

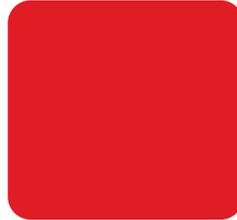


中国宇华教育集团有限公司

China YuHua Education Corporation Limited

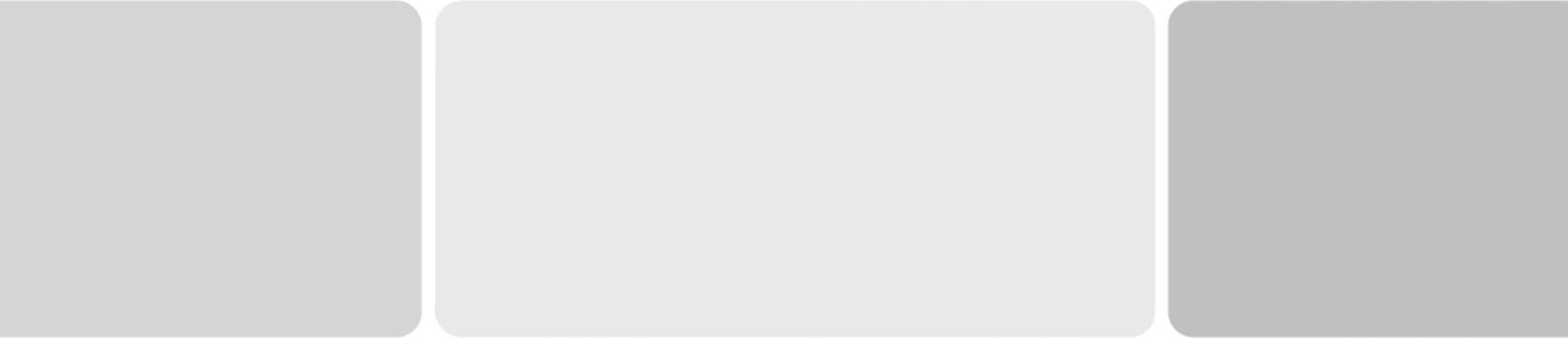
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Interim Report

2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Guangyu (*Chairman*)

Ms. Li Hua (*Vice Chairman*)

Ms. Qiu Hongjun

Independent Non-Executive Directors

Mr. Chen Lei

Mr. Xia Zuoquan

Mr. Zhang Zhixue

AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)

Ms. Li Hua

Mr. Xia Zuoquan

NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

JOINT COMPANY SECRETARIES

Mr. Xu Bin

Ms. Ng Ka Man

AUTHORISED REPRESENTATIVES

Ms. Li Hua

Mr. Xu Bin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest

Entity Auditor

22/F, Prince's Building

Central

Hong Kong

LEGAL ADVISERS

As to Hong Kong and U.S. laws:

Skadden, Arps, Slate, Meagher & Flom

42/F, Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

As to PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza

28 Fengsheng Lane, Xicheng District

Beijing 100032

PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

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Hong Kong

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Grand Cayman, KY1-1104

Cayman Islands

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Hong Kong

CORPORATE INFORMATION (CONTINUED)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Zhengdong New District
Zhengzhou, PRC

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PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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Limited
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Hopewell Centre, 183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

China Construction Bank Corporation
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PRC

COMPANY WEBSITE

www.yuhuachina.com

STOCK CODE

6169

HIGHLIGHTS

(RMB'000)	Six months ended		Change
	28 February 2022 (Unaudited)	28 February 2021 (Unaudited)	
Revenue	1,203,707	1,148,680	+4.8%
Gross Profit	681,837	771,948	-11.7%
Adjusted Gross Profit ¹	702,736	796,007	-11.7%
Adjusted Net Profit attributable to owners of the Company ²	575,862	621,332	-7.3%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 28 February 2022 and 2021 is calculated as gross profit for the period, excluding (i) the impact from share-based expense (in cost of revenue) and (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including Hunan Lie Ying, which in turn owns the entire sponsorship interests in HIEU Schools, Yubohui Education and its subsidiaries (including Bowang High School), TEDCO and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2022 is calculated as the net profit attributable to the owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period and (iv) fair value change on convertible bond recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2021, please refer to the Company's interim results announcement for the six months ended 28 February 2021.

NON-IFRS MEASURES

To supplement the Group's interim financial information which are presented in accordance with the Group's accounting policies in compliance with IFRS, the Company also uses Adjusted Gross Profit, Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance. The Company believes that these measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Group's management. However, the Company's presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Company's results of operations or financial condition as reported under IFRS.

HIGHLIGHTS (CONTINUED)

Calculation of the Adjusted Gross Profit		
	Six months ended	
	28 February 2022 (RMB'000)	28 February 2021 (RMB'000)
Gross Profit	681,837	771,948
Share-based compensation expenses (in cost of revenue)	3,187	3,716
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU	4,693	4,457
– Bowang High School	771	3,372
– Shandong Yingcai University	10,104	10,370
– Stamford International University	2,144	2,144
Adjusted Gross Profit	702,736	796,007

Calculation of the Adjusted Net Profit attributable to owners of the Company		
	Six months ended	
	28 February 2022 (RMB'000)	28 February 2021 (RMB'000)
Net profit attributable to the owners of the Company	542,331	849,217
Less: Net profit from K-9 schools	—	(73,333)
Share-based compensation expenses (in cost of revenue)	3,187	3,716
Share-based compensation expense (in administrative expenses)	5,463	2,940
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU	4,739	4,065
– Bowang High School	595	2,360
– Shandong Yingcai University	10,104	10,370
– Stamford International University	2,144	2,144
Change in fair value on convertible bonds ^{Note}	10,381	(167,275)
Government Grants	(3,082)	(12,872)
Adjusted Net Profit attributable to the owners of the Company	575,862	621,332

Note: Details are set out in Note 6: Other (losses)/gains — net.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 20 years of operating private schools in Henan province of the PRC, the Group is one of the leading private school operators in China in terms of student enrolment.

The Group's fundamental educational objectives are to foster modern talent with leadership and lifelong learning capabilities and nurture great minds to contribute to the future development of the Chinese nation (“培養具有領導才能和自主學習能力的現代化人才，為中華民族的偉大復興貢獻力量”). As an educational service provider, the Group believes it is entrusted to nurture the future of society, and aims to provide educational services in a manner consistent with the values and attitudes of the Group. The curriculums for the Group's schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

For the six months ended 28 February 2022, notwithstanding the impact of novel coronavirus (“**COVID-19**”), the business of the Group remained relatively stable, and COVID-19 has not had a material adverse effect on the revenue and operating results of the Group. The Group will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available.

On 14 May 2021, the PRC State Council announced the issuance of the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations prohibit social organizations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties.

As a result, the Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities providing kindergarten and compulsory education services (collectively referred to as the “**Affected Business**”). The Group has therefore determined to take measures to optimize its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transforming existing K-12 schools into higher vocational colleges and increasing investment in launching vocational undergraduate education at the Group's existing universities.

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 28 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's Schools

As at 28 February 2022, the Group had 8 schools in China and 1 school in Thailand.

The following table shows a summary of the Group's schools by category as at the end of February 2022 and 2021:

	As at 28 February 2022	As at 28 February 2021
The Group's schools in the PRC		
Universities	3	3
High schools	5	5
Middle schools	—	7
Primary schools	—	6
Kindergartens	—	5
The Group's school overseas		
University	1 (note 1)	1 (note 1)
Total	9	27

Note:

(1) This represents Stamford International University that the Group operates in Thailand.

Event after the Reporting Period

There has been no material event after the reporting period.

Future Development

The Group's future development focuses on making continuous improvements to the educational infrastructure, opening new campuses, and substantially increasing investment in vocational education. The Group will continue to seek expansion in higher education sector with high growth potential and will focus on post-expansion consolidation to maximize shareholder value.

FINANCIAL REVIEW

Overview

For the six months ended 28 February 2022, the Group recorded revenue of RMB1,203.7 million, an Adjusted Gross Profit of RMB702.7 million and a gross profit of RMB681.8 million. The Adjusted Gross Profit Margin¹ of the Group was 58.4% for the six months ended 28 February 2022 as compared with 69.3% for the corresponding period in 2021. The gross profit margin was 56.6% for the six months ended 28 February 2022 as compared with 67.2% for the corresponding period in 2021.

1 The Adjusted Gross Profit Margin is calculated based on the Adjusted Gross Profit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2022 was RMB575.9 million, representing a decrease of RMB45.4 million or a 7.3% decrease from the corresponding period in 2021. The Adjusted Net Profit Margin² attributable to owners of the Company was 47.8% and 54.1% for the six months ended 28 February 2022 and 28 February 2021, respectively.

The net profit attributable to owners of the Company amounted to RMB542.3 million and RMB775.9 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The net profit margin attributable to owners of the Company amounted to 45.1% and 67.5% for the six months ended 28 February 2022 and 28 February 2021, respectively.

Revenue

For the six months ended 28 February 2022, the revenue of the Group amounted to RMB1,203.7 million, representing an increase of RMB55.0 million or 4.8% as compared with RMB1,148.7 million for the corresponding period in 2021. The increase was primarily due to raised tuition fees in several schools.

Cost of Revenue

For the six months ended 28 February 2022, the Adjusted Cost of Revenue³ of the Group amounted to RMB501.0 million, representing an increase of RMB148.3 million or 42.0% as compared with RMB352.7 million for the corresponding period in 2021. The cost of revenue of the Group amounted to RMB521.9 million and RMB376.7 million for the six months ended 28 February 2022 and 28 February 2021, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 28 February 2022, the Adjusted Gross Profit of the Group amounted to RMB702.7 million, representing a decrease of RMB93.3 million or 11.7% as compared with RMB796.0 million for the corresponding period in 2021. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2022 was 58.4%, compared with 69.3% for the corresponding period in 2021.

The Group's gross profit amounted to RMB681.8 million and RMB771.9 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The Group's gross margin amounted to 56.6% and 67.2% for the six months ended 28 February 2022 and 28 February 2021, respectively. The decline in gross margin was mainly attributed to the Group's expanded investment in teaching personnel, campus expansion and renovation, curriculum development, student activities, etc. in order to further improve the quality of education the Group provides and to enhance students' learning experience.

2 The Adjusted Net Profit Margin attributable to owners of the Company is calculated based on the Adjusted Net Profit attributable to owners of the Company.

3 The Adjusted Cost of Revenue is calculated as cost of revenue for the period, excluding the impact from the non-cash expenses of share-based compensations and additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of (i) LEI Lie Ying Limited; (ii) Yubohui Education and its subsidiaries; (iii) TEDCO and its subsidiaries; and (iv) Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling Expenses

For the six months ended 28 February 2022, the selling expenses of the Group amounted to RMB19.3 million, representing a decrease of RMB7.5 million or 28.0% from RMB26.8 million during the corresponding period in 2021. The decrease was primarily due to implementation of cost control measures.

Administrative Expenses

For the six months ended 28 February 2022, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB97.5 million, representing a decrease of RMB4.3 million as compared with RMB101.8 million for the corresponding period in 2021. The administrative expenses of the Group amounted to RMB102.9 million and RMB104.8 million for the six months ended 28 February 2022 and 28 February 2021, respectively.

Other Income

For the six months ended 28 February 2022, the other income of the Group amounted to RMB7.0 million, representing a decrease of RMB14.8 million or 67.9% as compared with RMB21.8 million for the corresponding period in 2021. This decrease was primarily due to reduced government grants and subsidies recognized as income over the period.

Other Gains and Losses

For the six months ended 28 February 2022, the other gains and losses of the Group amounted to a loss of RMB13.0 million as compared with a gain of RMB166.3 million for the corresponding period in 2021. The loss was primarily due to fair value changes on convertible bonds.

Operating Profit

The operating profit of the Group amounted to RMB552.8 million and RMB826.4 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The decrease was primarily due to lower gross profit.

Finance Income

Finance income increased by 31.9% from RMB14.1 million for the six months ended 28 February 2021 to RMB18.6 million for the corresponding period in 2022 due to an increase in cash and cash equivalents.

Finance Expenses

Finance expenses decreased by 39.0% from RMB44.4 million for the six months ended 28 February 2021 to RMB27.1 million for the corresponding period in 2022 due to (i) a decrease in foreign exchange losses; and (ii) a decrease in interest expenses from borrowings.

4 Adjusted Administrative Expenses are calculated as administrative expense for the period, excluding the impact from share based compensation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit for the Reporting Period

As a result of the above factors, the profit for the period for the six months ended 28 February 2022 and 28 February 2021 were RMB547.8 million and RMB874.2 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB575.9 million and RMB621.3 million for the six months ended 28 February 2022 and 28 February 2021, respectively.

The decrease in the Adjusted Net Profit attributable to owners of the Company was mainly due to the decline in gross profit as a result of the Group's expanded investment in teaching and facility to improve the quality of education the Group provides and to enhance students' learning experience.

The net profit attributable to owners of the Company for the six months ended 28 February 2022 and 28 February 2021 were RMB542.3 million and RMB775.9 million, respectively, representing a decrease of RMB233.6 million. The decrease in net profit was primarily due to the same reason stated above.

Liquidity and Source of Funding and Borrowing

On 26 October 2021, the Company entered into a placing and top-up subscription agreement with GuangYu Investment and a third party placing agent, pursuant to which (a) the placing agent has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to independent third parties; and (b) GuangYu Investment has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price (the **"2021 Placing and Subscription"**). The 2021 Placing and Subscription was completed on 3 November 2021. For further details, please refer to the Company's announcements dated 27 October 2021 and 3 November 2021.

As at 28 February 2022, the Group's cash and cash equivalents increased by 81.1% from RMB1,655.9 million as at 31 August 2021 to RMB2,998.3 million. Including restricted cash, the Group's total cash increased from RMB1,806.4 million as at 31 August 2021 to RMB3,198.3 million as at 28 February 2022. The increase was mainly attributed to proceeds from issuing of ordinary shares.

As at 28 February 2022, the current assets of the Group amounted to RMB3,301.6 million, including RMB3,198.3 million in cash and restricted cash and RMB103.3 million in other current assets. The current liabilities of the Group amounted to RMB4,018.8 million, of which RMB1,050.1 million was accruals and other payables, RMB219.3 million was borrowings, RMB1,130.7 million was contract liabilities, RMB1,614.1 million was financial liabilities at fair value through profit or loss and RMB4.7 million was other current liabilities. As at 28 February 2022, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.82 (31 August 2021: 0.87).

Gearing Ratio

As at 28 February 2022, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 13.4% (31 August 2021: 22.5%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Material Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 28 February 2022) during the six months ended 28 February 2022.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2022.

Pledge of Assets

As at 28 February 2022, the bank borrowings of the Group amounting to RMB699.3 million were secured by related party and equity interests of certain subsidiaries of the Group.

Contingent Liabilities

The Group had no contingent liabilities as at 28 February 2022.

Foreign Exchange Exposure

During the six months ended 28 February 2022, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities' functional currency. The Group's acquisition of a university in Thailand exposes the Group to foreign exchange risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. As at 28 February 2022, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Employees and Remuneration Policies

As at 28 February 2022 and 28 February 2021, the Group had 6,846 and 6,965 employees, respectively. The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and recommends to the Board the executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a Pre-IPO Share Option Scheme and a Share Award Scheme. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V to the Prospectus for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The total remuneration cost incurred by the Group for the six months ended 28 February 2022 was RMB294.4 million (for the six months ended 28 February 2021: RMB253.6 million).

The following table sets forth the total number of employees by function as at 28 February 2022:

Function	Number of employees	% of total
Teachers	4,834	70.6%
Administrative staff	325	4.7%
Other staff	1,687	24.7%
Total	6,846	100.0%

Future Plans for Material Investments and Capital Assets

As of 28 February 2022, the Group did not have other plans for material investments and capital assets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the six months ended 28 February 2022, the Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2022.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 28 February 2022 (2021: HK\$0.123).

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue. Mr. Chen Lei is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 28 February 2022 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial information in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 3 December 2019, the Company and Merrill Lynch (Asia Pacific) Limited (the “**Manager**”) entered into a subscription agreement with respect to the 2024 Convertible Bonds (the “**Subscription Agreement**”), pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds in an aggregate principal amount of HK\$2,024 million, on the terms and subject to the conditions set out therein. In addition, the Company has granted to the Manager an option to require the Company to issue the Option Bonds up to a further aggregate principal amount of HK\$324 million, exercisable on one occasion, in whole or in part, at any time on or before the 30th day after the Closing Date. The Manager has subsequently exercised its option with respect to HK\$64 million in aggregate principal amount of Option Bonds.

The principal terms of the 2024 Convertible Bonds are set out below:

Issuer:	The Company
Form and Denomination:	The convertible bonds are in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof. Upon issue, the convertible bonds will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.
Issue Price:	100% of the principal amount of the 2024 Convertible Bonds.
Issue Size:	The aggregate principal amount of the Firm Bonds will be HK\$2,024 million. In addition, the Company has granted to the Manager an option to require the Company to issue the Option Bonds up to a further aggregate principal amount of HK\$324 million, exercisable on one occasion, in whole or in part, at any time up to and including the 30th day after the Closing Date.
Maturity Date:	27 December 2024

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Interest:	0.90% per annum, payable semi-annually in arrear on 27 June and 27 December in each year.
Conversion Right:	Subject as provided in the Conditions, each convertible bond shall entitle the holder to convert such convertible bond into conversion Shares credited as fully paid at any time during the conversion period referred to below. The number of Shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the convertible bonds to be converted by the conversion price in effect on the relevant conversion date.
Initial Conversion Price:	<p>The initial conversion price at which conversion Shares will be issued will initially be HK\$7.1303 per Share, calculated at a 34.0% premium to the reference share price of HK\$5.3237, being the number representing the higher of (i) HK\$5.16, being the closing share price of the Shares on the Stock Exchange on 3 December 2019 or (ii) the arithmetic average of the volume weighted average prices of the Shares on the Stock Exchange on each of the five consecutive trading days commencing on (and including) 4 December 2019 (i.e. HK\$5.3237).</p> <p>The conversion price will be subject to adjustment for, among other things, upon the occurrence of consolidation, subdivision, redesignation or reclassification, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares at less than 95% of the current market price per Share, rights issues of other securities, issues at less than 95% of the current market price per Share, other issues at less than 95% of the current market price per Share, modification of rights of conversion at less than 95% of the current market price per Share and other offers to Shareholders (collectively, the “Adjustment Events”). Notwithstanding any of the Adjustment Events, no adjustment to the conversion price shall be made for any issuance of new Shares (a) pursuant to the Pre-IPO Share Option Scheme and (b) pursuant to the IFC Loan.</p>

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Adjustment upon Change of Control: If a Change of Control shall occur, the Company shall give notice of that fact to the bondholders (the “**Change of Control Notice**”) within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of conversion rights such that the relevant conversion date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to bondholders (such period, the “**Change of Control Conversion Period**”), the conversion price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times \text{c}/\text{t})}$$

Where:

“**NCP**” means the conversion price after such adjustment

“**OCP**” means the conversion price before such adjustment. For the avoidance of doubt, OCP shall be the conversion price in effect on the relevant conversion date

“**CP**” means conversion premium of 34.0% expressed as a fraction

“**c**” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date

“**t**” means the number of days from and including the Issue Date to but excluding the Maturity Date

Initial Conversion Ratio: 292,834,803 Shares per HK\$2,088,000,000 principal amount of the 2024 Convertible Bonds at the initial conversion price of HK\$7.1303 per Share.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Conversion Period:	At the option of the bondholder, at any time (a) on or after the date which is 41 days after the Issue Date (both dates inclusive) to the close of business (at the place where the certificate evidencing the convertible bonds are deposited for conversion) on the date falling seven days prior to the Maturity Date (both days inclusive), (b) if the convertible bonds shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the bondholders, up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice.
Ranking of the Conversion Shares:	The conversion Shares will be fully paid and will in all respects rank <i>pari passu</i> with the fully paid shares of the Company then in issue on the relevant date the holder is registered as such in the Company's register of members (the " Registration Date "), except for any right excluded by mandatory provisions of applicable law and except that such conversion Shares will not rank for any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.
Redemption at Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at 100% of its principal amount together with accrued and unpaid interest thereon on the Maturity Date.
Reference Share Price:	HK\$5.3237 per Share, being the higher of (i) HK\$5.16, being the closing share price of the Shares on the Stock Exchange on 3 December 2019 or (ii) the arithmetic average of the volume weighted average prices of the Shares on the Stock Exchange on each of the five consecutive trading days commencing on (and including) 4 December 2019 (i.e. HK\$5.3237).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Redemption at the Option of the Company:

On giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing and to the bondholders in accordance with the Conditions, at any time after 1 March 2023 and prior to the Maturity Date, the convertible bonds may be redeemed by the Company in whole, but not in part, at their principal amount together with any interest accrued up to but excluding the date specified in the relevant optional redemption notice for redemption (the "**Optional Redemption Date**"), provided that the closing price of the Shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which the relevant optional redemption notice is published was at least 130 per cent. of the conversion price then in effect immediately prior to the date upon which the relevant optional redemption notice is given.

On giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing, and to the bondholders in accordance with the Conditions, the convertible bonds may be redeemed by the Company in whole, but not in part, on the date specified in the redemption notice at their principal amount together with interest accrued up to but excluding such date (if any), at any time if, prior to the date the relevant redemption notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in principal amount of the convertible bonds originally issued.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Redemption for Taxation Reasons: The convertible bonds may be redeemed, at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing and to the bondholders in accordance with the Conditions, on the date specified in the relevant redemption notice for redemption at their principal amount as at such date together with interest accrued up to but excluding such date (if any), if the Company satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay additional tax amounts as provided or referred in the Conditions as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 December 2019, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no tax redemption notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the convertible bonds then due.

On the redemption date, the Company shall redeem the convertible bonds at their principal amount, together with interest accrued up to but excluding the redemption date.

If the Company issues the relevant redemption notice, each bondholder will have the right to elect that their convertible bonds shall not be redeemed as provided in the Conditions, whereupon no additional tax amounts shall be payable pursuant to the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted.

Redemption at the Option of the Bondholders:

Following the occurrence of a Relevant Event (as defined below), each bondholder will have the right at such holder's option to require the Company to redeem all or some only of such bondholder's convertible bonds on the relevant date at their principal amount together with interest accrued up to but excluding such date.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

A “**Relevant Event**” occurs when:

- (i) the conversion Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive trading days on the Stock Exchange or an alternative stock exchange;
- (ii) less than 25% of the Company’s total numbers of issued shares are held by public; or
- (iii) when there is a Change of Control.

The holder of each convertible bond will have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s convertible bonds on 27 December 2022 (the “**Optional Put Date**”) at their principal amount together with interest accrued up to but excluding such date. To exercise such right, the bondholder must deposit during normal business hours at the specified office of any paying agent under the agency agreement a duly completed and signed exercise notice, in the form for the time being current, obtainable from the specified office of any paying agent under the agency agreement (an “**Optional Put Exercise Notice**”), together with the certificate evidencing the convertible bonds to be redeemed by not more than 60 nor less than 30 days prior to the Optional Put Date. An Optional Put Exercise Notice, once delivered, shall be irrevocable without the Company’s consent. The Company shall redeem the Convertible Bonds the subject of the relevant Optional Put Exercise Notice (subject to delivery of the relevant certificate as aforesaid) on the Optional Put Date.

Negative Pledge:	Applicable to the Company and its subsidiaries on the Relevant Indebtedness (as defined in the Conditions).
Transferability:	The convertible bonds are freely transferable subject to Conditions.
Status:	The 2024 Convertible Bonds constitute direct, unconditional, unsubordinated and (subject to the Conditions) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without preference or priority among themselves.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Assuming full conversion of the 2024 Convertible Bonds at the initial conversion price of HK\$7.1303 per Share, the 2024 Convertible Bonds will be convertible into 292,834,803 Shares, with an aggregate nominal value of HK\$2,928.35 and a market value of HK\$1,511,027,583.48 (based on the closing price of HK\$5.16 on 3 December 2019, the date of the Subscription Agreement). The net price of each conversion Share for the Company based on the estimated net proceeds of approximately HK\$2,067 million and 292,834,803 conversion Shares resulting from the conversion of the Convertible Bonds, is estimated to be approximately HK\$7.06.

The conversion price of the 2024 Convertible Bonds was adjusted from the initial conversion price of HK\$7.1303 per Share to HK\$7.0190 per Share on 24 February 2020. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding 2024 Convertible Bonds at the adjusted conversion price was 297,478,273 Shares. Further details of the price adjustment are set out in the announcement of the Company dated 24 February 2020.

The conversion price of the 2024 Convertible Bonds was adjusted from the initial conversion price of HK\$7.0190 per Share to HK\$6.92 per Share with effect from 8 June 2020. The maximum number of conversion Shares that will be issued upon conversion of all the outstanding 2024 Convertible Bonds at the adjusted conversion price was 301,734,104 Shares. Further details of the price adjustment are set out in the announcements of the Company dated 28 and 29 May 2020.

The conversion price of the 2024 Convertible Bonds was adjusted from the previous conversion price of HK\$6.92 per Share to HK\$6.82 per Share with effect from 9 February 2021. The maximum number of conversion Shares that will be issued upon conversion of all the outstanding 2024 Convertible Bonds at the adjusted conversion price is 306,158,357 Shares. Further details of the price adjustment are set out in the announcement of the Company dated 1 February 2021.

The conversion price of the 2024 Convertible Bonds was adjusted from the previous conversion price of HK\$6.82 per Share to HK\$6.68 per Share with effect from 15 June 2021. The maximum number of conversion Shares that will be issued upon conversion of all the outstanding 2024 Convertible Bonds at the adjusted conversion price is 312,574,850 Shares. Further details of the price adjustment are set out in the announcement of the Company dated 8 June 2021.

The Directors are of the view that the issue of the 2024 Convertible Bonds can provide the Company with additional funds at lower funding cost for acquisitions and general corporate purposes.

Further details of the issue of the 2024 Convertible Bonds are set out in the announcements of the Company dated 4 December 2019, 10 December 2019, 27 December 2019 and 29 December 2019.

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 28 February 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

BUILDING CERTIFICATES AND PERMITS

As at 28 February 2022, in relation to owned buildings or groups of buildings other than those associated with the HIEU Schools (the “**Non-HIEU Schools Owned Buildings**”), the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 Non-HIEU Schools Owned Buildings, due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group’s management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. Please also refer to the section headed “Business — Properties — Owned Properties — Buildings or Groups of Buildings” in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus.

As at 28 February 2022, the Company was in the process of applying for, but had not yet obtained, the proper certificates in relation to 48 buildings currently occupied by the HIEU Schools. The Company understands that the lack of certificates in relation to these buildings will not prejudice the ability of the Company to operate the HIEU Schools and that the buildings are fit and safe for education purposes. For further details, please refer to the Company’s circular dated 29 June 2018.

USE OF PROCEEDS

(a) Use of Proceeds from the IFC Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into a loan agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US\$75 million, comprised of an initial US\$50 million tranche and a US\$25 million tranche which shall, at the option of International Finance Corporation, be convertible into conversion shares at a conversion price of HK\$5.75 per share. The conversion price was subsequently adjusted to HK5.53 per share. For further details, please refer to the Company’s announcement dated 31 May 2018 and 4 February 2020.

As of 28 February 2022, the Company had drawn US\$75 million from the loan facility and had not utilized any amount drawn from the loan facility. US\$50 million of the total principal amount had been repaid to International Finance Corporation, US\$0.1 million of the total principal amount was transferred to borrowings, and US\$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to International Finance Corporation in February 2020. For further details, please refer to the Company’s announcements dated 4 February 2020 and 23 November 2020.

(b) Use of Proceeds from the 2021 Placing and Subscription

The 2021 Placing and Subscription was completed on 3 November 2021. An aggregate of 220,000,000 placing shares had been successfully placed to not fewer than six placees and accordingly 220,000,000 subscription shares were allotted and issued by the Company to GuangYu Investment.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The net proceeds received by the Company from the 2021 Placing and Subscription were approximately HK\$914 million. The Company intends to use the estimated net proceeds for (a) transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future); (b) opening a new campus for Hunan International Economics University (湖南涉外經濟學院); and (c) increasing investment in launching vocational undergraduate education at the existing three universities. As of 28 February 2022, approximately HK\$336 million of the net proceeds of the completion of the 2021 Placing and Subscription had been utilised and HK\$578 million remained unutilised. There has been no change in the intended use of net proceeds as previously disclosed and the Company expects to fully utilised the residual amount of the net proceed in accordance with such intended purpose by 31 December 2023. For further details, please refer to the announcements dated 27 October 2021 and 3 November 2021.

As of 28 February 2022, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from 2021 Placing and subscription (HK\$ million)	Utilisation as of 31 August 2021 (HK\$ million)	Unutilised amount as of 31 August 2021 (HK\$ million)	Utilisation as of 28 February 2022 (HK\$ million)	Unutilised amount as of 28 February 2022 (HK\$ million)
transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future)	360	—	360	123	237
opening a new campus for Hunan International Economics University (湖南涉外經濟學院)	454	—	454	114	340
increasing investment in launching vocational undergraduate education at the existing three universities	100	—	100	100	—

REGULATORY FRAMEWORK RELATING TO FOREIGN OWNERSHIP IN THE EDUCATION INDUSTRY IN THE PRC

Foreign investment activities in the PRC are subject to the restrictions as set out in the *Administrative Measures of Foreign Investment Admission (Negative List) (2021 Version)* (《外商投資准入特別管理措施（負面清單）（2021年版）》) (the “**Negative List**”), which is promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC and Ministry of Commerce of the PRC. The latest version of the Negative List was released on 27 December 2021 and became effective on 1 January 2022. Foreign investments in industries falling within the Negative List are subjected to special administrative measures as set forth therein.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

According to the Negative List, operation of kindergartens, high schools and higher education institutions (the “**Relevant Business**”) shall be restricted to Sino-foreign cooperation, which means that foreign investors may only operate kindergartens, high schools and higher education institutions through joint ventures with PRC incorporated entities that are in compliance with the *Regulation on Sino-Foreign Cooperation in Operating Schools of the People’s Republic of China* (《中華人民共和國中外合作辦學條例》), promulgated by the State Council in 2003 and last amended on 2 March 2019 (the “**Sino-Foreign Cooperation Regulation**”). The Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Pursuant to the *Implementation Opinions on Encouraging and Guiding Private Fund’s Entry into the Education Sector and Promoting Healthy Development of Private Education* (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the Ministry of Education of the PRC on 18 June 2012 (the “**Implementation Opinions**”), foreign-invested companies that engage in educational activities in the PRC should comply with the Negative List.

Pursuant to the Sino-Foreign Cooperation Regulation and its implementation measures, the foreign investor in a Sino-foreign joint venture school for PRC students at a kindergarten, high school and higher education institution (a “**Sino-Foreign Joint Venture Private School**”) must be a foreign education institution with relevant qualification and high quality of education (the “**Qualification Requirement**”).

Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company’s PRC Legal Adviser has also advised that there are currently no applicable PRC laws and regulations providing clear guidance or interpretation as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%) ⁽¹⁾	Long position/ Short position/ Lending pool
Mr. Li ⁽²⁾	Beneficial owner/ Founder of a discretionary trust/Other	1,937,249,000 ⁽³⁾	53.89%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,942,152,000 ^{(4)&(5)}	54.03%	Long position
Ms. Qiu Hongjun	Beneficial owner	3,261,000 ⁽⁶⁾	0.09%	Long position

Notes:

- (1) The calculation is based on the total number of 3,594,493,833 Shares in issue as at 28 February 2022.
- (2) The entire share capital of GuangYu Investment is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 1,917,500,000 Shares held by GuangYu Investment.
- (3) On 17 September 2021, a total of 3,949,800 Shares were exercised pursuant to the exercise of options granted to Mr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (4) On 17 September 2021, a total of 4,865,200 Shares were exercised pursuant to the exercise of options granted to Ms. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Ms. Li's spouse, Mr. Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.
- (6) Includes Ms. Qiu Hongjun's entitlement to receive up to 2,934,900 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Interest in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity/ Nature of Interest	Amount of Registered Capital	% of Interest in the Corporation	Long Position/ Short Position/ Lending Pool
Mr. Li	YuHua Investment Management	Beneficial owner	RMB40,000,000	80%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB18,000,000	36%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB30,000,000	60%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
Ms. Li	YuHua Investment Management	Beneficial owner	RMB10,000,000	20%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB32,000,000	64%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB20,000,000	40%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position

Save as disclosed above, as at 28 February 2022, none of the Directors or chief executives 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 its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2022, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be 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 by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%) ⁽¹⁾	Long position/ Short position/ Lending pool
Mr. Li ⁽²⁾	Beneficial owner/ Founder of a discretionary trust/Other	1,937,249,000 ⁽⁴⁾	53.89%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,942,152,000 ^{(5)&(6)}	54.03%	Long position
Baikal Lake Investment ⁽²⁾	Interest in controlled corporation/ Other	1,917,500,000	53.35%	Long position
GuangYu Investment ⁽²⁾	Beneficial owner/Other	1,917,500,000	53.35%	Long position
TMF (Cayman) Ltd. ⁽³⁾	Trustee/Other	1,917,500,000	53.35%	Long position
Bank of America Corporation	Interest in controlled corporation	401,114,003	11.16%	Long position
		394,583,019	10.98%	Short position

Notes:

- (1) The calculation is based on the total number of 3,594,493,833 Shares in issue as at 28 February 2022.
- (2) The entire share capital of GuangYu Investment is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.
- (3) TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.
- (4) On 17 September 2021, a total of 3,949,800 Shares were exercised pursuant to the exercise of options granted to Mr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) On 17 September 2021, a total of 4,865,200 Shares were exercised pursuant to the exercise of options granted to Ms. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (6) Ms Li's spouse, Mr. Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Mr. Ge Cong.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 28 February 2022 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Share Incentive Schemes

In order to incentivize the Group's Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Group has adopted the Pre-IPO Share Option Scheme effective from 1 September 2016. The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Details on the movement of the relevant scheme for the six months ended 28 February 2022 is set out in note 14 to the financial information.

1. *Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as of 28 February 2022. No options were granted during the six months ended 28 February 2022 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 14 to the financial information.

Grantee	Position Held	Dates of grant	Outstanding balance as at 1 September 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 28 February 2022	Option Period	Exercise Price	Weighted average closing price of the Company's shares immediately before the exercise date
Directors and associates										
Mr. Li	Executive Director; chairman of the Board	1 September 2016	3,949,800	–	3,949,800	–	–	5 years from the date of grant	HK\$0.00001 per Share	7.31
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	1 September 2016	4,865,200	–	4,865,200	–	–	5 years from the date of grant	HK\$0.00001 per Share	7.31
Ms. Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	1 September 2016	2,934,900	–	–	–	2,934,900	15 years from the date of grant	HK\$0.00001 per Share	–
Mr. Ge Cong (葛聰)	Director of the universities and spouse of Ms. Li	1 September 2016	293,400	–	–	–	293,400	20 years from the date of grant	HK\$0.00001 per Share	–
Subtotal			12,043,300		8,815,000		3,228,300			
Other employees										
325 employees		1 September 2016	111,510,990	–	4,943,850	–	106,567,140	Up to 20 years from the date of grant	HK\$0.00001 per Share	–
Employees Subtotal			111,510,990	–	4,943,850	–	106,567,140			
TOTAL			123,554,190	–	13,758,850	–	109,795,440			

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

2. *Share Award Scheme*

The summary of the principle terms of the Share Award Scheme, adopted on 8 February 2017, are contained in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme” in Appendix V to the Prospectus. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

As at 28 February 2022, 5,595,000 shares had been granted or agreed to be granted to 103 selected participants under the Share Award Scheme who are not connected persons of the Company. Details of the Post-IPO Share Award Scheme are set out in Note 14 to the consolidated financial statements.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed in this interim report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHINA YUHUA EDUCATION CORPORATION LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 78, which comprises the interim condensed consolidated balance sheet of China YuHua Education Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 28 February 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. 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 International 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2022	28 February 2021
		RMB'000 (Unaudited)	(Note 22) RMB'000 (Unaudited)
Continuing operations			
Revenue	6	1,203,707	1,148,680
Cost of revenue	7	(521,870)	(376,732)
Gross profit		681,837	771,948
Selling expenses	7	(19,271)	(26,847)
Administrative expenses	7	(102,924)	(104,765)
Net impairment losses on financial assets		(862)	(2,036)
Other income		7,031	21,817
Other (losses)/gains — net	8	(12,977)	166,280
Operating profit		552,834	826,397
Finance income		18,609	14,068
Finance expenses		(27,116)	(44,357)
Finance expenses — net		(8,507)	(30,289)
Profit before income tax		544,327	796,108
Income tax credit	9	3,492	4,760
Profit for the period from continuing operations		547,819	800,868
Discontinued operations			
Profit for the period from discontinued operations, net of tax	22	—	73,333
Profit for the period		547,819	874,201
Profit attributable to:			
Owners of the Company			
— Continuing operations		542,331	775,884
— Discontinued operations		—	73,333
		542,331	849,217
Non-controlling interests			
— Continuing operations		5,488	24,984
— Discontinued operations		—	—
		5,488	24,984

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Note	Six months ended	
		28 February 2022	28 February 2021 (Note 22)
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share	10		
– Continuing operations		0.16	0.23
– Discontinued operations	22	–	0.02
		0.16	0.25
Diluted earnings per share	10		
– Continuing operations		0.15	0.16
– Discontinued operations	22	–	0.02
		0.15	0.18

The notes on pages 40 to 78 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Profit for the period	547,819	874,201
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	5,374	91,887
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	—	720
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	21,066	7,154
Currency translation differences	(8,889)	—
Other comprehensive income for the period, net of tax	17,551	99,761
Total comprehensive income for the period	565,370	973,962
Total comprehensive income for the period attributable to:		
— Owners of the Company	559,882	948,978
— Non-controlling interests	5,488	24,984
	565,370	973,962
Total comprehensive income for the period attributable to owners of the Company arises from:		
Continuing operations	559,882	875,645
Discontinued operations	—	73,333
	559,882	948,978

The notes on pages 40 to 78 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	3,644,871	3,624,140
Intangible assets	11	1,536,010	1,538,351
Right-of-use assets	11	1,922,548	1,818,941
Other non-current assets		12,555	17,713
Total non-current assets		7,115,984	6,999,145
Current assets			
Trade and other receivables	12	103,304	104,726
Restricted cash		200,000	150,523
Cash and cash equivalents		2,998,310	1,655,884
Total current assets		3,301,614	1,911,133
Total assets		10,417,598	8,910,278
Equity			
Equity attributable to owners of the Company			
Share capital	13	30	28
Share premium	13	1,741,528	966,087
Other reserves		1,159,595	1,032,364
Retained earnings		2,301,155	1,758,824
Capital and reserves attributable to owners of the Company		5,202,308	3,757,303
Non-controlling interests		30,761	25,273
Total equity		5,233,069	3,782,576
Liabilities			
Non-current liabilities			
Borrowings	16	480,000	639,980
Deferred income tax liabilities	19	498,678	502,170
Lease liabilities	11	12,529	16,492
Financial liabilities at fair value through profit or loss	17	—	1,667,555
Deferred income		174,558	94,978
Total non-current liabilities		1,165,765	2,921,175
Current liabilities			
Accruals and other payables	15	1,050,060	1,086,820
Borrowings	16	219,272	210,371
Contract liabilities		1,130,699	904,448
Financial liabilities at fair value through profit or loss	17	1,614,052	—
Lease liabilities	11	4,681	4,888
Total current liabilities		4,018,764	2,206,527
Total liabilities		5,184,529	5,127,702
Total equity and liabilities		10,417,598	8,910,278

The notes on pages 40 to 78 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Share-based payments reserve	Treasury shares	Other comprehensive income	Retained earnings	Non-controlling interests	Total
	(Note 13) RMB'000	(Note 13) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 August 2021	28	966,087	(134,067)	1,018,909	126,932	(134,721)	155,311	1,758,824	25,273	3,782,576
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	542,331	5,488	547,819
Currency translation differences	-	-	-	-	-	-	(3,515)	-	-	(3,515)
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	17	-	-	-	-	-	21,066	-	-	21,066
Total comprehensive income for the period							17,551	542,331	5,488	565,370
Total transactions with owners										
Issue of ordinary shares	13	2	752,741	-	-	-	-	-	-	752,743
Share-based compensation	14	-	-	-	8,650	-	-	-	-	8,650
Disposal of treasury shares	13	-	(27,897)	-	-	134,721	-	-	-	106,824
Issuance for share award scheme	14	-	16,906	-	-	-	-	-	-	16,906
Exercise of share options	13	-	33,691	-	(33,691)	-	-	-	-	-
Total transactions with owners in their capacity as owners		2	775,441	-	(25,041)	134,721	-	-	-	885,123
Balance at 28 February 2022	30	1,741,528	(134,067)	1,018,909	101,891	-	172,862	2,301,155	30,761	5,233,069

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company										
	Note	Share	Share	Capital	Statutory	Share-	Treasury	Other	Retained	Non-	Total
		capital	premium		surplus	based		comprehensive		controlling	
	(Note 13)	(Note 13)	reserve	reserve	reserve	shares	income	earnings	interests	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited											
Balance at 31 August 2020	28	1,546,308	124,950	846,034	129,428	(134,721)	8,726	1,109,469	459,190	4,089,412	
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	849,217	24,984	874,201	
Currency translation differences	–	–	–	–	–	–	91,887	–	–	91,887	
Changes in the fair value of assets at fair value through other comprehensive income	–	–	–	–	–	–	720	–	–	720	
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	–	–	–	–	–	–	7,154	–	–	7,154	
Total comprehensive income for the period	–	–	–	–	–	–	99,761	849,217	24,984	973,962	
Transfer of accumulated net losses on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	–	–	–	–	2,280	(2,280)	–	–	
Total transactions with owners											
Issuance for share award scheme	14	–	41,304	–	–	–	–	–	–	41,304	
Transactions with non-controlling interests	–	–	(259,017)	–	–	–	–	–	(462,183)	(721,200)	
Exercise of share options	13	–	26,591	–	(26,591)	–	–	–	–	–	
Share-based compensation	14	–	–	–	12,048	–	–	–	–	12,048	
Dividends distribution	13	–	(277,333)	–	–	–	–	–	–	(277,333)	
Total transactions with owners in their capacity as owners	–	(209,438)	(259,017)	–	(14,543)	–	–	–	(462,183)	(945,181)	
Balance at 28 February 2021	28	1,336,870	(134,067)	846,034	114,885	(134,721)	110,767	1,956,406	21,991	4,118,193	

The notes on pages 40 to 78 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations (continuing operations)		998,887	1,057,467
Interest paid		(9,894)	(12,864)
		988,993	1,044,603
Discontinued operations	22	—	83,351
Net cash generated from operating activities		988,993	1,127,954
Cash flows from investing activities			
Purchases of property, plant and equipment		(148,617)	(150,787)
Payments of prepaid land lease payments		(133,301)	—
Purchases of intangible assets		(3,593)	(1,858)
Proceeds from disposal of property, plant and equipment		638	918
Proceeds from disposal of intangible assets		15	7
Proceeds from disposal of a subsidiary		—	533
Disposals of financial instruments at fair value through profit or loss		—	50,406
Payments related to other non-current assets		—	(100,000)
Changes in restricted bank deposits		(49,477)	—
Interest received		397	474
Disposals of financial instruments at fair value through other comprehensive income		—	720
		(333,938)	(199,587)
Discontinued operations	22	—	(6,844)
Net cash used in investing activities		(333,938)	(206,431)
Cash flows from financing activities			
Acquisition of non-controlling interests		—	(721,200)
Dividends paid to owners of the Company		—	(277,333)
Proceed from disposal of treasury shares	14	106,824	—
Principal elements of lease payments or finance lease payments		(4,450)	(4,941)
Proceeds from borrowings	16	9,000	440,000
Repayments of borrowings	16	(160,079)	(601,956)
Net proceeds from issuing of ordinary shares	13	752,743	—
		704,038	(1,165,430)
Discontinued operations	22	—	(130,000)
Net cash generated from/(used in) financing activities		704,038	(1,295,430)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Six months ended	
		28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Net increase/(decrease) in cash and cash equivalents		1,359,093	(373,907)
Cash and cash equivalents at beginning of the period		1,655,884	2,175,197
Exchange losses on cash and cash equivalents		(16,667)	(20,835)
Cash and cash equivalents at end of the period		2,998,310	1,780,455

The notes on pages 40 to 78 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China YuHua Education Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) provide private formal full-coverage education services in the People’s Republic of China (the “PRC”) and the Kingdom of Thailand (“Thailand”) (the “Business”).

The Company was incorporated in the Cayman Islands on 25 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company’s registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Umland House, Grand Cayman, KY1-1104, the Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited (“GuangYu Investment”). The ultimate controlling party of the Group is Mr. Li Guangyu, who is also the Chairman and an executive director of the Board of Directors of the Company (the “Controlling Shareholder”).

As set out in Note 4(a) to the consolidated financial statements for the year ended 31 August 2021, the Group conducts a substantial portion of its businesses through control of certain entities established in the PRC, together with their wholly owned schools, by way of contractual agreements (collectively the “Consolidated Affiliated Entities”), due to the regulatory restrictions on foreign ownership of schools in the PRC. During the period, the Board of Directors (the “Directors”) re-assessed and concluded that the contractual agreements continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable. Accordingly, the Directors are of the view that the Company continues to control over the Consolidated Affiliated Entities and therefore consolidates the Consolidated Affiliated Entities in this interim condensed consolidated financial information.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 28 February 2017 (the “Listing”).

This interim condensed consolidated financial information is presented in Renminbi (RMB) and rounded to nearest thousand yuan, unless otherwise stated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 28 February 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

As at 28 February 2022, the Group’s current liabilities exceeded its current assets by RMB717,150,000. Included in the current liabilities as at 28 February 2022 were contract liabilities of RMB1,130,699,000 relating to tuition and boarding fees received in advance, and current borrowings of RMB219,272,000 (Note 16), and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB1,614,052,000 (Note 17). In addition, as at 28 February 2022, the Group had non-current borrowings of RMB480,000,000 (Note 16), the principals of which were all repayable more than twelve months from the period end date in accordance with the respective borrowing agreements. The Group had cash and cash equivalents of RMB2,998,310,000 as at 28 February 2022.

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern and concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 28 February 2022.

The directors of the Company have reviewed the management’s assessment together with the underlying basis and are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2021.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 September 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The above standard did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted

New Standards, interpretations and amendments		Effective for accounting periods beginning on
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	NA
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

The Group has not early adopted the abovementioned new or amended standards and interpretations in this interim financial information and will apply these new or amended standards and interpretations in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group of these abovementioned standards and interpretation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 August 2021.

Estimation of the fair value of certain financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 5.3.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2021.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

As at 28 February 2022, the Group had cash and cash equivalents of RMB2,998,310,000 (31 August 2021: RMB1,655,884,000) and trade receivables of RMB14,552,000 (31 August 2021: RMB14,038,000) that are expected to readily generate cash inflows for managing liquidity risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over five years RMB'000	Total RMB'000
Unaudited					
As at 28 February 2022					
Borrowings (principal and interests)	228,459	52,100	448,060	—	728,619
Convertible bonds	1,705,027	—	—	—	1,705,027
Lease liabilities	4,764	5,446	7,324	1,718	19,252
Accruals and other payables (excluding non-financial liabilities)	955,577	—	—	—	955,577
	2,893,827	57,546	455,384	1,718	3,408,475
Audited					
As at 31 August 2021					
Borrowings (principal and interests)	244,965	234,696	449,399	—	929,060
Convertible bonds	15,611	15,611	1,755,316	—	1,786,538
Leases liabilities	4,978	6,142	10,788	1,718	23,626
Accruals and other payables (excluding non-financial liabilities)	969,121	—	—	—	969,121
	1,234,675	256,449	2,215,503	1,718	3,708,345

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 28 February 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value as at 28 February 2022 and 31 August 2021:

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Level 3 Liabilities		
Financial liabilities at fair value through profit or loss	1,614,052	1,667,555

The following table presents the movement in level 3 financial assets for the six months ended 28 February 2021:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
Balance at 1 September 2020	50,000
Additions	—
Settlements	(50,406)
Gains and losses recognised in profit or loss	406
Balance at 28 February 2021	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2022:

	Convertible Bonds (level 3) RMB'000
Balance at 1 September 2021	1,667,555
Additions	—
Settlements	—
Gains and losses recognised in profit or loss	10,381
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(21,066)
Exchange difference	(42,818)
Balance at 28 February 2022	1,614,052
Changes in unrealised gain or loss included in profit or loss for the period	10,381

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2021:

	Convertible Bonds (level 3) RMB'000
Balance at 1 September 2020	2,301,148
Additions	—
Settlements	—
Gains and losses recognised in profit or loss	(167,275)
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(7,154)
Exchange difference	(126,656)
Balance at 28 February 2021	2,000,063
Changes in unrealised gains or losses included in profit or loss for the period	(167,275)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

As at 28 February 2022, the carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash and trade and other receivables, and financial liabilities, including accruals and other payables, approximated their fair values due to the short maturities.

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

The fair value of the financial liabilities at fair value through profit or loss is determined by reference to the valuation performed by an independent valuer using the Binomial Method.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Convertible Bonds due 2024	Fair value RMB'000	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 August 2021	1,667,555	Dividend yield: 3.00% Volatility: 44.54% Risk free rate: 0.28% Bond yield: 5.93%	Increased dividend yield 1% would decrease fair value by RMB11,630,000; Increased volatility 1% would increase fair value by RMB6,504,000; Increased risk free rate 0.03% would increase fair value by RMB75,000; Increased bond yield 1% would decrease fair value by RMB38,752,000;
As at 28 February 2022	1,614,052	Dividend yield: 3.00% Volatility: 46.04% Risk free rate: 0.81% Bond yield: 7.01%	Increased dividend yield 1% would decrease fair value by RMB147,600; Increased volatility 1% would increase fair value by RMB631,400; Increased risk free rate 0.08% would increase fair value by RMB8,200; Increased bond yield 1% would decrease fair value by RMB12,521,400;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The Group's valuation processes

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations. The finance department reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and finance department semi-annually, in line with the Group's semi-annual reporting dates.

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION

The Group is principally engaged in the provision of private formal education from high school to university education service in the PRC and Thailand.

The executive directors are identified as the chief operating decision-maker (the “CODM”) of the Group. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group’s operating segments are aggregated. For the period ended 28 February 2022, in the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and the Group’s operating and reportable segments for segment reporting purpose are Grade 1-12 and University, respectively. The former Grade 1–12 segment is renamed to High school since the high school programs are the remaining business of the segment due to the impact as disclosed in Note 22.

For the purposes of monitoring segment performance and allocating resources among segments, segment results represent profit for the period earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities.

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group’s total revenue for the six months ended 28 February 2022 and 28 February 2021.

Due to the matter as disclosed in Note 22, the corresponding figures in segment information for the six months ended 28 February 2021 was re-presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

The information of the reportable segments provided to the CODM for the six months ended 28 February 2022 and 28 February 2021 is as follows:

	High School (formerly named "Grade 1-12") (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited					
For the six months ended					
28 February 2022					
Revenue	110,842	1,092,865	513	(513)	1,203,707
Cost of revenue	(72,125)	(449,745)	—	—	(521,870)
Gross profit	38,717	643,120	513	(513)	681,837
Selling expenses	(786)	(18,485)	—	—	(19,271)
Administrative expenses	(1,571)	(77,721)	(24,145)	513	(102,924)
Net impairment losses on financial assets	—	(862)	—	—	(862)
Other income	493	6,516	22	—	7,031
Other losses — net	(72)	(204)	(12,701)	—	(12,977)
Operating profit	36,781	552,364	(36,311)	—	552,834
Finance income/(expenses) — net	2,237	13,503	(31,769)	7,522	(8,507)
Profit before income tax	39,018	565,867	(68,080)	7,522	544,327
Income tax credit	213	3,279	—	—	3,492
Profit for the period	39,231	569,146	(68,080)	7,522	547,819

	High School (formerly named "Grade 1-12") (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited					
As at 28 February 2022					
Total assets	1,336,562	10,816,969	3,632,166	(5,368,099)	10,417,598
Total liabilities	157,209	3,552,823	6,727,319	(5,252,822)	5,184,529
Other segment information					
For the six months ended					
28 February 2022					
Additions to non-current assets	11,967	260,720	2	—	272,689
Depreciation and amortisation	(15,546)	(105,830)	(1,954)	—	(123,330)
— Continuing operations	(15,546)	(105,830)	(1,954)	—	(123,330)
— Discontinued operations	—	—	—	—	—
Losses on disposal of property, plant and equipment	59	123	(82)	—	100
— Continuing operations	59	123	(82)	—	100
— Discontinued operations	—	—	—	—	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended						
28 February 2021						
Revenue	–	138,096	1,010,584	1,113	(1,113)	1,148,680
Cost of revenue	–	(73,489)	(303,243)	–	–	(376,732)
Gross profit	–	64,607	707,341	1,113	(1,113)	771,948
Selling expenses	–	(822)	(26,025)	–	–	(26,847)
Administrative expenses	–	(10,011)	(77,978)	(17,889)	1,113	(104,765)
Net impairment losses on financial assets	–	–	(2,036)	–	–	(2,036)
Other income	–	6,313	14,542	962	–	21,817
Other (losses)/gains – net	–	(141)	(2,487)	168,908	–	166,280
Operating profit	–	59,946	613,357	153,094	–	826,397
Finance income/(expenses) – net	–	753	12,346	(43,388)	–	(30,289)
Profit before income tax	–	60,699	625,703	109,706	–	796,108
Income tax credit	–	843	3,917	–	–	4,760
Profit for the period	–	61,542	629,620	109,706	–	800,868
Profit for the period from discontinued operations	5,998	67,335	–	–	–	73,333

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
As at 28 February 2021						
Total assets	183,584	2,858,751	9,072,766	3,402,648	(6,083,702)	9,434,047
Total liabilities	44,924	1,160,283	3,077,011	7,277,493	(6,243,857)	5,315,854
Other segment information						
For the six months ended						
28 February 2021						
Additions to non-current assets	227	6,772	398,721	296	–	406,016
Depreciation and amortisation	(666)	(22,733)	(100,733)	(1,595)	–	(125,727)
– Continuing operations	–	(13,651)	(100,733)	(1,595)	–	(115,979)
– Discontinued operations	(666)	(9,082)	–	–	–	(9,748)
Losses on disposal of property, plant and equipment	38	192	5,121	53	–	5,404
– Continuing operations	–	111	5,121	53	–	5,285
– Discontinued operations	38	81	–	–	–	119

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

Revenue from external customers broken down by location of the customers is shown in the table below.

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
The PRC	1,131,730	1,068,015
The Thailand	71,977	80,665
	1,203,707	1,148,680

Non-current assets broken down by location of the customers are show in the table below.

	As at	As at
	28 February 2022 (RMB'000) (Unaudited)	31 August 2021 (RMB'000) (Audited)
The PRC	6,968,538	6,845,889
The Thailand	147,446	153,256
	7,115,984	6,999,145

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EXPENSES BY NATURE

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Employee benefit expenses	294,446	253,550
— Wages, salaries, bonus and other welfare	268,890	226,599
— Share Award Scheme expenses (Note 14 (b))	16,906	20,295
— Share-based compensation expenses (Note 14 (a))	8,650	6,656
Depreciation of property, plant and equipment (Note 11)	90,193	80,348
Depreciation of right-of-use assets (Note 11)	27,236	27,133
Amortisation of intangible assets (Note 11)	5,901	8,815
Canteen expenditure	1,300	2,467
Student training and scholarship expenses	75,560	22,533
School consumables	27,005	15,603
Utilities expenses	12,828	13,314
Maintenance expenses	23,658	17,375
Marketing expenses	14,946	18,123
Operating lease payments	2,326	2,482
Office expenses	48,870	25,703
Consultancy and professional fee	5,102	5,940
Travel and entertainment expense	4,002	4,229
Other expenses	10,692	10,729
	644,065	508,344

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8 OTHER (LOSSES)/GAINS — NET

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Net (losses) or gains on financial liabilities at fair value through profit or loss as at period end	(10,381)	167,275
Losses on disposal of property, plant and equipment	(100)	(5,285)
Gain on disposal of financial assets at fair value through profit or loss	—	406
Donations	(2,496)	(976)
Write-off long aged payables	—	4,860
	(12,977)	166,280

9 INCOME TAX CREDIT

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	—	—
Deferred tax		
(Increase)/decrease in deferred income tax assets (Note 19)	(89)	310
Decrease in deferred income tax liabilities (Note 19)	(3,403)	(5,070)
Deferred income tax expense for the period	(3,492)	(4,760)
Income tax credit	(3,492)	(4,760)

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands

The Company's subsidiary incorporated under the BVI Companies Act, 2004 is exempted from British Virgin Islands income tax.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 INCOME TAX CREDIT (CONTINUED)

(c) Hong Kong

No provision for Hong Kong profits tax was provided as the Company and the Group did not derive any assessable profits in Hong Kong during the six months ended 28 February 2022 and 28 February 2021.

(d) PRC corporate income tax ("CIT")

Corporate income tax ("CIT") is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT rate applicable to the Group's subsidiaries incorporated in the PRC was 25% during the six months ended 28 February 2022 and 28 February 2021.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. All schools of the Group have been granted corporate income tax exemption for the tuition income from relevant local tax authorities.

The corporate income tax rate for Xizang Yuanpei Information Technology Management Company Limited ("Xizang Yuanpei"), a wholly-owned subsidiary of the Company, is 15% based on the relevant tax regulations of Tibet Autonomous Region.

(e) Thailand corporate income tax

The statutory corporate income tax rate applied on the net taxable profits for Thailand companies is 20%. According to the relevant Thailand regulations, entities which engages in higher education are not subject to Thailand income taxes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 28 February 2022 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2022.

	Six months ended	
	28 February 2022 (Unaudited)	28 February 2021 (Unaudited)
Profit attribute to owners of the Company arising from (RMB'000)		
– Continuing operations	542,331	775,884
– Discontinued operations (Note 22)	–	73,333
Weighted average number of ordinary shares in issue (thousand)	3,398,429	3,341,205
Basic earnings per share (RMB)		
– Continuing operations	0.16	0.23
– Discontinued operations (Note 22)	–	0.02
	0.16	0.25

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 28 February 2022 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2022 (Unaudited)	28 February 2021 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	542,331	775,884
Adjustments for:		
— interest expense and fair value change on Convertible Bonds	18,154	(159,196)
Adjusted profit attributable to owners of the Company (RMB'000)		
— Continuing operations	560,485	616,688
— Discontinued operations (Note 22)	—	73,333
Weighted average number of ordinary shares in issue (thousands)	3,398,429	3,341,205
Adjustments for:		
— Pre-IPO share options (thousands)	55,574	95,927
— Convertible Bonds	312,575	306,158
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	3,766,578	3,743,290
Diluted earnings per share (RMB)		
— Continuing operations	0.15	0.16
— Discontinued operations (Note 22)	—	0.02
	0.15	0.18

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(A) PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment (RMB'000) (Unaudited)	Trademark (RMB'000) (Unaudited)	Student base (RMB'000) (Unaudited)	Goodwill (RMB'000) (Unaudited)	Other intangible assets (RMB'000) (Unaudited)
Six months ended 28 February 2022					
Opening net book amount	3,624,140	441,014	—	1,084,625	12,712
Additions	138,150	—	—	—	3,593
Disposals	(738)	—	—	—	(15)
Transfer upon completion	(24,659)	—	—	—	—
Depreciation and amortisation					
— Continuing operations	(90,193)	(2,144)	—	—	(3,757)
— Discontinued operations	—	—	—	—	—
Exchange differences	(1,829)	—	—	—	(18)
Closing net book amount as at 28 February 2022	3,644,871	438,870	—	1,084,625	12,515
Six months ended 28 February 2021					
Opening net book amount	3,792,348	445,302	2,522	1,084,625	18,495
Additions	404,158	—	—	—	1,858
Disposals	(6,340)	—	—	—	(7)
Transfer upon completion	(237,151)	—	—	—	—
Depreciation and amortisation					
— Continuing operations	(80,348)	(2,158)	(2,522)	—	(4,135)
— Discontinued operations	(7,851)	—	—	—	—
Exchange differences	(2,302)	—	—	—	(39)
Closing net book amount as at 28 February 2021	3,862,515	443,144	—	1,084,625	16,172

- (i) As at 28 February 2022, the carrying amount of buildings without building ownership certificates was RMB1,946,100,000 (31 August 2021: RMB1,966,960,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB21,299,000 as at 28 February 2022 (31 August 2021: RMB21,625,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(B) LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 28 February 2022 (RMB'000) (Unaudited)	As at 31 August 2021 (RMB'000) (Audited)
Right-of-use assets		
— Buildings	24,363	27,341
— Prepaid land lease payments	1,898,177	1,791,462
— Vehicles	8	138
	1,922,548	1,818,941
Lease liabilities		
— Current	4,681	4,888
— Non-current	12,529	16,492
	17,210	21,380

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(B) LEASES (CONTINUED)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Depreciation charge of right-of-use assets		
Continuing operations		
– Buildings	(2,879)	(3,091)
– Prepaid land lease payments	(24,231)	(23,883)
– Vehicles	(126)	(159)
	(27,236)	(27,133)
Discontinued operations		
– Buildings	–	(1,264)
– Prepaid land lease payments	–	(317)
	–	(1,581)
Interest expense (included in finance cost)	393	988
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,326	2,446
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	–	36

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(B) LEASES (CONTINUED)

- (iii) The Group's leasing activities and how these are accounted for
The Group leases various offices, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 20 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.
- (iv) The Group's land use rights are either purchased from or allocated by the government or companies.
- (v) The carrying value of the land use right allocated by the government of RMB488,557,000 (31 August 2021: RMB495,614,000) as at 28 February 2022, has no definite life of use stated in the relevant land use right certificates.
- (vi) As at 28 February 2022, no land use right of the Group was pledged as security for bank borrowings of the Group (31 August 2021: Nil).
- (vii) As at 28 February 2022, the carrying amount of prepaid land lease payments without land use right certificates was RMB18,629,000 (31 August 2021: RMB19,116,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB10,437,000 as at 28 February 2022 (31 August 2021: RMB10,789,000). The buildings of Bowang High School was related to leasehold land without land use right certificates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 TRADE AND OTHER RECEIVABLES

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Trade receivables		
Due from students	14,552	14,038
Provision for impairment	(4,703)	(4,227)
	9,849	9,811
Other receivables		
Receivables from local government	75,232	75,232
Deposits	2,185	3,327
Staff advances	2,636	6,630
Interest receivables	68	122
Others	3,892	4,760
Provision for impairment	(361)	(361)
	83,652	89,710
Prepayment		
Prepaid expenses	9,803	5,205
	103,304	104,726

As at 28 February 2022 and 31 August 2021, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Less than 1 year	9,504	10,767
Over 1 year	5,048	3,271
	14,552	14,038

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 SHARE CAPITAL AND SHARE PREMIUM

Authorised, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$
Unaudited		
As at 28 February 2022	50,000,000,000	500,000

Issued and paid, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2021	3,355,139,983	33,551	28	966,087	966,115
Share issued upon exercise of share-based compensation	13,758,850	138	—	33,691	33,691
Share Award Scheme	5,595,000	56	—	16,906	16,906
Issue of ordinary shares (a)	220,000,000	2,200	2	752,741	752,743
Disposal of treasury shares (b)	—	—	—	(27,897)	(27,897)
Balance at 28 February 2022	3,594,493,833	35,945	30	1,741,528	1,741,558

Authorised, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$
Unaudited		
As at 28 February 2021	50,000,000,000	500,000

Issued and paid, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2020	3,339,640,183	33,396	28	1,546,308	1,546,336
Share issued upon exercise of share-based compensation	8,815,000	88	—	26,591	26,591
Share Award Scheme	6,684,800	67	—	41,304	41,304
Dividends distribution	—	—	—	(277,333)	(277,333)
Balance at 28 February 2021	3,355,139,983	33,551	28	1,336,870	1,336,898

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) Issue of ordinary shares

On 26 October 2021, the Company, GuangYu Investment and Merrill Lynch (Asia Pacific) Limited acted as the placing manager, entered into a placing and subscription agreement, pursuant to which (a) the placing manager has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to third parties and (b) GuangYu Investment has agreed to subscribe for, and the Company agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price.

The net proceeds from the subscription are HK\$914,078,000, equivalent to RMB752,743,000, of which RMB2,000 was recorded in share capital and RMB752,741,000 was recorded in share premium.

(b) Treasury shares

As at 31 August 2021, the number of treasury shares was 38,456,000 shares of the Company in total, amounting to HK\$163,733,000 (equivalent to RMB134,721,000).

During the six months ended 28 February 2022, the Company sold all 38,456,000 treasury shares for HK\$130,560,000 (equivalent to RMB106,824,000). Accordingly, the Group recorded an increase in the equity from the deduction in “treasury shares” under reserves of RMB134,721,000 and a reduction of share premium of RMB27,897,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Movements in the number of share options outstanding under the Pre-IPO Share Option Scheme and their weighted average exercise prices are as follows:

	Unaudited Six months ended 28 February 2022	
	Average exercise price in HK\$ per share option	Number of share options
Opening balance	0.00001	123,554,290
Share options exercised	0.00001	(13,758,850)
Closing balance	0.00001	109,795,440
Exercisable at period end	0.00001	2,169,990

	Unaudited Six months ended 28 February 2021	
	Average exercise price in HK\$ per share option	Number of share options
Opening balance	0.00001	132,369,290
Share options exercised	0.00001	(8,815,000)
Closing balance	0.00001	123,554,290
Exercisable at period end	0.00001	637,190

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (Continued)

Share options outstanding as at 28 February 2022 have the following expiry date and exercise prices:

Expiry date	Unaudited 28 February 2022	
	Exercise price in HK\$ per share option	Number of share options
1 September 2036	0.00001	109,795,440

Share options outstanding as at 28 February 2021 have the following expiry date and exercise prices:

Expiry date	Unaudited 28 February 2021	
	Exercise price in HK\$ per share option	Number of share options
1 September 2036	0.00001	123,554,290

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2022, 15,393,150 share options have been vested, and 2,140,700 share options have not yet exercised.

15,658,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2022, 2,348,700 share options have been vested, and 29,290 share options have not yet exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2022, 660,300 share options have been vested and exercised.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (Continued)

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2022, 245,400 share options have been vested and exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 28 February 2022, 652,000 share options have been vested and exercised.

44,075,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 28 February 2022, 44,075,000 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2022, 9,000,000 share options have been vested and exercised.

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binomial model was HK\$464,583,000. Significant inputs into the model were as follows:

Spot price (HK\$)	2.58
Exercise price (HK\$)	0.00001
Expected volatility	62.0%
Time to maturity	Based on the terms of the options
Weighted average annual risk free interest rate	1.1%
Expected dividend yield	0.0%

The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of profit or loss over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2022 amounted to HK\$10,046,000 (equivalent to RMB8,650,000, which comprises RMB8,650,000 for continuing operations and nil for discontinued operations) (2021: HK\$13,993,000, equivalent to RMB12,048,000, which comprises RMB6,656,000 for continuing operations and RMB5,392,000 for discontinued operations).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Award Scheme

On 17 September 2021, the Group awarded a total of 5,595,000 award shares to 31 selected participants who are unconnected grantees under the Share Award Scheme, and all the award shares were exercised at the same day. The closing price of the shares on this grant date was HK\$3.64 per share. As at 28 February 2022, the total 5,595,000 award shares were vested and exercised.

The fair value of the award shares is determined by the total shares awarded and exercised multiplied by the closing price of the shares on this grant date, and it is charged to the consolidated statement of profit or loss when the award shares were exercised. Total expenses related to the Share Award Scheme charged to this interim condensed financial information was amounted to HK\$20,366,000 (equivalent to RMB16,906,000, which comprises RMB16,906,000 for continuing operations and nil for discontinued operations) (2021: HK\$49,401,000, equivalent to RMB41,304,000, which comprises RMB20,295,000 for continuing operations and RMB21,009,000 for discontinued operations).

15 ACCRUALS AND OTHER PAYABLES

	As at 28 February 2022 (RMB'000) (Unaudited)	As at 31 August 2021 (RMB'000) (Audited)
Net payables to the Affected Business upon deconsolidation	602,030	602,030
Amounts due to related parties (Note 21)	10,645	10,287
Payables for purchases of property, plant and equipment	100,122	140,275
Salary and welfare payables	73,583	85,867
Defined pension benefits	8,325	7,866
Deposits received	24,957	20,044
Miscellaneous amounts received from students	109,797	79,594
Payables for teaching materials and other operating expenditure	33,423	38,828
Payables for contracting canteens	200	235
Government subsidies payable to students and teachers	25,848	37,243
Audit and consulting fees	1,635	6,800
Interest payables	6,890	8,814
Taxes payable	21,919	23,966
Legal claim payables	6,589	6,589
Others	24,097	18,382
	1,050,060	1,086,820

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	480,000	639,980
	480,000	639,980
Current		
Secured		
Bank loans	219,272	210,371
	219,272	210,371
Total borrowings	699,272	850,351

(a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 28 February 2022	
Opening amount as at 1 September 2021	850,351
Proceeds of new borrowings(i)	9,000
Repayments of borrowings	(160,079)
Closing amount as at 28 February 2022	699,272
Six months ended 28 February 2021	
Opening amount as at 1 September 2020	1,142,419
Proceeds of new borrowings	440,000
Repayments of borrowings	(731,956)
Closing amount as at 28 February 2021	850,463

Note:

- (i) The interest rates are determined by the relevant Loan Prime Rate (LPR) plus 35 basic points of the respective bank loans. The average interest rate of the bank loans during the period is 3.900%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS (CONTINUED)

(b) As at 28 February 2022, there were no undrawn bank facility (31 August 2021: Nil).

(c) The carrying amounts of bank loans are analysed as below.

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Bank borrowings		
Guaranteed by a related party	699,000	849,980
Guaranteed and pledged by subsidiaries of the Group	272	371
	699,272	850,351

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Current		
Convertible Bonds due 2024	1,614,052	—
Non-current		
Convertible Bonds due 2024	—	1,667,555

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Issuance of the Convertible Bonds due 2024

On 27 December 2019 (the “Issue Date”), the Company completed the issuance of the Convertible Bonds due 2024. The cash proceeds related to the issuance of RMB1,876,402,000 were received by the Group on 27 December 2019. The issuance cost related to the Convertible Bonds due 2024 of approximately RMB18,756,000 was charged to the finance expenses during prior period.

The Convertible Bonds due 2024 were recognized and measured as financial liabilities at fair value through profit or loss pursuant to the subscription agreement. The fair value as of 31 August 2021 and 28 February 2022 were of RMB1,667,555,000 and RMB1,614,052,000, respectively (Note 5.3). The changes in the fair value that were attributable to the changes in the liability’s credit risk of RMB21,066,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB10,381,000 were charged to other losses (Note 8).

The Convertible Bonds due 2024 bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020. Pursuant to the subscription agreement, the convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK\$0.00001 each, at the option of the bondholders. Each convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after the Issue Date up to the close of business on the date falling seven days prior to the Maturity Date (the “Conversion Period”) into fully paid ordinary shares with a par value of HK\$0.00001 each of the Company at an initial conversion price of HK\$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds due 2024 as at 28 February 2022 is HK\$6.8200 per share.

As at 28 February 2022, no conversion related to the Convertible Bonds due 2024 was exercised by the holders.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 1 March 2023 and prior to the Maturity Date, the Convertible Bonds due 2024 may be redeemed at the option of the Company.

The Convertible Bonds due 2024 may be redeemed at the option of the Company or the holders pursuant to the respective terms and conditions under the subscription agreement. The convertible bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The convertible bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement or on 27 December 2022 as the optional put date for the holder to request the Company to redeem all or some of the convertible bonds upon giving notice in accordance with the subscription agreement. As at 28 February 2022, the Convertible Bonds due 2024 was reclassified as current liability due to the relevant redemption option of the holder according to the terms and conditions under the subscription agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 COMMITMENTS

Capital commitments

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 28 February 2022 (RMB'000) (Unaudited)	As at 31 August 2021 (RMB'000) (Audited)
Construction project of a new campus	636,848	863,240
	636,848	863,240

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	18,901	20,194
Charged to profit or loss (Note 9)	89	(1,293)
Closing amount	18,990	18,901

Deferred income tax liabilities

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	(521,071)	(531,029)
Charged to profit or loss (Note 9)	3,403	9,958
Closing amount	(517,668)	(521,071)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred income tax liabilities (net)

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	(502,170)	(510,835)
Charged to profit or loss (Note 9)	3,492	8,665
Closing amount	(498,678)	(502,170)

20 DIVIDENDS

The Board does not recommend an interim dividend for the period ended 28 February 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

Names of the related parties	Nature of relationship
Mr. Li Guangyu	The Controlling Shareholder
Ms. Li Hua	The daughter of the Controlling Shareholder and Chief Executive Officer of the Company
Zhengzhou Corn Culture Communication Co., Ltd.	A company controlled by Ms. Li Hua
Ms. Liu Chunhua	The spouse of Mr. Li Guangyu

(a) Transactions with related parties

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Purchases of office building lease services	358	358
– A company controlled by the Controlling Shareholder's family	192	192
– Ms. Liu Chunhua	89	89
– Ms. Li Hua	77	77

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Amounts due to related parties		
– The Affected Business upon deconsolidation	602,030	602,030
– The Controlling Shareholder	8,538	8,372
– Zhengzhou Corn Culture Communication Co., Ltd.	2,107	1,915
	612,675	612,317

As at 28 February 2022, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due to the Controlling Shareholder and related parties are unsecured.

(c) Key management compensation

Key management includes executive directors and senior management who have important role in making operational and financial decisions.

	Six months ended 28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Wages, salaries and bonuses	1,618	1,398
Contributions to pension plans	58	46
Welfare and other expenses	49	54
Share-based payments	1,413	10,496
	3,138	11,994

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RE-PRESENTATION OF COMPARATIVE FIGURES

On 14 May 2021, Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (中華人民共和國民辦教育促進法實施條例, "Implementation Regulations") were promulgated. The Implementation Regulations were effective on 1 September 2021. The Implementation Regulations include rules that prohibit social organizations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties. The Directors assessed that all preschools in the Kindergartens segment of the Group and the compulsory education programs which is middle schools programs and primary schools programs in the Grade 1–12 segment of the Group were affected by the Implementation Regulations (collectively referred to as the "Affected Business"). As of 31 August 2021, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group. The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss for the year ended 31 August 2021.

Accordingly, the comparative figures of this interim condensed consolidated financial information has also been re-presented. The following tables show the adjustments recognised for each individual line item. Line items not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RE-PRESENTATION OF COMPARATIVE FIGURES (CONTINUED)

	For the six months ended 28 February 2021		
	As previously presented (RMB'000)	Re-presentation adjustments (RMB'000)	Re-presented (RMB'000)
Interim condensed consolidated statement of profit or loss			
Continuing operations			
Revenue	1,365,495	(216,815)	1,148,680
Cost of revenue	(510,809)	134,077	(376,732)
Selling expenses	(31,177)	4,330	(26,847)
Administrative expenses	(118,381)	13,616	(104,765)
Other income	30,728	(8,911)	21,817
Other gains — net	166,161	119	166,280
Finance expenses — net	(30,540)	251	(30,289)
Profit before income tax	869,441	(73,333)	796,108
Profit for the period from continuing operations	874,201	(73,333)	800,868
Discontinued operations			
Profit for the period from discontinued operations	—	73,333	73,333
Profit for the period	874,201	—	874,201
Basic earnings/(loss) per share			
— Continuing operations	0.25	(0.02)	0.23
— Discontinued operations	—	0.02	0.02
Diluted earnings/(loss) per share			
— Continuing operations	0.18	(0.02)	0.16
— Discontinued operations	—	0.02	0.02

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RE-PRESENTATION OF COMPARATIVE FIGURES (CONTINUED)

The following tables show the re-presented cash flow information for the six months ended 28 February 2021:

	For the six months ended 28 February 2021		
	As previously presented (RMB'000)	Re-presentation adjustments (RMB'000)	Re-presented (RMB'000)
Cash flows from operating activities			
Continuing operations	1,127,954	(83,351)	1,044,603
Discontinued operations	—	83,351	83,351
Net cash generated from operating activities	1,127,954	—	1,127,954
Cash flows from investing activities			
Continuing operations	(206,431)	6,844	(199,587)
Discontinued operations	—	(6,844)	(6,844)
Net cash used in investing activities	(206,431)	—	(206,431)
Cash flows from financing activities			
Continuing operations	(1,295,430)	130,000	(1,165,430)
Discontinued operations	—	(130,000)	(130,000)
Net cash used in financing activities	(1,295,430)	—	(1,295,430)

DEFINITIONS

“2024 Convertible Bonds”	the 0.90% convertible bonds issued by the Company in an aggregate principal amount of HK\$2,088 million due in 2024, which are listed on the Stock Exchange (stock code: 40109)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baikal Lake Investment”	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2016 and the sole shareholder of GuangYu Investment and one of the Company’s Controlling Shareholders
“Board” or “Board of Directors”	the board of directors of the Company
“Bowang High School”	Kaifeng City Xiangfu District Bowang High School (開封市祥福區博望高中)
“BVI”	the British Virgin Islands
“Change of Control”	the occurrence of one or more of the following events: <ul style="list-style-type: none">(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders or any of the Company’s subsidiaries;(ii) the merger, amalgamation or consolidation of the Company with or into another person or the merger or amalgamation of another person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;(iii) the Permitted Holders are the beneficial owners within the meaning of Rule 13d-3 under the Exchange Act of less than 40% of the total voting power of the Voting Stock of the Company;

DEFINITIONS (CONTINUED)

- (iv) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (v) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (vi) the adoption of a plan relating to the liquidation or dissolution of the Company.

“China” or “PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this interim report, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“Closing Date”	27 December 2019, being the date on which the issuance of the 2024 Convertible Bonds was completed
“Company”	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016
“Conditions”	the terms and conditions in relation to the 2024 Convertible Bonds
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company from time to time

DEFINITIONS (CONTINUED)

“Exchange Act”	U.S. Securities Exchange Act of 1934, as amended
“Firm Bonds”	convertible bonds with an initial aggregate principal amount of HK\$2,024 million due 2024 to be issued by the Company, convertible into the conversion Shares
“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“GuangYu Investment”	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
“HIEU Schools”	Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hunan Lie Ying”	Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司), a limited liability company established in the PRC on 17 December 1996
“IFC Loan”	the loan provided by International Finance Corporation to the Company pursuant to the terms of the IFC Loan Agreement
“IFC Loan Agreement”	the loan agreement entered into between the Company, China YuHua Education Investment Limited, China HongKong YuHua Education Limited, and International Finance Corporation on 31 May 2018
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares on 16 February 2017
“Issue Date”	27 December 2019, being the date the 2024 Convertible Bonds are constituted

DEFINITIONS (CONTINUED)

“K-12”	kindergarten to grade 12
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maturity Date”	27 December 2024, being the date on which the 2024 Convertible Bonds mature
“Mr. Li”	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
“Ms. Li”	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Option Bonds”	the additional convertible bonds of up to an aggregate principal amount of HK\$324 million due 2024 to be issued by the Company upon exercise of an option by the Manager to subscribe for the same, convertible into the conversion Shares
“PRC Holdcos”	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
“Pre-IPO Share Option Scheme”	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing

DEFINITIONS (CONTINUED)

“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended 28 February 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the Company
“Share Award Scheme”	the share award scheme approved and adopted by the then sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“TEDCO”	Thai Education Holdings Co., Ltd., a private company limited by shares incorporated under the laws of Thailand
“Trustee”	The Bank of New York Mellon, London Branch
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“YuHua Investment Management”	YuHua Investment Management Co., Ltd. (宇華投資管理有限公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos
“Yubohui Education”	Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司), a limited liability company established in the PRC on 2 February 2018
“Zhengzhou YuHua Education Investments”	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos

DEFINITIONS (CONTINUED)

“Zhengzhou Zhongmei Education Investments” Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos

“%” percent

* *The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this interim report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*