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CHINA YUHUA EDUCATION CORPORATION LIMITED

中国宇华教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6169)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2023

HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of China YuHua Education Corporation Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2023 (the “**Reporting Period**”). These annual results have been reviewed by the Company’s audit committee. The financial information presented on pages 5 to 32 is derived from the consolidated financial statements for the year ended 31 August 2023, which have been audited by the Company’s auditor, PricewaterhouseCoopers, in accordance with International Standards on Auditing.

	Year ended 31 August		Change (%)
	2023 (RMB’000)	2022 (RMB’000)	
Revenue	2,380,276	2,380,372	0.0%
Gross Profit	1,147,732	1,418,942	-19.1%
Adjusted Gross Profit ¹	1,191,308	1,463,139	-18.6%
Adjusted Net Profit attributable to the owners of the Company ²	969,430	1,242,516	-22.0%

Notes:

1. The Adjusted Gross Profit for the year ended 31 August 2023 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries ((including Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) (“**Hunan Lie Ying**”), which in turn owns the entire sponsorship interests in 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), collectively “**HIEU Schools**”), Kaifeng City Yubohui Education Information Consulting Co., Ltd. (“**Yubohui Education**”) and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School (“**Bowang High School**”)), Thai Education Holdings Co., Ltd. (“**TEDCO**”) and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University). For the calculation of the Adjusted Gross Profit for the year ended 31 August 2022, please refer to the Company’s annual results announcement for the year ended 31 August 2022.
2. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2023 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the Reporting Period; and (iv) gains or losses related to convertible bond recognised during the Reporting Period. For the calculation of the Adjusted Net Profit for the year ended 31 August 2022, please refer to the Company’s annual results announcement for the year ended 31 August 2022.

Non-IFRS Measures

To supplement the Group’s consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (“**IFRS**”), the Company also uses Adjusted Gross Profit, Adjusted Operating 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.

Calculation of Adjusted Gross Profit

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Gross Profit	1,147,732	1,418,942
Add: Share-based compensation expense in Cost of revenue	5,478	6,375
Add: Additional depreciation and amortization due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	11,191	11,045
— Bowang High School	1,542	1,542
— Shandong Yingcai University	21,077	20,947
— Stamford International University	4,288	4,288
Adjusted Gross Profit	1,191,308	1,463,139

Calculation of Adjusted Net Profit attributable to the owners of the Company

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Net Profit attributable to the owners of the Company	1,134,726	1,125,705
Add: Share-based compensation expense in Cost of revenue	5,478	6,375
Add: Share-based compensation expense in Administrative expenses	9,262	10,924
Add: Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	11,300	11,153
— Bowang High School	1,190	1,190
— Shandong Yingcai University	21,077	20,947
— Stamford International University	4,288	4,288
Less: Gains and losses related to convertible bonds ¹		
— Changes in fair value on convertible bond	(40,957)	73,436
— Net gains on repurchase of convertible bonds	(169,738)	
— Losses arising from revising the terms of the convertible bonds	6,781	
Less: Government grants	(13,977)	(11,502)
Adjusted Net Profit attributable to owners of the Company	969,430	1,242,516

Note:

1. Details are set out in Note 4: Other gains/(losses) — net

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 August	
	Note	2023	2022
		RMB'000	RMB'000
Revenue	3	2,380,276	2,380,372
Cost of revenue	5	<u>(1,232,544)</u>	<u>(961,430)</u>
Gross profit		1,147,732	1,418,942
Selling expenses	5	(24,872)	(27,893)
Administrative expenses	5	(200,540)	(198,847)
Net impairment losses on financial assets		(6,712)	(3,102)
Other income		21,678	20,336
Other gains/(losses) — net	4	<u>190,420</u>	<u>(63,510)</u>
Operating profit		1,127,706	1,145,926
Finance income		48,131	41,153
Finance expenses		<u>(37,278)</u>	<u>(60,780)</u>
Finance expenses — net		<u>10,853</u>	<u>(19,627)</u>
Profit before income tax		1,138,559	1,126,299
Income taxation	6	<u>1,545</u>	<u>8,654</u>
Profit for the year		<u>1,140,104</u>	<u>1,134,953</u>
Profit attributable to:			
Owners of the Company		1,134,726	1,125,705
Non-controlling interests		<u>5,378</u>	<u>9,248</u>
		<u>1,140,104</u>	<u>1,134,953</u>
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	7	0.32	0.32
Diluted earnings per share	7	<u>0.24</u>	<u>0.31</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 August	
	2023	2022
Note	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	1,140,104	1,134,953
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(36,310)	(72,510)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair value related to the changes in credit risk of convertible bonds	14,851	39,571
Transfer of changes in fair value related to the changes in the credit risk of convertible bonds due to the termination of convertible bonds	(156,582)	—
Remeasurements of post-employment benefit obligations	524	932
Currency translation differences	28,104	43,763
Other comprehensive income for the year, net of tax	(149,413)	11,756
Total comprehensive income for the year	990,691	1,146,709
Total comprehensive income for the year attributable to:		
Owners of the Company	985,313	1,137,461
Non-controlling interests	5,378	9,248
	990,691	1,146,709

CONSOLIDATED BALANCE SHEET

		As at 31 August	
		2023	2022
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		5,862,436	3,706,284
Intangible assets		1,609,202	1,531,545
Right-of-use assets		1,847,953	1,892,066
Other non-current assets		120,518	34,277
Total non-current assets		9,440,109	7,164,172
Current assets			
Trade and other receivables	9	174,745	76,272
Restricted cash		552	11,576
Cash and cash equivalents		2,370,966	4,240,783
Total current assets		2,546,263	4,328,631
Total assets		11,986,372	11,492,803
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	13	30	30
Share premium	13	1,762,405	1,741,528
Reserves		1,229,970	1,283,979
Retained earnings		3,961,268	2,762,999
		6,953,673	5,788,536
Non-controlling interests		39,899	34,521
Total equity		6,993,572	5,823,057

		As at 31 August	
		2023	2022
	Note	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	11	220,000	430,000
Deferred income tax liabilities	8	485,155	493,516
Lease liabilities		8,102	12,564
Financial liabilities at fair value through profit or loss	12	811,117	—
Deferred income		168,769	172,628
		<u>1,693,143</u>	<u>1,108,708</u>
Total non-current liabilities			
Current liabilities			
Accruals and other payables	10	1,323,739	1,077,602
Contract liabilities		729,591	1,471,401
Lease liabilities		9,427	4,732
Borrowings	11	1,236,900	210,198
Financial liabilities at fair value through profit or loss	12	—	1,797,105
		<u>3,299,657</u>	<u>4,561,038</u>
Total current liabilities			
Total liabilities			
		<u>4,992,800</u>	<u>5,669,746</u>
Total equity and liabilities			
		<u>11,986,372</u>	<u>11,492,803</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	14	420,763	2,205,241
Interest paid		(39,440)	(56,004)
Interest received		44,358	34,007
Income tax paid		(6,816)	—
		<hr/>	<hr/>
Net cash generated from operating activities		418,865	2,183,244
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,255,225)	(313,566)
Purchases of intangible assets		(97,029)	(4,433)
Purchases of financial assets at fair value through profit or loss		(600,000)	—
Disposal of financial assets at fair value through profit or loss		603,148	—
Changes in restricted cash		11,024	138,947
Interest received		530	2,269
Proceeds from disposal of property, plant and equipment		17,659	635
Payment of land use rights		—	(133,301)
Proceeds from disposal of intangible assets		—	161
Proceeds from disposal of land use rights		—	15,003
		<hr/>	<hr/>
Net cash used in investing activities		(2,319,893)	(294,285)

		Year ended 31 August	
		2023	2022
	Note	RMB'000	RMB'000
Cash flows from financing activities			
Repurchase of the convertible bonds	12(b)(i)	(388,784)	—
Mandatory redemption of the convertible bonds	12(b)(iii)	(433,487)	—
Proceeds from borrowings		1,026,900	209,000
Repayments of borrowings		(210,198)	(419,153)
Principal elements of lease payments or finance lease payments		(9,597)	(5,106)
Proceeds from disposal of treasury shares		—	106,824
Net proceeds from issue of ordinary shares		—	752,743
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(15,166)	644,308
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents			
		(1,916,194)	2,533,267
Cash and cash equivalents at beginning of the year		4,240,783	1,655,884
Exchange gains on cash and cash equivalents		46,377	51,632
		<hr/>	<hr/>
Cash and cash equivalents at end of the year		<u>2,370,966</u>	<u>4,240,783</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China YuHua Education Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of private formal education from high school to university education services in mainland China 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, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited (the “**GuangYu Investment**”). The ultimate controlling party of the Group is Mr. Li Guangyu, who is the Chairman of the Board of Directors of the Company (the “**Controlling Shareholder**”).

Due to the regulatory restrictions on foreign ownership of schools in mainland China, the Group conducts a substantial portion of its businesses through control of certain entities established in mainland China, together with their wholly owned schools, by way of contractual agreements. During the year, the Board of 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. The Directors are of the view that the Group continues to control these entities. Accordingly, the Group continues to consolidate these entities in the consolidated financial statements.

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

The financial statements are presented in Renminbi (“**RMB**”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

2.1 Basis of preparation

2.1.1 Going concern

As at 31 August 2023, the Group's current liabilities exceeded its current assets by RMB753,394,000. Included in the current liabilities as at 31 August 2023 were contract liabilities of RMB729,591,000 (being annual tuition and boarding fees received in advance which do not involve future cash outflows (Note 3)); and a current borrowing of RMB1,236,900,000 (Note 11). In addition, the Group also had a non-current borrowing of RMB220,000,000 (Note 11), the principal of which was all repayable by instalments more than twelve months from the year end date in accordance with the borrowing agreement, and convertible bonds classified under financial liabilities at fair value through profit or loss ("**Convertible Bonds**") of RMB811,117,000 (Note 12). As at 31 August 2023, the Group had cash and cash equivalents of RMB2,370,966,000.

Based on the above, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing. In particular, management is actively considering financing arrangements to meet the repayment obligations outside of mainland China before the maturity of the Convertible Bonds. Management has prepared a cashflow projections for 12 months from 31 August 2023 in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management and are of the opinion 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 within twelve months from 31 August 2023. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

2.1.2 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 2022:

- *Reference to the Conceptual Framework — Amendments to IFRS 3.*
- *Covid-19 Related Rent Concessions beyond 30 June 2021— Amendment to IFRS 16 (March 2021) (the "IFRS 16 Amendment (March 2021)")*
- *Amendments Improvement to IFRS standards 2018–2020*

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

2.1.3 New standards and interpretations not yet adopted

The following new and amended standards and interpretations are effective for the fiscal year beginning on 1 September 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on
IFRS 17	Insurance Contracts	1 September 2023 (deferred from 1 January 2021)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 September 2023
Amendments to IAS 1	Non-current Liabilities as Current or Non-current	1 September 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 September 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 September 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 September 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	N/A

The Group has not early adopted the abovementioned new or amended standards and interpretations in this annual 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.

2.2 Convertible bonds

Convertible bonds issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates convertible bonds as financial liabilities at fair value through profit or loss based on relevant requirements under IFRS. They are initially recognizes at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of convertible bond shall be presented in profit or loss.

When assessing whether the terms of convertible bonds were substantially modified, the Group choose to perform not only quantitative analysis but also qualitative assessment. Under the quantitative analysis, if the convertible bonds' present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liabilities, using the original effective interest rate, the terms were substantially modified under IFRS. The Group's qualitative assessment depends on specific facts and circumstances, in order to identify whether the modifications of terms will significantly affect the economic risks of the convertible bonds. The Group's qualitative assessment considers factors include, but are not limited to, the following:

- A change in the currency in which the liability is denominated,
- A change in the interest basis (such as a change from fixed rate to floating rate, or vice versa),
- A change in any conversion features,
- A substantial change in covenants.

2.3 Revenue recognition

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the business model, terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group's service income includes tuition fees and boarding fees from universities and high schools and property management service fee.

Tuition and boarding fees are generally received in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the terms of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and those which will be earned beyond one year is reflected as a non-current liability.

Property management service fee is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Revenue from research projects and training programs are recognised proportionately over the terms of the applicable projects or programs, where applicable as other education services.

Revenue from school hospital service and other service are recognised at a point at time when the control of the services have transferred, being when the services are accepted by the customers.

3 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of private formal education from high school (Grade 10 to 12) to university and vocational college education services in mainland China 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. During the year, 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, namely high schools, universities and vocational college.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the profit before tax 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, no single customer accounted for more than 10% of the Group's total revenue for the years ended 31 August 2023 and 31 August 2022.

	High Schools <i>RMB'000</i>	Universities and vocational college <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 August 2023					
Revenue	173,073	2,207,203	51,137	(51,137)	2,380,276
Cost of revenue	(127,960)	(1,118,841)	—	14,257	(1,232,544)
Gross profit	45,113	1,088,362	51,137	(36,880)	1,147,732
Selling expenses	(2,724)	(22,148)	—	—	(24,872)
Administrative expenses	(9,467)	(200,050)	(24,907)	33,884	(200,540)
Net impairment losses on financial assets	—	(6,712)	—	—	(6,712)
Other income	652	20,672	354	—	21,678
Other (losses)/gains — net	(3,802)	(10,048)	204,270	—	190,420
Operating profit	29,772	870,076	230,854	(2,996)	1,127,706
Finance income/(expenses) — net	6,308	26,742	(25,988)	3,791	10,853
Profit before income tax	36,080	896,818	204,866	795	1,138,559
Income taxation	425	7,936	(6,816)	—	1,545
Profit for the year	36,505	904,754	198,050	795	1,140,104
As at 31 August 2023					
Total assets	1,529,801	13,360,117	3,201,770	(6,105,316)	11,986,372
Total liabilities	484,266	4,742,205	6,231,535	(6,465,206)	4,992,800
Other segment information					
Additions to non-current assets	15,950	2,618,027	—	—	2,633,977
Depreciation and amortisation	(37,175)	(304,445)	(2,747)	—	(344,367)
Losses on disposal of property, plant and equipment and disposal of intangible assets	(3,802)	(13,260)	47	—	(17,015)
Borrowings (Note 11)	—	(1,026,900)	(430,000)	—	(1,456,900)

	High Schools <i>RMB'000</i>	Universities and vocational college <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 August 2022					
Revenue	228,185	2,152,187	46,507	(46,507)	2,380,372
Cost of revenue	(137,087)	(871,223)	—	46,880	(961,430)
Gross profit	<u>91,098</u>	<u>1,280,964</u>	<u>46,507</u>	<u>373</u>	<u>1,418,942</u>
Selling expenses	(3,972)	(23,921)	—	—	(27,893)
Administrative expenses	(10,953)	(157,144)	(31,695)	945	(198,847)
Net impairment losses on financial assets	—	(3,102)	—	—	(3,102)
Other income	15	20,195	126	—	20,336
Other (losses)/gains — net	(155)	12,484	(75,839)	—	(63,510)
Operating profit	<u>76,033</u>	<u>1,129,476</u>	<u>(60,901)</u>	<u>1,318</u>	<u>1,145,926</u>
Finance income/(expenses) — net	4,291	28,162	(52,080)	—	(19,627)
Profit before income tax	80,324	1,157,638	(112,981)	1,318	1,126,299
Income taxation	425	8,229	—	—	8,654
Profit for the year	<u>80,749</u>	<u>1,165,867</u>	<u>(112,981)</u>	<u>1,318</u>	<u>1,134,953</u>
As at 31 August 2022					
Total assets	1,490,753	11,305,854	3,774,742	(5,078,546)	11,492,803
Total liabilities	527,755	3,498,197	7,093,554	(5,449,760)	5,669,746
Other segment information					
Additions to non-current assets	13,127	405,895	2	—	419,024
Depreciation and amortisation	(24,158)	(205,311)	(2,826)	—	(232,295)
Losses on disposal of property, plant and equipment and disposal of intangible assets	(139)	(4,461)	(2)	—	(4,602)
Borrowings (Note 11)	—	—	(640,198)	—	(640,198)

Contract liabilities

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation and will be expected to be recognised within one year:

	As at 31 August	
	2023	2022
	RMB'000	RMB'000
Contract liabilities related to tuition and boarding fees (a)	725,198	1,465,290
Revenue from property management and training programs	4,393	6,111
	<u>729,591</u>	<u>1,471,401</u>

- (a) The Group in general receives annual tuition and boarding fees from students in advance prior to the beginning of each academic year. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to a refund of their advanced payment on a proportional basis up to the time when the students no longer require the Group's services.

Significant changes in the contract liability balances during the year are as follows:

	Year ended 31 August 2023 RMB'000
At beginning of the year	1,471,401
Revenue recognised that was included in the balance of contract liabilities at beginning of the year	(1,471,401)
Increases due to cash received, excluding amounts recognised as revenue during the year	<u>729,591</u>
At end of the year	<u>729,591</u>

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Year ended 31 August 2023 RMB'000
Revenue recognised that was included in the balance of contract liabilities at beginning of the year	
Tuition and boarding fees	1,465,290
Others	6,111
	<hr/>
	1,471,401
	<hr/> <hr/>

(ii) Unsatisfied contracts

	Year ended 31 August 2023 RMB'000
Expected to be recognised within one year	
Tuition and boarding fees	725,198
Others	4,393
	<hr/>
	729,591
	<hr/> <hr/>

As at 31 August 2023, the contract liabilities were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at 31 August 2023.

4 OTHER GAINS/(LOSSES) — NET

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net gain/(loss) on financial liabilities at fair value through profit or loss	40,957	(73,436)
Write-off of long-aged payables	309	2,643
Gains on disposal of financial assets at fair value through profit or loss	3,148	—
Losses on disposal of property, plant and equipment and intangible assets	(17,015)	(4,602)
Gains on disposal of land use right	—	14,453
Donation	64	(2,568)
Net gains on repurchase of Convertible Bonds (Note 12(b)(i))	169,738	—
Losses on revising terms and waivers in relation to the Convertible Bonds (Note 12(b)(iv))	(6,781)	—
	<u>190,420</u>	<u>(63,510)</u>

5 EXPENSES BY NATURE

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	649,933	550,515
— Wages, salaries, bonus and other welfare	626,692	516,310
— Share Award Scheme expenses	8,501	16,906
— Share-based compensation expenses	14,740	17,299
Depreciation expenses		
— Depreciation of property, plant and equipment	264,449	165,356
— Depreciation of right-of-use assets	60,564	55,891
Students training and scholarship expenses	157,761	141,232
Office expenses	76,704	60,967
Maintenance expenses	60,505	54,461
School consumables	64,367	51,409
Utilities expenses	33,966	29,852
Marketing expenses	18,682	22,682
Amortisation of intangible assets	19,354	11,048
Consultancy and professional fee	6,160	6,548
Travel and entertainment expenses	13,941	5,681
Auditors' remuneration	4,251	3,863
Operating lease payments	3,113	2,238
Other expenses	24,206	26,427
	<u>1,457,956</u>	<u>1,188,170</u>

6 INCOME TAXATION

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— Withholding tax on royalty income from Stamford International University (i)	6,816	—
Deferred income tax		
— Decrease in deferred income tax assets (Note 8)	1,198	836
— Decrease in deferred income tax liabilities (Note 8)	(9,559)	(9,490)
Total deferred income tax benefit	(8,361)	(8,654)
Income taxation	(1,545)	(8,654)

- (i) The withholding tax was determined and paid based on the royalty income charged by China Hong Kong Yuhua Education Limited to Stamford International University (2022: Nil) during the year (2022: Nil).

The current tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of mainland China, the principal place of the Group's operations, as follows:

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	1,138,559	1,126,299
Tax calculated at domestic tax rate applicable to profits in the respective locations	245,831	307,130
Tax effects of profit from tuition and boarding not subject to tax	(255,179)	(326,452)
Tax losses for which no deferred income tax asset was recognised	7,803	10,668
	(1,545)	(8,654)

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Tax losses		
Unused tax losses for which no deferred income tax asset was recognised	31,212	42,672
Potential tax benefit	7,803	10,668

(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.

(c) Hong Kong

No provision for Hong Kong profit tax was provided as the Company and the Group did not derive any assessable profits in Hong Kong during the year (2022: Nil).

(d) Mainland China corporate income tax ("CIT")

Corporate income tax ("CIT") is provided on the estimated taxable profits of entities incorporated in mainland China. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from January 2008, the CIT rate applicable to the Group's subsidiaries incorporated in mainland China was 25% (2022: 25%).

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 CIT exemption treatment if the sponsors of such schools do not require reasonable returns. The Group's high schools and universities in the mainland China have been granted corporate income tax exemption for the tuition income from relevant local tax authorities. Zhengzhou Software Vocational and Technical College is subject to corporate income tax. During the year, this school did not derived any taxable profit.

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 income tax**

The statutory income tax rate applied on the taxable profits for Thailand companies is 20% (2022: 20%). According to the relevant Thailand regulations, entities which engages in provision of higher education services are not subject to Thailand income taxes.

7 EARNINGS PER SHARE

(a) **Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	For the year ended 31 August	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	1,134,726	1,125,705
Weighted average number of ordinary shares in issue (Thousands)	<u>3,600,388</u>	<u>3,538,476</u>
Basic earnings per share (RMB Yuan)	<u>0.32</u>	<u>0.32</u>

(b) **Diluted**

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the year.

The Company had two categories of dilutive potential ordinary shares: Pre-IPO share options and Convertible Bonds. For Pre-IPO share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Pre-IPO share options. The Convertible Bonds are assumed to have been converted into ordinary shares. Gains or loss in related with interest savings, fair value change, disposal and early redemption on Convertible Bonds are adjusted to the extent of the amount charged to the profits or losses attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Pre-IPO shares options and conversion of Convertible Bonds.

For the year ended 31 August 2023, the impact of Pre-IPO share options was excluded from the calculation of diluted earnings per share as it is anti-dilutive.

	For the year ended 31 August	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	1,134,726	1,125,705
Adjustments for:		
— impact of Convertible Bonds (RMB'000)	<u>(192,585)</u>	<u>88,987</u>
Adjusted profit attributable to owners of the Company (RMB'000)	<u>942,141</u>	<u>1,214,692</u>
Weighted average number of ordinary shares in issue (Thousands)	3,600,388	3,538,476
Adjustments for:		
— impact of Convertible Bonds (Thousands)	312,575	312,575
— Pre-IPO share options (Thousands)	<u>—</u>	<u>51,454</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	<u>3,912,963</u>	<u>3,902,505</u>
Diluted earnings per share (RMB Yuan)	<u>0.24</u>	<u>0.31</u>

8 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movements 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:

(a) Deferred income tax assets

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
As at beginning of the year	18,065	18,901
Charged to profit or loss (Note 6)	<u>(1,198)</u>	<u>(836)</u>
As at end of the year	<u>16,867</u>	<u>18,065</u>

At 31 August 2023, deferred income tax asset amounting to RMB16,867,000 (2022: RMB18,065,000) has been recognised for the Group's subsidiaries established in Thailand. In the opinion of the directors, it is probable that these subsidiaries will distribute such earnings in the foreseeable future.

(b) Deferred income tax liabilities

	Right-of- use assets- leasehold land <i>RMB'000</i>	Trademark <i>RMB'000</i>	Software <i>RMB'000</i>	Property, plant and equipment appreciation <i>RMB'000</i>	Other payables and accrued expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 September 2022	(242,696)	(102,266)	(3)	(122,458)	(44,158)	(511,581)
Credited/(charged) to profit or loss	7,613	(39)	1	1,984	—	9,559
Balance at 31 August 2023	<u>(235,083)</u>	<u>(102,305)</u>	<u>(2)</u>	<u>(120,474)</u>	<u>(44,158)</u>	<u>(502,022)</u>

(i) The deferred income tax liabilities arise from fair value adjustment of right-of-use assets-leasehold land, recognition of trademark and fair value adjustment of buildings and other fixed assets upon the acquisition of subsidiaries.

(ii) Under the CIT Law, withholding tax is imposed on dividends declared in respect of profits earned by mainland China subsidiaries from 1 January 2008 onwards. Deferred income taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed earnings of the Group's mainland China subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 August 2023, no deferred income tax has been recognised for withholding taxes payable on the unremitted earnings of the Group's subsidiaries established in mainland China that are subject to withholding taxes (2022: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings for the foreseeable future.

Deferred tax assets and liabilities after offset are listed as below:

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax liabilities	<u>485,155</u>	<u>493,516</u>

9 TRADE AND OTHER RECEIVABLES

	As at 31 August	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
Due from students (a)	14,679	15,837
Provision for impairment	<u>(6,762)</u>	<u>(4,933)</u>
	<u>7,917</u>	<u>10,904</u>
Other receivables		
Receivables from local government	48,339	51,729
Staff advances	4,863	4,059
Deposits	2,127	2,187
Interest receivables	—	200
Receivable from a third party (b)	100,000	—
Others	5,788	3,550
Provision for impairment	<u>(1,097)</u>	<u>(151)</u>
	<u>160,020</u>	<u>61,574</u>
Prepayments		
Prepaid expenses	<u>6,808</u>	<u>3,794</u>
	<u><u>174,745</u></u>	<u><u>76,272</u></u>

- (a) The Group's students are required to pay the annual tuition fees and boarding fees in advance for upcoming school year, which normally commence in September. The outstanding receivables represent amounts related to certain qualified students who have applied for late payment of tuition fees and boarding fees with no fixed credit item.

The aging analysis of the trade receivables based on the invoice date is set as followings:

	As at 31 August	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 1 year	10,620	12,188
Over 1 year	<u>4,059</u>	<u>3,649</u>
	<u><u>14,679</u></u>	<u><u>15,837</u></u>

- (b) The amount represented refundable prepayments relating to a contract with a supplier cancelled before the year end and was fully settled subsequent to the year end.

10 ACCRUALS AND OTHER PAYABLES

	As at 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net payables to the Affected Business upon deconsolidation	594,030	594,030
Payables for purchases of property, plant and equipment	372,974	99,635
Salary and welfare payables	70,247	76,434
Miscellaneous expenses received from students	83,010	102,125
Payables for teaching materials and other operating expenditure	62,723	58,819
Government subsidies payable to students and teachers	34,864	46,146
Taxes payable	27,671	27,812
Deposits received	21,245	18,683
Amount due to related parties	11,719	11,003
Interest payables	8,195	6,526
Defined pension benefits	9,189	7,772
Audit and consulting fees	3,542	3,796
Legal claim payables	2,189	6,589
Others	22,141	18,232
	<u>1,323,739</u>	<u>1,077,602</u>

11 BORROWINGS

	As at 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Secured		
Bank loans	<u>220,000</u>	430,000
	<u>220,000</u>	430,000
Current		
Secured		
Bank loans	<u>210,000</u>	210,198
Unsecured		
Bank loans	<u>1,026,900</u>	—
	<u>1,236,900</u>	210,198
Total borrowings	<u>1,456,900</u>	<u>640,198</u>

(a) **Bank borrowings**

- (i) The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As at 31 August	
	2023	2022
Bank borrowings	<u>3.75%</u>	<u>4.09%</u>

- (ii) Secured bank loans of the Group which were guaranteed and pledged are set out below:

	As at 31 August	
	2023	2022
	RMB'000	RMB'000
Guaranteed by a related party	430,000	640,000
Secured by equity interests of a subsidiary	<u>—</u>	<u>198</u>
	<u>430,000</u>	<u>640,198</u>

- (iii) The maturity date of the borrowing was analysed as follows:

	As at 31 August	
	2023	2022
	RMB'000	RMB'000
Within 1 year	1,236,900	210,198
Between 1 and 2 years	220,000	210,000
Between 2 and 5 years	<u>—</u>	<u>220,000</u>
	<u>1,456,900</u>	<u>640,198</u>

- (iv) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

- (v) The Group's borrowings were denominated in RMB and US\$.

- (vi) Financial arrangements

As at 31 August 2023, the Group had no undrawn borrowing facilities (2022: Nil).

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Convertible Bonds	<u>811,117</u>	<u>—</u>
Current		
Convertible Bonds	<u>—</u>	<u>1,797,105</u>

(a) Issuance of the Convertible Bonds

On 27 December 2019, the Company issued Convertible Bonds with an aggregate principal amount of HK\$2,088,000,000 (approximately RMB1,876,402,000). The issuance cost of approximately RMB18,756,000 was charged as finance expenses. The Convertible Bonds were recognised and measured as financial liabilities at fair value through profit or loss pursuant to the terms of the trust deed (the “**Trust Deed**”) constituting the Convertible Bonds.

The Convertible Bonds 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 Trust Deed, 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 holders of the Convertible Bonds (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\$7.1303 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the Trust Deed. As at 31 August 2022, the conversion price of the Convertible Bonds was HK\$6.68 per share and no conversion related to the Convertible Bonds was exercised by the Bondholders.

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

The Convertible Bonds may be redeemed at the option of the Company or the Bondholders pursuant to the respective terms and conditions under the Trust Deed. 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 Trust Deed. According to the terms of the Trust Deed, the Bondholders had rights to require the Company to redeem all or part of the Convertible Bonds at the nominal value together with the accrued interest on 27 December 2022 (the “**Early Redemption Date**”). As at 31 August 2022, the Convertible Bonds was reclassified as current liability due to the relevant redemption option of the Bondholders.

(b) Repurchase of and amendments to the Convertible Bonds

- (i) On 25 October 2022, the Company repurchased and cancelled a portion of the Convertible Bonds with principal amounts of HK\$614,000,000 from certain Bondholders at a total consideration of HK\$428,100,000 (equivalent to RMB388,784,000), resulted in an other gain of approximately HK\$186,000,000 (equivalent to RMB169,738,000). After such repurchase, the outstanding principal amount of the Convertible Bonds was reduced to HK\$1,474,000,000. On 25 November 2022, all of the remaining Bondholders confirmed to exercise of their early redemption rights under the Convertible Bonds. Although the Group had cash and cash equivalents of HK\$4,344,000,000 on the Early Redemption Date, the cash and cash equivalents available outside of mainland China were not sufficient to redeem all of the Convertible Bonds. The Group was also not able to arrange financing facilities outside mainland China before the Early Redemption Date. As a result, the outstanding principal of HK\$1,474,000,000 and the accrued interest of HK\$6,633,000 were not paid by the Company on the Early Redemption Date (the “**Events of Default**”). The following actions have been taken to mitigate the above conditions:
- (ii) On 12 January 2023, the Company issued a notice to request the remaining Bondholders to approve an extraordinary resolution in accordance with the Trust Deed (the “**Extraordinary Resolution**”) which sets out certain revised terms and waivers in relation to the Convertible Bonds. The Extraordinary Resolution was approved by the requisite Bondholders on 18 January 2023 with the revised terms and waivers signed under a supplemental trust deed (“**Supplemental Trust Deed**”) effective and became irrevocable on 19 January 2023, details of which are set out below.
- (1) A mandatory redemption by the Company totaling HK\$500,000,000 to all the remaining Bondholders on a pro-rata basis on 30 January 2023. The remaining outstanding aggregate principal amount of HK\$974,000,000 will be fully repayable on 27 December 2024, with interest payable remains at 0.9% per annum payable semi-annually on 27 June and 27 December in each year, provided conversion under (3) below is not triggered.
 - (2) The conversion price to the shares of the Company under terms of the Convertible Bonds was amended to HK\$1.65 per share (the “**Amended Conversion Price**”) from the conversion price of HK\$6.68 per share immediately before the amendment.
 - (3) A right of mandatory conversion of the Convertible Bonds when the volume-weighted average price of the Company’s shares for at least 20 trading days (whether or not consecutive) out of any 30 consecutive trading days is at least 130% of the Amended Conversion Price, at any time after 1 March 2023 and prior to the maturity date of 27 December 2024.
 - (4) Waivers were granted with respect to the consequences of the Events of Default as stipulated in the Trust Deed, including immediate repayment of the principal and interest amounts and payment of default interests.

- (iii) On 30 January 2023, the Company mandatorily redeemed Convertible Bonds with principal amounts of HK\$500,000,000 at a total consideration of HK\$501,200,000 (equivalent to RMB433,487,000) with the Group's funding held outside mainland China as mentioned above.
- (iv) As mentioned above, certain terms and conditions of the remaining Convertible Bonds were amended pursuant to a Supplemental Trust Deed signed between the Company and the remaining Bondholders on 19 January 2023, such amendments constitute substantial modifications based on the relevant requirements under IFRS. Accordingly, the original financial liabilities related to the Convertible Bonds before the amendments are distinguished whereas the new financial liabilities under the revised terms and conditions are recognised at fair value, with the difference recognised in the profit or loss, resulted in an other loss of approximately RMB6,781,000. The accumulated changes in the fair value of the original Convertible Bonds attributable to changes in own credit risks included in other comprehensive income is transferred to the retained earnings. As the Convertible Bonds with a remaining outstanding aggregate principal amount of HK\$974,000,000 will be fully repayable on 27 December 2024, it was reclassified as non-current liability as at 31 August 2023.

13 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares		Nominal value of ordinary shares	
			<i>HK\$</i>	
As at 31 August 2022 and 2023 par value of HK\$0.00001 each	<u>50,000,000,000</u>	<u>500,000</u>		
	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total share capital and share premium
Issued and paid:		<i>HK\$</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 September 2021	3,355,139,983	33,551	28	966,087
Share issued upon exercise of share-based compensation	13,758,850	138	—	33,691
Share Award Scheme	5,595,000	56	—	16,906
Issue of ordinary shares	220,000,000	2,200	2	752,741
Disposal of treasury shares	—	—	—	(27,897)
As at 31 August 2022	<u>3,594,493,833</u>	<u>35,945</u>	<u>30</u>	<u>1,741,528</u>
As at 1 September 2022	3,594,493,833	35,945	30	1,741,528
Share issued upon exercise of share-based compensation	4,751,750	48	—	12,376
Share Award Scheme	7,542,300	75	—	8,501
As at 31 August 2023	<u>3,606,787,883</u>	<u>36,068</u>	<u>30</u>	<u>1,762,405</u>

14 CASH FLOW INFORMATION

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	1,138,559	1,126,299
Adjustments for:		
— Depreciation of right-of-use assets	60,564	55,891
— Depreciation of property, plant and equipment	264,449	165,356
— Amortisation of intangible assets	19,354	11,048
— Provision for impairment of trade and other receivables	6,712	3,102
— Write-off long-aged payables (Note 4)	(309)	(2,643)
— Losses on disposal of property, plant and equipment and intangible assets (Note 4)	17,015	4,602
— Net (gain)/loss on financial liabilities at fair value through profit or loss (Note 4)	(40,957)	73,436
— Gains on disposal of financial assets at fair value through profit or loss (Note 4)	(3,148)	—
— Share-based compensation expenses (Note 5)	14,740	17,299
— Share award scheme expenses (Note 5)	8,501	16,906
— Finance expenses — net	(10,923)	20,505
— Net gains on repurchase of the Convertible Bonds (Note 4)	(169,738)	—
— Losses arising from revising the terms of the Convertible Bonds (Note 4)	6,781	—
— Gains on disposal of land use right (Note 4)	—	(14,453)
Changes in working capital:		
— Trade and other receivables	(106,978)	27,396
— Contract liabilities	(741,810)	566,953
— Accruals and other payables	(38,190)	55,894
— Deferred income	(3,859)	77,650
Cash generated from operations	<u>420,763</u>	<u>2,205,241</u>

15 DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 August 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 20 years of operating private schools in the People’s Republic of China (the “PRC”), the Group is one of the leading private school operators in central 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 of the students.

On 30 May 2023, Zhengzhou Software Vocational and Technical College (“**Zhengzhou Software College**”) was incorporated in the PRC as a wholly owned subsidiary of Henan Gaowen Education Consulting Co., Ltd (“**Henan Gaowen**”), which was established by Mr. Li Guangyu and Ms. Li Hua in the PRC. Henan Gaowen and Zhengzhou Software College are controlled by Xizang Yuanpei through contractual arrangements among Xizang Yuanpei, Henan Gaowen, Mr. Li Guangyu and Ms. Li Hua, and had been consolidated by the Group since 30 May 2023.

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 change in respect of the business of the Group since 31 August 2023.

The Group’s Schools and Student Enrolment

As at 31 August 2023, the Group had 9 schools in China and 1 school in Thailand.

The following table sets out a summary of the Group’s schools by category as at the end of August 2023 and 2022:

	As at 31 August 2023	As at 31 August 2022
The Group’s schools in the PRC		
Universities and vocational college	4 ^(note 1)	3
High schools	5	5
The Group’s schools overseas		
University	<u>1</u> ^(note 2)	<u>1</u> ^(note 2)
Total	<u>10</u>	<u>9</u>

Notes:

- (1) Please refer to Business Review for further details of Zhengzhou Software College, which is the newly added vocational college.
- (2) This represents Stamford International University, which the Group operates in Thailand.

Events after the Reporting Period

Save as disclosed in this announcement, there has been no other significant events that might affect the Group after 31 August 2023 and up to the date of this announcement.

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

1. Overview

For the year ended 31 August 2023, the Group recorded revenue of RMB2,380.3 million, an Adjusted Gross Profit of RMB1,191.3 million and a gross profit of RMB1,147.7 million. The Adjusted Gross Profit Margin¹ of the Group was 50.0% for the year ended 31 August 2023 as compared with 61.5% for the corresponding period in 2022. The gross profit margin was 48.2% for the year ended 31 August 2023 as compared with 59.6% for the corresponding period in 2022.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2023 was RMB969.4 million, representing a decrease of RMB273.1 million or a 22.0% decrease from the corresponding period in 2022. The Adjusted Net Profit Margin² attributable to owners of the Company was 40.7% and 52.2% for the years ended 31 August 2023 and 31 August 2022, respectively.

The net profit attributable to owners of the Company amounted to RMB1,134.7 million and RMB1,125.7 million for the years ended 31 August 2023 and 31 August 2022, respectively. The net profit margin attributable to owners of the Company amounted to 47.7% and 47.3% for the years ended 31 August 2023 and 31 August 2022, respectively.

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

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.

2. Revenue

For the year ended 31 August 2023, revenue of the Group amounted to RMB2,380.3 million, exhibiting a negligible decrease from the revenue of RMB2,380.4 million for the corresponding period of 2022. The slight decrease was primarily due to the decline in student enrolment at high schools resulting from strategic adjustment made during the Reporting Period.

3. Cost of Revenue

For the year ended 31 August 2023, the Adjusted Cost of Revenue³ of the Group amounted to RMB1,189.0 million, representing an increase of RMB271.7 million or 29.6% as compared with RMB917.3 million for the corresponding period of 2022. The cost of revenue of the Group amounted to RMB1,232.5 million and RMB961.5 million for the years ended 31 August 2023 and 31 August 2022, respectively.

4. Gross Profit and Gross Profit Margin

For the year ended 31 August 2023, the Adjusted Gross Profit of the Group amounted to RMB1,191.3 million, representing a decrease of RMB271.8 million or 18.6% as compared with RMB1,463.1 million for the corresponding period in 2022. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2023 was 50.0%, compared with 61.5% for the corresponding period in 2022.

The Group's gross profit amounted to RMB1,147.7 million and RMB1,418.9 million for the years ended 31 August 2023 and 31 August 2022, respectively. The Group's gross profit margin amounted to 48.2% and 59.6% for the years ended 31 August 2023 and 31 August 2022, respectively. The decline in the gross profit margin was mainly due to the Group's expanded investment in teaching personnel, campus expansion and renovation, curriculum development, student activities, etc. to further improve the quality of education we provide and enhance students' learning experience.

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 amortization 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).

5. *Selling Expenses*

For the year ended 31 August 2023, selling expenses of the Group amounted to RMB24.9 million, representing a decrease of RMB3.0 million from RMB27.9 million during the corresponding period in 2022. The decrease was primarily the result of implementing various cost control measures.

6. *Administrative Expenses*

For the year ended 31 August 2023, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB191.3 million, representing an increase of RMB3.1 million as compared with RMB188.2 million for the corresponding period in 2022. The administrative expenses of the Group amounted to RMB200.5 million and RMB198.8 million for the years ended 31 August 2023 and 31 August 2022, respectively. The increase is primarily due to the rise in depreciation of expenses on property, plant and equipment.

7. *Other Income*

For the year ended 31 August 2023, the other income of the Group amounted to RMB21.7 million, representing an increase of RMB1.4 million as compared with RMB20.3 million for the corresponding period in 2022. This increase was primarily due to an increase in government grants and subsidies obtained.

8. *Other Gains and Losses*

For the year ended 31 August 2023, the other gains and losses of the Group amounted to a net gain of RMB190.4 million as compared with a net loss of RMB63.5 million for the corresponding period in 2022. The net gain was primarily from gains and losses related to convertible bonds.

9. *Operating Profit*

The Adjusted Operating Profit of the Group amounted to RMB962.7 million for the year ended 31 August 2023, representing a decrease of RMB300.0 million or 23.8 % as compared with RMB1,262.7 million for the corresponding period in 2022. The Adjusted Operating Profit Margin amounted to 40.4% and 53.0% for the year ended 31 August 2023 and 31 August 2022, respectively.

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

10. Finance Income

Finance income increased from RMB41.2 million for the year ended 31 August 2022 to RMB48.1 million for the corresponding period in 2023 due to an increase in interest income earned on cash and cash equivalents.

11. Finance Expenses

Finance expenses decreased from RMB60.8 million for the year ended 31 August 2022 to RMB37.3 million for the corresponding period in 2023 due to a decrease in interest expenses.

12. Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB969.4 million for the year ended 31 August 2023, representing a decrease of RMB273.1 million or 22.0% as compared with RMB1,242.5 million for the corresponding period in 2022. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 40.7% and 52.2% for the years ended 31 August 2023 and 31 August 2022, respectively.

The decrease in the Adjusted Net Profit 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 we provide and enhance students' learning experience.

The Group recorded a net profit attributable to owners of the Company of RMB1,134.7 million for the year ended 31 August 2023, representing an increase of RMB9.0 million or 0.8% as compared with RMB1,125.7 million for the corresponding period in 2022. The net profit margin attributable to owners of the Company for the year ended 31 August 2023 was 47.7%, compared to 47.3% for the corresponding period in 2022.

13. Liquidity and Source of Funding and Borrowing

The Group's cash and cash equivalents decreased from RMB4,240.8 million as at 31 August 2022 to RMB2,371.0 million as at 31 August 2023. The decrease primarily due to the investment in fixed assets and the repayment of convertible bonds.

As at 31 August 2023, the current assets of the Group amounted to RMB2,546.3 million, including RMB2,371.5 million in bank balances and RMB174.7 million in trade and other receivables. The current liabilities of the Group amounted to RMB3,299.7 million, of which RMB1,323.7 million was accruals and other payables, RMB729.6 million was contract liabilities, RMB1,236.9 million was borrowings, and RMB9.4 million was lease liabilities. As at 31 August 2023, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.77 (31 August 2022: 0.95).

14. *Gearing Ratio*

As at 31 August 2023, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 20.8% (31 August 2022: 11.0%).

15. *Material Investments*

The Group did not make 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 31 August 2023) during the year ended 31 August 2023.

16. *Material Acquisitions and Disposals*

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2023.

17. *Pledge of Assets*

As at 31 August 2023, the bank borrowings of the Group amounting to RMB430.0 million were secured by related party and equity interests of certain subsidiaries of the Group.

18. *Contingent Liabilities*

The Group had no contingent liabilities as at 31 August 2023.

19. Foreign Exchange Exposure

During the year ended 31 August 2023, the Group mainly operated in China and majority of the transactions were settled in Renminbi (“**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 31 August 2023, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

20. Employee and Remuneration Policy

As at 31 August 2023 and 2022, we had 8,386 and 7,376 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 of the Company dated 16 February 2017 (the “**Prospectus**”) for further details.

The total remuneration cost incurred by the Group for the year ended 31 August 2023 was RMB649.9 million (for the year ended 31 August 2022: RMB550.5 million).

21. Future Plans for Material Investments and Capital Assets

As of 31 August 2023, the Group did not have other plans for material investments and capital assets.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 August 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The Company's annual general meeting will be held on 29 January 2024. The register of members of the Company will be closed from 24 January 2024 to 29 January 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 January 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on 25 April 2016 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 February 2017.

The Board is committed to achieving high corporate governance standards. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

1. Compliance with the Code on Corporate Governance Practices

For the year ended 31 August 2023, the Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). To comply with the CG code, the Company has adopted the board independence mechanism and whistleblowing policy during the Reporting Period. Further information of the corporate governance practice of the Company will be disclosed in the annual report of the Company for the year ended 31 August 2023. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

2. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 of the Company and they have confirmed that they have complied with the Model Code during the year ended 31 August 2023. No incident of non-compliance of the Model Code was noted by the Company during the Reporting Period.

3. Scope of Work of the Company’s Auditors

The figures contained in this announcement of the Group’s consolidated results for the year ended 31 August 2023 have been agreed by the Company’s auditor (the “**Auditors**”), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 August 2023. The Auditors performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The work performed by the Auditors in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on this announcement.

4. 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 audited consolidated financial statements of the Group for the year ended 31 August 2023 and has met with the independent auditor, PricewaterhouseCoopers. 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 Company.

5. Other Board Committees

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

6. Purchase, Sale or Redemption of the Company's Listed Securities

Saved for the disclosure in the interim report of the Company published on 24 May 2023, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2023.

7. Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2023.

8. Building Certificates and Permits

As at 31 August 2023, 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 31 August 2023, 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.

9. Use of Proceeds

Use of Net 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 places and accordingly 220,000,000 subscription shares were allotted and issued by the Company to GuangYu Investment Holdings Limited.

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 31 August 2023, approximately HK\$914 million of the net proceeds of the completion of the 2021 Placing and Subscription had been utilised.

As of 31 August 2023, the Group had utilised the net proceeds as set out in the table below:

	Net proceeds from 2021 Placing and subscription (HK\$ million)	Unutilised amount as of 31 August 2022 (HK\$ million)	Utilisation during the Reporting Period (HK\$ million)	Unutilised amount as of 31 August 2023 (HK\$ million)
Transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future)	360	170	170	—
Opening a new campus for Hunan International Economics University (湖南涉外經濟學院)	454	248	248	—
Increasing investment in launching vocational undergraduate education at the existing three universities	100	—	—	—
Total	914	418	418	—

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuhuachina.com. The annual report of the Group for the year ended 31 August 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board
China YuHua Education Corporation Limited
Li Guangyu
Chairman and Executive Director

Hong Kong, 30 November 2023

As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive Directors; and Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue as independent non-executive Directors.