on lifelong training systems of vocational skills”. The Outline clearly proposed to “encourage social forces to provide diversified education services, support and regulate the development of private education, steadily promote reforms in the classified management of private education, and develop high-level Sino-foreign cooperative education”.

We considered that:

Firstly, the government has further clarified the important role of vocational education in implementing the strategy of prioritizing employment and easing structural employment contradictions, requesting the development of modern vocational education and the implementation of lifelong vocational skills training, which creates new opportunities for the expansion and improvement of vocational education. Secondly, it further emphasizes the consistent policy of the government to support the participation of social forces in all kinds of educational services, which strengthens our confidence. Hope Education takes higher vocational education as its core business, we will strengthen the high-quality development of higher vocational education, increase investment, accelerate the progress of compliance projects, and strive to improve the quality of talent training.

3. On 21 December 2022, the Guidelines on Deepening the Development and Reforms in Modern Vocational Education Systems (《關於深化現代職業教育體系建設改革的意見》) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council stated that “placing the promotion of high-quality development of modern vocational education in a more prominent position, with the enhancement of key capabilities of vocational schools as the basis, the deepening in integration of industry and education as the focus, the promotion in integration of vocational and regular education as the key, and the integration in science and education as the new direction in order to integrate vocational education, higher education and continuing education in a synergistic and innovative manner, and to promote the construction and reform of the modern vocational education system in an orderly and effective manner”; “create a platform for international cooperation in vocational education”; “establish a batch of outstanding international vocational schools” and “promote ‘Chinese language + vocational skills’ projects”.

We considered that:

The Guidelines actively encourage international cooperation in vocational education and call for the construction of a batch of high-level international vocational education schools. Hope Education, as a leading education investment institution in China in terms of the scale of overseas higher education school operations, will seize this policy opportunity to actively promote the cooperation between domestic and overseas colleges, innovate the mode of school cooperation, realize the sharing of high-quality education resources, promote synergistic development, and comprehensively improve the quality of training international skilled talents.

4. On 8 June 2023, the Implementation Plan for Enhancing the Integration of Industry and Education in Vocational Education (《職業教育產教融合賦能提升行動實施方案》) issued by eight ministries and commissions including the National Development and Reform Commission proposed that “by 2025, with the enterprise system integrating industry and education and the combined incentive policy system being improved, investment in vocational education by various capital channels will be steadily increased”; “to support qualified industrial parks, vocational colleges and regular high schools to jointly organise mixed-ownership branches or industrial colleges”.

We considered that:

The government has introduced policies to encourage the integration of industry and education, as well as the practical implementation of school-enterprise cooperation. We make good use of the policies, comprehensively deepen the integration of industry and education and school-enterprise cooperation, build a batch of modern industry colleges with distinctive characteristics, mutual benefit and sustainable development capabilities, comprehensively improve the quality of talent training, and actively integrate into and promote the industrial development of the place where the college is located.

OUR BUSINESS DEVELOPMENT ACHIEVEMENTS BY SCHOOLS

Each of our colleges, with a focus on improving the quality of talent cultivation, taking the construction of featured majors as the lead, reforming the curriculum system, strengthening the construction of faculty, increasing the construction of practical training capacity, and promoting the construction of smart campuses, further improved the brand and competitiveness of our colleges.

1. Building featured majors and premium courses to improve teaching quality

With the construction of featured majors as the lead, each of our colleges integrates resources, increases the construction of practical training capabilities, the construction of teaching teams and teaching research, optimizes and reforms the curriculum system, and comprehensively improves professional construction and teaching quality. During the Reporting Period, 28 provincial first-class professional construction sites were approved for establishment, 64 provincial curriculum construction sites were approved for establishment, construction of a database for 316 courses and 3760 cases were completed, 251 self-written textbooks were published, of which 6 were selected as “14th Five-year Vocational Education National Planning Teaching Materials” (「十四五職業教育國家規劃教材」).

2. Active participation in various domestic and overseas competitions, and significant promotion of teaching and learning through competitions

Each of our colleges actively organized teachers and students to participate in various professional domestic and overseas competitions, so as to promote teaching and learning through competitions, which comprehensively improved students' ability to apply professional knowledge to solve practical problems. During the Reporting Period, our colleges have won a total of 1,347 awards, hitting a record high, including 236 national awards and 913 provincial and ministerial awards. Southwest Jiaotong University Hope College alone won 59 national awards such as the first prize of the “National College Digital Art and Design (NCDA)” (「全國高校數字藝術設計大賽(NCDA)」) and the first prize of the “National University Structural Design Information Technology Contest” (「全國大學生結構設計信息技術大賽」). Wei Jianglai (魏江來), a student of Sichuan TOP IT Vocational Institute, won first place in the China Para Athletics Championships (2023年全國殘疾人田徑錦標賽).

3. Strengthening information construction to create a smart campus

During the Reporting Period, each of our colleges continued to promote the construction of smart campuses. By building smart classrooms and training server rooms, and upgrading the training software system, the level of teaching informatization has been enhanced. By building an online teaching and learning interactive information platform, teaching quality has been boosted. By upgrading the charging system to facilitate payment by students, operating costs have been reduced. By upgrading the student enrollment and orientation system to achieve self-service online student enrollment procedures, the satisfaction of new students has been increased.

4. Expanding employment channels to promote graduate employment

Each of our colleges promotes school-enterprise cooperation, builds an employment platform, and makes every effort to promote multi-channel high-quality employment for graduates. During the Reporting Period, 54 large-scale mutual selection fairs and 681 special job fairs were held in each of our colleges, providing over 150,000 internship and employment positions, and the employment rate of graduates from each of our colleges increased steadily.

5. Shouldering social responsibility and carrying out various training services

Leveraging the advantages of resources in the education industry, each of our colleges took the initiative to participate in various employment and re-employment training and actively organized college students' entrepreneurship training, new peasants training, home-returning entrepreneurship training, job transfer training and veteran training. During the Reporting Period, nearly 150,000 participants in total were trained, including nearly 90,000 participants in college entrepreneurship training.

During the Reporting Period, the quality of teaching and nurturing talents at each of our colleges was steadily improved, and the social reputation and word-of-mouth of schools were steadily enhanced. 5 higher vocational colleges were ranked in the top 200 in the 2023–2024 Private Higher Vocational Schools Competitiveness Ranking (2023–2024年民辦高職高專院校競爭力排行榜). Among them, Southwest Jiaotong University Hope College ranked 8th in the “2022 Ranking of Research Competitiveness of Private Undergraduate Colleges in China” (「2022中國民辦本科院校科研競爭力排名」), and the major of railway engineering was ranked first among applied railway engineering majors in Southwest China in 2023 by the Alumni Association. Sichuan TOP IT Vocational Institute ranked 98th in the 2023 Alumni Association China Higher Vocational School Category I (2023校友會中國高職院校排名 I 類). Sichuan Tianyi College, which is a private school, ranked 41st in the 2023–2024 Competitiveness Ranking of Private Higher Vocational Schools (2023–2024年民辦高職高專院校競爭力排行榜).

Significant Events during the Reporting Period

1. On 13 December 2022, Guangxi School was approved by the MOE to go through the classification registration procedures as a for-profit private school.
2. With effect from 1 January 2023, Mr. Chen Yunhua and Dr. Gao Hao resigned as independent non-executive Directors of the Company due to personal reasons, and Mr. Liu Zhonghui and Mr. Xiang Chuan were appointed as independent non-executive Directors of the Company with effect from 1 January 2023. For details, please refer to the announcements of the Company dated 30 December 2022 and 1 January 2023.
3. On 24 February 2023, the independent Shareholders approved, by way of poll at the annual general meeting of the Company, the amendments to the second amended and restated memorandum and articles of association of the Company and the adoption of the third amended and restated memorandum and articles of association of the Company in substitution for and to the exclusion of the second amended and restated memorandum and articles of association of the Company. For details, please refer to the announcements of the Company dated 30 December 2022 and 24 February 2023 and the circular of the Company dated 3 February 2023.

4. On 21 April 2023, the Board resolved that the grant of 190,000,000 share options has lapsed and been withdrawn in accordance with the relevant provisions of the share option scheme adopted on 18 March 2022. For details, please refer to the announcement of the Company dated 21 April 2023.
5. On 21 July 2023, Sichuan Hope Education Industry Group Limited* (“Sichuan Hope Education”, 四川希望教育產業集團有限公司) and Meishan Tequ Linjia Education Consultation Limited* (眉山特驅林嘉教育諮詢有限公司) decided to terminate the acquisition of 100% equity interests in Meishan Tequ Shuanglin Education Consultation Limited* (眉山特驅雙林教育諮詢有限公司) (the “Acquisition”) after arm’s length negotiation and careful consideration. As of 31 August 2023, Sichuan Hope Education has received all the principal and interest of the borrowings in the Acquisition. For details, please refer to the announcement of the Company dated 21 July 2023.
6. On 21 July 2023, Sichuan Hope Education and Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司) entered into the new property cooperation framework agreement, pursuant to which Sichuan Hope Education (a consolidated affiliated entity of the Company) and its respective subsidiaries shall cooperate with Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司) and its respective subsidiaries in the operation and management of rights of use of various land and buildings, and ancillary facilities and equipment by way of leasing, trusteeship, etc. For details, please refer to the announcement of the Company dated 21 July 2023.

Our Students

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

	Student Enrolled	
	As at 31 October 2023	As at 31 October 2022
Schools		
Undergraduate colleges	142,455	143,402
Junior colleges	136,772	124,905
Technical education	11,700	12,146
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Total	290,927	280,453
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Campus Utilisation Rate

	As at 31 October 2023	As at 31 October 2022
Total number of student enrollment	290,927	280,453
Total capacity	305,640	305,581
Overall utilisation rate	95.2%	91.8%

Note: The enrolled student information is based on the official records of the relevant education authorities in China or the internal records of the Group's schools.

OUTLOOK

1. Full implementation of quality-first development strategy

According to the school operation positioning of “one school with one characteristic” and the national requirements for the high-quality development of colleges, each of our colleges will make up for shortcomings as soon as possible, accelerate the construction of campus, strengthen the construction of teaching facilities and equipment as well as practical training capabilities, strengthen the construction of teacher teams, deepen teaching reform, strengthen featured majors, comprehensively improve the quality of talent training of colleges, and strive to deliver more high-quality talents with professional skills to the society.

2. Promoting industry-education integration and school-enterprise cooperation through innovation

Each of our colleges will cultivate talents to meet the needs of social economy and industrial development by promoting industry-education integration and school-enterprise cooperation through innovation. Firstly, we explored the establishment of a vocational education group integrating industry and education to achieve the complementation of advantageous resources and comprehensively improve the quality of talent cultivation. Secondly, by building on the respective professional advantages, each of our colleges established modern industry colleges with leading enterprises and jointly held a “customized class” with enterprises to jointly cultivate talents needed for the industry.

3. Actively promote overseas development strategy

The “Belt and Road Initiative” has entered its golden decade. The Company will actively respond to the national initiative to carry out international vocational education exchanges and cooperation. While continuing to operate well with INTI International University in Malaysia, Metharath University in Thailand and Wekerle Business School in Hungary, we will actively expand the overseas higher education business, promote various forms of collaborative education in domestic and overseas colleges, and jointly cultivate international vocational skilled talents.

4. Keep up the good work in vocational skills training

Each of our colleges will take vocational skills training as an important task to serve society, realizing the full potential of training resource advantages of our colleges. Following the “14th Five-Year Vocational Skills Training Plan” (《「十四五」職業技能培訓規劃》), “Guidelines on Promoting the High-quality Development of Modern Vocational Education” (《關於推動現代職業教育高質量發展的意見》) and other documents issued by the government, by carrying out various trainings for university graduates, industrial workers, key employment groups, as well as urban and rural workers, we have helped the development of the industry and the construction of a skilled society.

FINANCIAL REVIEW

Non-IFRS Measurement

To supplement the Group’s 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 the comparison of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group’s operating performance.

The annual financial results for the years ended 31 August 2023 and 31 August 2022 are as follows:

Items	2023 <i>(in millions of RMB)</i>	2022 <i>(in millions of RMB)</i>
Revenue	3,581.63	3,042.69
Less: Cost of sales	1,901.45	1,647.55
Gross profit	1,680.18	1,395.14
Add: Other income and gains	297.91	281.64
Fair value gains/(losses) on convertible bonds	(228.65)	0.04
Less: Selling expenses	287.69	216.89
Administrative expenses	547.56	440.43
Finance costs	349.12	298.43
Other expenses	108.38	144.22
Non-cash impairment losses on financial assets	180.70	—
Add: Share of profits of a joint venture	29.29	31.52
Share of losses of an associate	—	(18.93)
Profit before tax	305.28	589.44
Income tax expense	94.51	143.54
Profit for the year	210.77	445.90
Adjusted gross profit	1,760.77	1,492.23
Adjusted net profit	874.81	758.58

Calculation of adjusted gross profit

Items	2023 (in millions of RMB)	2022 (in millions of RMB)
Gross profit	1,680.18	1,395.14
Add:		
1. Depreciation and amortisation arising from valuation appreciation	57.80	87.17
2. Equity-settled share option expense	22.79	9.92
Adjusted gross profit	1,760.77	1,492.23

Description:

Adjusted gross profit is calculated as gross profit for the period after eliminating (i) additional depreciation and amortisation from temporary fair value adjustment of identifiable assets acquired; and (ii) equity-settled share option expense.

Calculation of adjusted net profit

Items	2023 <i>(in millions of RMB)</i>	2022 <i>(in millions of RMB)</i>
Net profit	210.77	445.90
Add:		
1. Depreciation and amortisation arising from valuation appreciation	61.09	100.42
2. Conversion fees and finance cost accrued at amortised cost because of deferred payment of conversion fees	57.68	30.16
3. Foreign exchange loss	55.01	133.96
4. Equity-settled share option expense	61.77	26.89
5. Finance cost accrued at amortised cost because of deferred payment for purchase of equity interest	19.14	21.29
6. Non-cash impairment losses on financial assets	180.70	—
Less:		
1. Fair value gains/(losses) on convertible bonds	(228.65)	0.04
Adjusted net profit	874.81	758.58

Description:

Adjusted net profit is calculated as net profit for the period after eliminating (i) additional depreciation and amortisation resulting from the temporary fair value adjustment of the identifiable assets acquired; (ii) conversion fees and finance cost accrued at amortised cost because of deferred payment of conversion fees; (iii) foreign exchange loss; (iv) equity-settled share option expense; (v) finance cost accrued at amortised cost because of a payment due over one year for the acquisition of equity interest under the agreement; (vi) non-cash impairment losses on financial assets; and (vii) fair value gains/(losses) on convertible bonds.

Overview

	2023 <i>(in millions of RMB)</i>	2022 <i>(in millions of RMB)</i>	Change <i>(percentage)</i>
Revenue	3,581.63	3,042.69	17.7%
Adjusted gross profit	1,760.77	1,492.23	18.0%
Adjusted gross profit margin	49.2%	49.0%	
Adjusted net profit	874.81	758.58	15.3%
Adjusted net profit margin	24.4%	24.9%	

For the year ended 31 August 2023, we recorded revenue of RMB3,581.63 million, adjusted gross profit of RMB1,760.77 million and gross profit of RMB1,680.18 million.

For the year ended 31 August 2023, the Group recorded adjusted net profit of RMB874.81 million and net profit of RMB210.77 million.

Revenue

For the year ended 31 August 2023, revenue of the Group reached RMB3,581.63 million, representing an increase of RMB538.94 million or 17.7% from RMB3,042.69 million for the year ended 31 August 2022. Such increase was mainly due to the significant increase in the number of students enrolled in the PRC.

Cost of Sales

For the year ended 31 August 2023, cost of sales of the Group was RMB1,901.45 million, representing an increase of RMB253.90 million or 15.4% from RMB1,647.55 million for the year ended 31 August 2022. Such increase was mainly due to (i) recruitment of additional teachers, implementation of small class teaching and increase in remuneration of faculty members; (ii) upgrade of schools and colleges, increased investment in practical training and increase in depreciation and amortisation of school premises and practical training facilities transferred to fixed assets; and (iii) the recognition of equity-settled share option expense.

Gross Profit and Gross Profit Margin

For the year ended 31 August 2023, gross profit of the Group amounted to RMB1,680.18 million, representing an increase of RMB285.04 million or 20.4% from RMB1,395.14 million for the year ended 31 August 2022.

For the year ended 31 August 2023, adjusted gross profit of the Group was RMB1,760.77 million, representing an increase of RMB268.54 million or 18.0% from RMB1,492.23 million for the year ended 31 August 2022. For the year ended 31 August 2023, adjusted gross profit margin of the Group was 49.2% while that for the year ended 31 August 2022 was 49.0%.

Selling Expenses

For the year ended 31 August 2023, selling expenses of the Group amounted to RMB287.69 million, representing an increase of RMB70.80 million or 32.6% from RMB216.89 million for the year ended 31 August 2022. Such increase was mainly due to (i) the increase in advertising and travel expenses related to student enrollment; and (ii) the recognition of equity-settled share option expense.

Administrative Expenses

For the year ended 31 August 2023, administrative expenses of the Group amounted to RMB547.56 million, representing an increase of RMB107.13 million or 24.3% from RMB440.43 million for the year ended 31 August 2022. Such increase was mainly due to (i) the acquisitions of schools; (ii) the increase in depreciation and amortisation of newly established schools; and (iii) the recognition of equity-settled share option expense.

Non-cash impairment losses on financial assets

For the year ended 31 August 2023, non-cash impairment losses on financial assets of the Group amounted to RMB180.70 million, which was mainly due to the decrease in collateral for loans to third parties as affected by the real estate market environment. Based on the principle of prudence, the Group made provision for credit impairment losses, which is not the main business of the Group and will not have a significant impact on the main business of education of the Group.

Finance Costs

For the year ended 31 August 2023, finance costs of the Group amounted to RMB349.12 million, representing an increase of RMB50.69 million or 17.0% from RMB298.43 million for the year ended 31 August 2022. Such increase was mainly due to the adjustment of financing structure.

Profits for the Reporting Period

For the year ended 31 August 2023, the Group recorded adjusted net profit of RMB874.81 million, increase of RMB116.23 million or 15.3% compared with that of RMB758.58 million for the year ended 31 August 2022. For the year ended 31 August 2023, adjusted net profit margin was 24.4%, which was essentially the same as last year.

For the year ended 31 August 2023, the Group recorded net profit of RMB210.77 million, decreased by RMB235.13 million or 52.7% compared with that of RMB445.90 million for the year ended 31 August 2022.

Capital Commitments

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

Items	As at 31 August 2023 (in millions of RMB)	As at 31 August 2022 (in millions of RMB)
Contracted, but not provided for:		
Property, plant and equipment	971.63	766.84
Prepaid land lease payments	37.73	37.73
Acquisition of equity interests	—	9.49
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Total	1,009.36	814.06
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Liquidity, Financial Resources

As at 31 August 2023, the Group had total cash and bank balances of RMB2,927.73 million (31 August 2022: RMB3,033.51 million), among which: (i) cash and cash equivalents amounted to RMB2,827.72 million (31 August 2022: RMB2,725.26 million); and (ii) pledged and restricted deposits amounted to RMB100.01 million (31 August 2022: RMB308.25 million).

Indebtedness

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consist of short-term loans for working capital and long-term loans for construction of school buildings and facilities, merger and acquisitions and other projects. The Group supplements its working capital and finances its expenditure primarily through borrowings obtained from banks. As at 31 August 2023, the aggregate loan balance amounted to RMB3,473.01 million (31 August 2022: RMB4,123.66 million), mostly denominated in RMB. As at 31 August 2023, the Group's bank loans and other borrowings bore effective interest rates ranging from 3.9% to 10.65% per annum (31 August 2022: 4% to 15.05% per annum).

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

Current Ratio

As at 31 August 2023, current assets of the Group amounted to RMB4,141.54 million, consisting of cash and cash equivalents of RMB2,827.72 million, pledged and restricted deposits of RMB92.49 million, amounts due from related parties of RMB45.40 million, prepayments, deposits and other receivables of RMB669.31 million, trade receivables of RMB104.59 million, assets classified as held for sale of RMB390.56 million and contract cost assets of RMB11.47 million. Current liabilities of the Group amounted to RMB9,410.98 million, including other payables and accruals of RMB2,826.23 million, contract liabilities of RMB2,123.60 million, interest-bearing bank and other borrowings of RMB1,638.35 million, convertible bonds of RMB2,183.89 million, liabilities directly associated with the assets classified as held for sale of RMB228.59 million and other current liabilities of RMB410.32 million. As at 31 August 2023, current ratio (current assets divided by current liabilities) of the Group was 0.44 (31 August 2022: 0.60). The decrease was mainly due to the classification of the Group's convertible bonds from long-term liabilities to current liabilities. The Group has obtained sufficient credit facilities to repay matured bonds.

Contingent Liabilities

As at 31 August 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net Debt to Equity Ratio

Net debt to equity ratio equalled to total interest-bearing bank and other borrowings of RMB3,473.01 million, net of cash and cash equivalents of RMB2,827.72 million, pledged and restricted deposits of RMB100.01 million as at 31 August 2023 divided by total equity of RMB8,439.73 million as at 31 August 2023. The Group's net debt to equity ratio decreased to 6.5% as at 31 August 2023 as compared with 13.6% as at 31 August 2022, which was mainly due to the decrease in interest-bearing bank and other borrowings.

Debt to Equity Ratio

As at 31 August 2023, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank and other borrowings by total equity) was approximately 41.2% (31 August 2022: 51.2%).

OTHER EVENTS

Events after the Reporting Period

1. On 26 September 2023, the Company granted an aggregate of 190,000,000 share options to 18 eligible participants to subscribe for 190,000,000 ordinary shares with nominal value of US\$0.00001 each in the share capital of the Company upon exercise, subject to acceptance of the share options by the grantees and the terms and conditions of the grant. For details, please refer to the announcements of the Company dated 26 September 2023 and 3 October 2023.
2. On 15 November 2023, the Board proposed to change the English name of the Company from "Hope Education Group Co., Ltd." to "XJ International Holdings Co., Ltd." and the dual foreign name in Chinese of the Company from "希望教育集團有限公司" to "希教國際控股有限公司" (the "Proposed Change of Company Name"). The Proposed Change of Company Name is subject to (i) the passing of a special resolution by the Shareholders at the forthcoming annual general meeting approving the Proposed Change of Company Name; and (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name by issuing a certificate of incorporation on change of name. For details, please refer to the announcement of the Company dated 15 November 2023.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and

accountability of all operation activities of the Company. The Company believes that effective corporate governance is the foundation to create more value for the Shareholders. In order to optimize return for 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.

For the year ended 31 August 2023, the Company has complied with all the code provisions set out in Part 2 of the Corporate Governance Code and satisfied substantially all of the recommended best practices requirements as set out in Part 2 of the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry on all Directors of the Company, all Directors confirmed that for the year ended 31 August 2023, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the Reporting Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PAYMENT OF FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 August 2023 due to funding arrangements such as debt servicing and school establishment expenses.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company has reviewed the Group's annual results and consolidated financial statements for the year ended 31 August 2023.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 August 2023, but represents an extract from the consolidated financial statements for the year ended 31 August 2023 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the audit committee of the Company and approved by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopeedu.com). The annual report of the Company for the year ended 31 August 2023 will be dispatched to the Shareholders in due course and available on the above websites.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 August 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
REVENUE	4	3,581,632	3,042,694
Cost of sales		<u>(1,901,450)</u>	<u>(1,647,554)</u>
Gross profit		1,680,182	1,395,140
Other income and gains	4	297,913	281,642
Selling expenses		(287,689)	(216,889)
Administrative expenses		(547,555)	(440,428)
Impairment losses on financial assets		(180,700)	—
Other expenses		(108,378)	(144,218)
Finance costs		(349,121)	(298,433)
Fair value gains/(losses) on convertible bonds		(228,654)	37
Share of profit/(losses) of:			
An associate		—	(18,927)
A joint venture		<u>29,285</u>	<u>31,523</u>
PROFIT BEFORE TAX	5	305,283	589,447
Income tax expense	6	<u>(94,514)</u>	<u>(143,538)</u>
PROFIT FOR THE YEAR		<u>210,769</u>	<u>445,909</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>28,940</u>	<u>(14,390)</u>
Total comprehensive income for the year		<u>239,709</u>	<u>431,519</u>
Profit attributable to:			
Owners of the Company		210,099	444,641
Non-controlling interests		<u>670</u>	<u>1,268</u>
		<u>210,769</u>	<u>445,909</u>

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

For the year ended 31 August 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Total comprehensive income attributable to:			
Owners of the Company		238,628	430,091
Non-controlling interests		1,081	1,428
		<u>239,709</u>	<u>431,519</u>
Earnings per share attributable to ordinary equity holders of the Company:			
Basic	8	<u>RMB2.60 cents</u>	<u>RMB5.55 cents</u>
Diluted		<u>RMB2.57 cents</u>	<u>RMB5.53 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		11,024,746	10,582,035
Right-of-use assets		1,934,308	1,956,751
Interests in land held for property development		735,719	575,317
Investment properties		261,419	36,536
Goodwill	9	2,040,254	2,031,266
Other intangible assets		1,256,563	1,256,070
Investment in a joint venture		553,665	529,823
Prepayments, deposits and other receivables	11	318,136	374,112
Pledged and restricted deposits	12	7,520	36,193
Deferred tax assets		24,520	27,271
Contract cost assets		3,018	7,529
Total non-current assets		<u>18,159,868</u>	<u>17,412,903</u>
CURRENT ASSETS			
Trade receivables	10	104,591	127,124
Prepayments, deposits and other receivables	11	669,313	1,215,857
Amounts due from related parties		45,399	551,647
Contract cost assets		11,461	8,217
Assets classified as held for sale		390,563	—
Pledged and restricted deposits	12	92,488	272,057
Cash and cash equivalents	12	2,827,722	2,725,264
Total current assets		<u>4,141,537</u>	<u>4,900,166</u>
CURRENT LIABILITIES			
Contract liabilities		2,123,601	1,678,466
Trade payables	13	48,167	58,579
Other payables and accruals	14	2,826,225	3,060,806
Lease liabilities		33,091	27,197
Deferred income		77,956	75,393
Convertible bonds		2,183,887	—
Interest-bearing bank and other borrowings		1,638,351	2,560,744
Amounts due to related parties		83,573	543,779
Liabilities directly associated with the assets classified as held for sale		228,588	—
Tax payable		167,542	172,647
Total current liabilities		<u>9,410,981</u>	<u>8,177,611</u>
NET CURRENT LIABILITIES	1	<u>5,269,444</u>	<u>(3,277,445)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,890,424</u>	<u>14,135,458</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 August 2023*

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Other payables	<i>14</i>	845,956	885,131
Deferred income		1,536,440	1,534,814
Convertible bonds		—	1,871,914
Interest-bearing bank and other borrowings		1,834,662	1,562,915
Lease liabilities		116,735	116,306
Deferred tax liabilities		114,654	114,604
Contract liabilities		2,243	1,949
		<hr/>	<hr/>
Total non-current liabilities		4,450,690	6,087,633
		<hr/>	<hr/>
NET ASSETS		8,439,734	8,047,825
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		559	545
Reserves		8,438,906	8,052,437
		<hr/>	<hr/>
		8,439,465	8,052,982
Non-controlling interests		269	(5,157)
		<hr/>	<hr/>
Total equity		8,439,734	8,047,825
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2023

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Share option reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 September 2021	542	5,218,954	598,468	495,863	93,291	1,453,079	(45,894)	7,814,303	(7,476)	7,806,827
Profit for the year	—	—	—	—	—	444,641	—	444,641	1,268	445,909
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(14,550)	(14,550)	160	(14,390)
Total comprehensive income for the year	—	—	—	—	—	444,641	(14,550)	430,091	1,428	431,519
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	891	891
Equity-settled share option — 2022 Share Option Scheme	—	—	—	—	26,890	—	—	26,890	—	26,890
Issue of shares upon the exercise of share options — 2018 Pre-IPO Share Option Scheme	3	57,017	—	—	(16,391)	—	—	40,629	—	40,629
Transfer from retained profits	—	—	—	86,842	—	(86,842)	—	—	—	—
Final 2021 dividend declared	—	(258,931)	—	—	—	—	—	(258,931)	—	(258,931)
At 31 August 2022 and 1 September 2022	545	5,017,040	598,468	582,705	103,790	1,810,878	(60,444)	8,052,982	(5,157)	8,047,825
Profit for the year	—	—	—	—	—	210,099	—	210,099	670	210,769
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	28,529	28,529	411	28,940
Total comprehensive income for the year	—	—	—	—	—	210,099	28,529	238,628	1,081	239,709
Acquisition of a subsidiary (note 15)	—	—	—	—	—	—	—	—	4,375	4,375
Equity-settled share option — 2022 Share Option Scheme	—	—	—	—	61,775	—	—	61,775	—	61,775
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(30)	(30)
Issue of shares upon the exercise of share options — 2022 Share Option Scheme	14	114,645	—	—	(28,579)	—	—	86,080	—	86,080
Transfer from retained profits	—	—	—	83,791	—	(83,791)	—	—	—	—
At 31 August 2023	559	5,131,685	598,468	666,496	136,986	1,937,186	(31,915)	8,439,465	269	8,439,734

* These reserve accounts comprise the consolidated reserves of RMB8,438,906,000 in the consolidated statement of financial position as at 31 August 2023 (2022: RMB8,052,437,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	305,283	589,447
Adjustments for:		
Depreciation of items of property, plant and equipment	404,041	376,010
Depreciation of investment properties	1,776	—
Depreciation of right-of-use assets	66,317	74,034
Depreciation of land held for property development	12,889	7,672
Amortisation of contract cost assets	13,448	9,779
Amortisation of other intangible assets	34,823	31,283
Deferred income released to profit or loss	(66,525)	(40,368)
Interest income	(66,239)	(65,675)
Finance costs	349,121	298,433
Losses on disposal of items of property, plant and equipment, net	2,038	462
Gain on bargain purchase	(5,498)	(3,197)
Gain on disposal of a subsidiary	—	(41,963)
Gain on liquidation of a subsidiary	(19,226)	—
Equity-settled share option expense	61,775	26,890
Share of profit of a joint venture	(29,285)	(31,523)
Share of loss of an associate	—	18,927
Fair value (gains)/losses, net:		
Derivative instruments		
— transactions not qualifying as hedges	—	(2,817)
Convertible bonds	228,654	(37)
Impairment losses on financial assets	180,700	—
Gain on disposal of investment in a joint venture, net	(7,662)	—
Gain on lease modification	(34)	(154)
Foreign exchange loss, net	54,401	121,030
	<u>1,520,797</u>	<u>1,368,233</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the year ended 31 August 2023*

	2023	2022
	RMB'000	RMB'000
Decrease/(increase) in prepayments, deposits and other receivables	(87,265)	22,447
Decrease in trade receivables	25,663	308
Increase in contract cost assets	(12,063)	(21,886)
Decrease in amounts due from related parties	11,830	53,665
Increase in contract liabilities	473,301	20,665
Increase/(decrease) in trade payables	(10,098)	1,600
Increase in amounts due to related parties	489	8,390
Increase/(decrease) in other payables and accruals	(70,883)	46,734
Placement of restricted cash	(9,789)	—
Receipt of government grants related to expense items	17,075	14,284
	<hr/>	<hr/>
Cash generated from operations	1,859,057	1,514,440
Bank interest received	23,189	14,150
Income tax paid	(95,353)	(119,096)
	<hr/>	<hr/>
Net cash flows from operating activities	1,786,893	1,409,494

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the year ended 31 August 2023*

	2023	2022
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,288,313)	(1,739,432)
Prepaid land lease payments	(249,256)	(625,086)
Repayment of prepaid land lease payment	—	43,396
Additions to other intangible assets	(17,294)	(14,016)
Equity investments:		
Acquisition of subsidiaries	23,348	(147,428)
Loans to acquirees before the acquisition	—	(40,000)
Payments for acquisition of subsidiaries in prior years	(27,950)	(106,729)
Prepayments for acquisitions of equity interests	—	(50,511)
Proceeds from disposal of investment in a joint venture	7,662	—
Disposal of a subsidiary	—	(39,422)
Decrease/(increase) in amounts due from related parties:		
Receipts from disposal of subsidiaries	499,000	1,000
Loans provided to a joint venture	(18,575)	(79,751)
Loans repaid by joint ventures	19,306	88,445
Loans provided to a related party	—	(181,587)
Interest income received from a joint venture	640	765
Loans and interest repaid by a related party	219,391	—
Prepayments for acquisitions repaid by a related party	50,000	—
Loans to third parties	(5,480)	(45,000)
Loans repaid by third parties	109,119	3,001
Interest income received from an independent third party	148,761	564
Receipt of government grants for property, plant and equipment	57,319	58,331
Decrease in time deposits with original maturity of over three months	275,400	12,000
Increase in time deposits with original maturity of over three months	(275,400)	—
Investment income received from time deposit	4,810	—
Decrease in pledged and restricted deposits	260,000	8,228
Investment income received from pledged deposits	23,520	—
Proceeds from disposal of items of property, plant and equipment	2,336	716
Proceeds from disposal of items of intangible assets	598	—
Net cash flows used in investing activities	(181,058)	(2,852,516)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the year ended 31 August 2023*

	2023	2022
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	2,878,656	2,784,640
Repayment of bank and other borrowings	(3,599,182)	(2,372,666)
Interest paid	(238,318)	(194,554)
Dividends paid	—	(258,931)
Dividends paid to a former shareholder of subsidiaries	—	(8,441)
Principal portion of lease payments	(22,733)	(18,451)
Interest portion of lease liabilities	(9,981)	(9,508)
Receipts of loan deposits	2,600	—
Proceeds from issue of shares from exercise of share options	86,080	40,629
Loans from a related party	—	463,093
Repayment of loans from related parties	(472,891)	(389,982)
Security deposits paid for other borrowings	(66,271)	(21,150)
Repurchase of convertible bonds	—	(140,698)
Capital contribution by non-controlling shareholders	—	891
Repayment of other loans recorded in other payables	(64,967)	(43,922)
	<u>(1,507,007)</u>	<u>(169,050)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	98,828	(1,612,072)
Cash and cash equivalents at beginning of year	2,725,264	4,345,287
Effect of foreign exchange rate changes, net	54,022	(7,951)
	<u>2,878,114</u>	<u>2,725,264</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>2,878,114</u>	<u>2,725,264</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	2,827,722	2,725,264
Cash attributable to subsidiaries classified as held for sale	50,392	—
	<u>2,878,114</u>	<u>2,725,264</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>2,878,114</u>	<u>2,725,264</u>

NOTES TO FINANCIAL STATEMENTS

31 August 2023

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for convertible bonds which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 August 2023, the Group recorded net current liabilities of approximately RMB5,269,444,000 (2022: RMB3,277,445,000). Included therein, the Group recorded the current portion of contract liabilities and deferred income of RMB2,123,601,000 (2022: RMB1,678,466,000) and RMB77,956,000 (2022: RMB75,393,000), respectively. Meanwhile, the Group had cash and cash equivalents of RMB2,827,722,000 as at 31 August 2023 (2022: RMB2,725,264,000).

In view of the net current liability position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern after considering the following:

- (a) Based on the arrangements and confirmations received from the licensed banks in Mainland China, the Group has undrawn banking facilities of RMB1,188,000,000 available for drawdown within 1 to 5 years from 31 August 2023;
- (b) According to the approval document issued by the National Development and Reform Commission with the index of 發改辦外債[2023]113號 dated 26 May 2023, the Group is authorised to issue overseas debts aggregating to USD125,000,000 (equivalent to approximately RMB897,638,000);
- (c) Based on the arrangements and registration in the National Association of Financial Market Institution Investors (“NAFMII”, “中國銀行間交易市場商協會”) with the index of 中市協注[2023]ABN63號 dated 13 July 2023, the Group is authorised to issue the asset-based notes (“ABN”) of RMB970,000,000 within 2 years since 13 July 2023; and
- (d) The Group expects cash inflows from operations of providing education services to students.

Having considered the above unutilised bank and other facilities and cash inflows from the Group’s operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3
Amendments to IAS 16
Amendments to IAS 37
*Annual Improvements to
IFRS Standards 2018–2020*

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41

3. OPERATING SEGMENT INFORMATION

For the year ended 31 August 2023

	Domestic education <i>RMB'000</i>	Global education <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)				
Revenue from external customers	3,230,475	351,157	—	3,581,632
Intersegment sales	4,630	11,573	—	16,203
	<u>3,235,105</u>	<u>362,730</u>	—	<u>3,597,835</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(16,203)</u>
Revenue from external customers				<u><u>3,581,632</u></u>
Segment results	867,885	53,315	(21,819)	899,381
<i>Reconciliation:</i>				
Interest income				66,239
Foreign exchange differences, net				(55,014)
Fair value change from convertible bonds				(228,654)
Non-lease-related finance costs				(339,140)
Unallocated corporate expenses				<u>(37,529)</u>
Profit before tax				<u><u>305,283</u></u>
Segment assets	16,992,472	1,370,484	1,038,669	19,401,625
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(27,950)
Pledged and restricted deposits				100,008
Cash and cash equivalents				<u>2,827,722</u>
Total assets				<u><u>22,301,405</u></u>
Segment liabilities	7,859,960	370,735	1,512	8,232,207
<i>Reconciliation:</i>				
Elimination of intersegment payables				(27,950)
Interest-bearing bank and other borrowings				3,473,013
Amounts due to related parties				514
Convertible bonds				<u>2,183,887</u>
Total liabilities				<u><u>13,861,671</u></u>

3. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 August 2022

	Domestic education <i>RMB'000</i>	Global education <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)				
Revenue from external customers	<u>2,695,783</u>	<u>346,911</u>	<u>—</u>	<u>3,042,694</u>
Segment results	915,983	68,040	(10,146)	973,877
<u>Reconciliation:</u>				
Interest income				65,675
Foreign exchange differences, net				(133,958)
Fair value change from convertible bonds				37
Non-lease-related finance costs				(288,925)
Unallocated corporate expenses				<u>(27,259)</u>
Profit before tax				<u>589,447</u>
Segment assets	17,248,514	1,322,986	708,055	19,279,555
<u>Reconciliation:</u>				
Pledged and restricted deposits				308,250
Cash and cash equivalents				<u>2,725,264</u>
Total assets				<u>22,313,069</u>
Segment liabilities	7,434,705	351,005	82,538	7,868,248
<u>Reconciliation:</u>				
Interest-bearing bank and other borrowings				4,123,659
Amounts due to related parties				401,423
Convertible bonds				<u>1,871,914</u>
Total liabilities				<u>14,265,244</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>3,581,632</u>	<u>3,042,694</u>

For the year ended 31 August 2023

Segments	Domestic education <i>RMB'000</i>	Global education <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Tuition fees	2,733,142	320,725	3,053,867
Boarding fees	284,576	9,340	293,916
Sales of books and daily necessities	57,087	—	57,087
Others	<u>155,670</u>	<u>21,092</u>	<u>176,762</u>
Total revenue from contracts with customers	<u>3,230,475</u>	<u>351,157</u>	<u>3,581,632</u>
Timing of revenue recognition			
Services transferred over time	3,173,388	351,157	3,524,545
Goods transferred at a point in time	<u>57,087</u>	—	<u>57,087</u>
Total revenue from contracts with customers	<u>3,230,475</u>	<u>351,157</u>	<u>3,581,632</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

For the year ended 31 August 2022

Segments	Domestic education RMB'000	Global education RMB'000	Total RMB'000
Types of goods or services			
Tuition fees	2,226,475	323,944	2,550,419
Boarding fees	219,978	3,395	223,373
Sales of books and daily necessities	54,289	—	54,289
Others	195,041	19,572	214,613
	<u>2,695,783</u>	<u>346,911</u>	<u>3,042,694</u>
Timing of revenue recognition			
Services transferred over time	2,641,494	346,911	2,988,405
Goods transferred at a point in time	54,289	—	54,289
	<u>2,695,783</u>	<u>346,911</u>	<u>3,042,694</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

An analysis of other income and gains is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Bank interest income	29,797	22,283
Interest income from loans to related parties	36,442	754
Interest income from loans to independent third parties	—	42,638
	<hr/>	<hr/>
Total interest income	66,239	65,675
Deferred income released to profit or loss:		
— related to assets	49,381	30,974
— related to expenses	17,144	9,394
Government grants received	12,851	14,254
Rental income	15,895	10,348
Service income	62,223	66,772
Donation income	2,214	—
Others	38,786	35,594
	<hr/>	<hr/>
	264,733	233,011
Gains		
Gain on disposal of items of property, plant and equipment	760	500
Gain on lease modification	34	154
Gain on disposal of a subsidiary	—	41,963
Gain on liquidation of a subsidiary	19,226	—
Gain on disposal of investment in a joint venture, net	7,662	—
Fair value gain on derivative instruments		
— transactions not qualifying as hedges	—	2,817
Gain on bargain purchase (<i>note 15</i>)	5,498	3,197
	<hr/>	<hr/>
	33,180	48,631
	<hr/>	<hr/>
Total other income and gains	297,913	281,642
	<hr/> <hr/>	<hr/> <hr/>
Fair value gains/(losses) on convertible bonds	(228,654)	37
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of services provided	<u>1,901,450</u>	<u>1,647,554</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	1,127,557	948,070
Equity-settled share option expense	61,775	26,890
Pension scheme contributions (defined contribution schemes)	<u>208,555</u>	<u>179,172</u>
	<u>1,397,887</u>	<u>1,154,132</u>
Management fees	109,472	168,865
Depreciation of property, plant and equipment	404,041	376,010
Depreciation of right-of-use assets	66,317	74,034
Depreciation of land held for property development	12,889	7,672
Depreciation of investment properties	1,776	—
Amortisation of other intangible assets	34,823	31,283
Gain on disposal of a subsidiary	—	(41,963)
Gain on liquidation of a subsidiary	(19,226)	—
Gain on bargain purchase (<i>note 15</i>)	(5,498)	(3,197)
Lease payments not included in the measurement of lease liabilities	15,479	18,007
Foreign exchange differences, net	(28,305)	13,545
Auditors' remuneration	7,750	7,850
Fair value gain on derivative instruments		
— transactions not qualifying as hedges	—	(2,817)
Losses on disposal of items of property, plant and equipment and intangible assets	2,798	962
Impairment loss on prepayments, deposits and other receivables	180,700	—
Gain on lease modification, net	<u>(34)</u>	<u>(154)</u>

6. INCOME TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current — Mainland China		
Corporate income tax for the year	76,495	119,415
Overprovision/(underprovision) in prior years, net	(115)	5,408
Current — Malaysia		
Corporate income tax for the year	16,213	14,204
Overprovision in prior years, net	(171)	(629)
Deferred	<u>2,092</u>	<u>5,140</u>
Total tax charged for the year	<u><u>94,514</u></u>	<u><u>143,538</u></u>

7. DIVIDENDS

At the meeting of the board of directors held on 30 November 2023, the Directors resolved not to pay any dividend for the year ended 31 August 2023 (2022: Nil).

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u><u>210,099</u></u>	<u><u>444,641</u></u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	8,080,291,292	8,017,046,404
Effect of dilution — weighted average number of ordinary shares:		
Share options — 2018 Pre-IPO Share Option Scheme	—	17,450,381
Share options — 2022 Share Option Scheme	89,796,542	—
	<u>8,170,087,834</u>	<u>8,034,496,785</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	8,170,087,834	8,034,496,785

9. GOODWILL

The carrying amounts of goodwill as at 31 August 2023 and 2022 are as follows:

	2023	2022
	RMB'000	RMB'000
Cost and net carrying amount at beginning of year	2,031,266	1,296,672
Acquisition of subsidiaries (<i>note 15</i>)	6,581	736,070
Exchange realignment	2,407	(1,476)
	<u>2,040,254</u>	<u>2,031,266</u>
Cost and net carrying amount at end of year	2,040,254	2,031,266

10. TRADE RECEIVABLES

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

	2023	2022
	RMB'000	RMB'000
Within 3 months	53,912	54,931
Over 3 months	50,679	72,193
	<u>104,591</u>	<u>127,124</u>
	104,591	127,124

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current portion:		
Loans to third parties, interest receivables included	471,260	708,660
Cash in transit	59,212	49,134
Prepayments for management fees	47	1,531
Prepaid expenses	62,895	42,051
Deposits	27,595	32,390
Staff advances	26,334	12,367
Interest receivable from time deposits	—	21,722
Amounts due from the local finance department	78,735	85,513
Amounts due from a former related party	—	181,587
Loans to the government	24,581	8,455
Bills receivable	—	10,000
Rental receivables from third parties	19,642	2,642
Other receivables	79,712	59,805
	<u>850,013</u>	<u>1,215,857</u>
Impairment allowance	<u>(180,700)</u>	<u>—</u>
	<u>669,313</u>	<u>1,215,857</u>
Non-current portion:		
Prepayments for property, plant and equipment	36,833	33,146
Prepayments for intangible assets	969	10
Prepayments for acquisitions	—	50,000
Prepayments for land lease payments	174,917	226,816
Loans to a third party	15,000	30,000
Security deposits for other borrowings	90,417	34,140
	<u>318,136</u>	<u>374,112</u>
	<u>987,449</u>	<u>1,589,969</u>

12. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cash and bank balances	2,927,730	2,773,514
Time deposits with original maturity of over three months	<u>—</u>	<u>260,000</u>
	2,927,730	3,033,514
<i>Less:</i>		
<i>Pledged deposits for:</i>		
Bank loans — current	—	(261,075)
<i>Restricted bank balances in escrow accounts</i>		
Current	(71,611)	—
Non-current	(7,520)	(36,193)
<i>Other restricted bank balances — current</i>	<u>(20,877)</u>	<u>(10,982)</u>
Total pledged and restricted deposits	<u>(100,008)</u>	<u>(308,250)</u>
Cash and cash equivalents	<u><u>2,827,722</u></u>	<u><u>2,725,264</u></u>

13. 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	27,625	13,722
Over 3 months	<u>20,542</u>	<u>44,857</u>
	<u><u>48,167</u></u>	<u><u>58,579</u></u>

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

14. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current portion:		
Payables for purchase of property, plant and equipment	758,573	853,337
Payables for the acquisition of equity interests	629,591	631,953
Miscellaneous advances received from students	219,211	197,553
Accrued bonuses and other employee benefits	195,439	188,237
Government scholarship	229,562	142,363
Payables for purchase of teaching materials and operating expenditure	35,023	25,610
Payables for management fees	36,190	45,580
Rental payable	41,643	96,665
Deposits	64,537	68,386
Other taxes payable	120,748	123,508
Other payables and accrued expenses	253,890	308,239
Loans from third parties	30,003	92,003
Construction loan from the Mianzhu Education Bureau	75,832	75,832
Payables for conversion of certain independent colleges into fully private colleges	80,682	106,330
Advances received for disposal of Hebi Automotive	41,961	—
Payable for land lease payments	13,340	105,210
	<u>2,826,225</u>	<u>3,060,806</u>
Non-current portion:		
Payables for conversion of certain independent colleges into fully private colleges	505,143	559,813
Liability of a put option granted to a shareholder	332,238	313,098
Other payables	8,575	12,220
	<u>845,956</u>	<u>885,131</u>
	<u><u>3,672,181</u></u>	<u><u>3,945,937</u></u>

15. BUSINESS COMBINATIONS

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

	Wekerle School <i>RMB'000</i>	Guangxi School <i>RMB'000</i>	Total <i>RMB'000</i>
Property, plant and equipment	—	61,692	61,692
Right-of-use assets	17,458	14,640	32,098
Other intangible assets	—	555	555
Cash and bank balances	70	39,774	39,844
Trade receivables	—	3,214	3,214
Prepayments and other receivables	2,329	4,520	6,849
Contract liabilities	—	(20,083)	(20,083)
Accruals and other payables	(2,933)	(27,420)	(30,353)
Due to a related party	—	(54,355)	(54,355)
Lease liabilities	(17,458)	—	(17,458)
Deferred income	—	(664)	(664)
	<u> </u>	<u> </u>	<u> </u>
Total identifiable net assets at fair value	(534)	21,873	21,339
Less: non-controlling interests	—	(4,375)	(4,375)
	<u> </u>	<u> </u>	<u> </u>
	<u>(534)</u>	<u>17,498</u>	<u>16,964</u>

Goodwill arising from the above acquisitions:

	Wekerle School <i>RMB'000</i>	Guangxi School <i>RMB'000</i>	Total <i>RMB'000</i>
Consideration satisfied by:			
Cash	4,496	12,000	16,496
Prepayments in the prior year	511	—	511
Other payable	1,040	—	1,040
	<u> </u>	<u> </u>	<u> </u>
Total consideration	6,047	12,000	18,047
Less: Net assets acquired	(534)	17,498	16,964
	<u> </u>	<u> </u>	<u> </u>
Gain on a bargain purchase (<i>note 4</i>)	—	(5,498)	(5,498)
Goodwill (<i>note 9</i>)	6,581	—	6,581
	<u> </u>	<u> </u>	<u> </u>

The gain on a bargain purchase arose from the increase in fair value of the property, plant and equipment and right-of-use assets of the Guangxi School and the vendor was eager to dispose of the investment due to its lack of management experience in operating an education institute.

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

DEFINITIONS

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

“Board” or “Board of Directors”	The board of Directors of the Company
“China” or “PRC”	The People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company” or “Hope Education”	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
“Corporate Governance Code”	The Corporate Governance Code set out in Appendix 14 to the Listing Rules
“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 Group became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guangxi School”	Guilin Shanshui Vocational College (桂林山水職業學院)
“Hebi Automotive”	Hebi Automotive Engineering Vocational College (鶴壁汽車工程職業學院)
“IFRS”	The International Financial Reporting Standard(s)
“Listing”	The listing of the Company’s Shares on the Main Board on 3 August 2018
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Metharath University in Thailand”	Faith Star (Thailand) Company Limited and its subsidiary Metharath University in Thailand

“Model Code”	The Model Code for securities transactions by Directors of listed issuers set out in Appendix 10 to the Listing Rules
“MOE”	Ministry of Education of the PRC
“Reporting Period”	The year ended 31 August 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Share(s)”	Ordinary share(s) of a nominal value of US\$0.00001 each in the share capital of our Company
“Shareholder(s)”	Holder(s) of the Share(s)
“State”	The central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	Has the meaning ascribed to it in the Listing Rules
“U.S.” or “United States”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Dollar(s)”, “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Wekerle School”	Wekerle Business School (威克勒商學院)
“%”	Percent

By order of the Board
Hope Education Group Co., Ltd.
He Shengli
Chairman of the Board

Hong Kong, 30 November 2023

As at the date of this announcement, the Board of the Company comprises Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao as executive Directors; Mr. Tang Jianyuan, Mr. Lu Zhichao and Mr. He Shengli as non-executive Directors; and Mr. Zhang Jin, Mr. Liu Zhonghui and Mr. Xiang Chuan as independent non-executive Directors.