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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024, CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND COMPOSITION OF BOARD COMMITTEES

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 unaudited consolidated interim results of the Group for the six months ended 29 February 2024. These interim results except for the non-IFRS measures have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and the Company’s auditor, PricewaterhouseCoopers.

	Six months ended		Change
	29 February 2024 (Unaudited)	28 February 2023 (Unaudited)	
RMB’000			
Revenue	1,253,307	1,188,765	+5.4%
Gross Profit	431,432	557,921	-22.7%
Adjusted Gross Profit ¹	452,603	579,075	-21.8%
Adjusted Net Profit attributable to owners of the Company ²	229,584	483,523	-52.5%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 29 February 2024 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 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).
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2024 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 2023, please refer to the Company’s interim results announcement for the six months ended 28 February 2023.

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 the Adjusted Gross Profit

	Six months ended	
	29 February 2024 (RMB'000)	28 February 2023 (RMB'000)
Gross Profit	431,432	557,921
Share-based compensation expenses in Cost of revenue	2,739	2,739
Additional depreciation and amortization due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	5,019	5,039
— Bowang High School	771	771
— Shandong Yingcai University	10,498	10,461
— Stamford International University	2,144	2,144
Adjusted Gross Profit	452,603	579,075

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

	Six months ended	
	29 February 2024 (RMB'000)	28 February 2023 (RMB'000)
Net profit attributable to the owners of the Company	193,255	586,749
Share-based compensation expenses in Cost of revenue	2,739	2,739
Share-based compensation expense in Administrative expenses	4,631	4,631
Additional depreciation and amortization due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	5,068	5,088
— Bowang High School	595	595
— Shandong Yingcai University	10,498	10,461
— Stamford International University	2,144	2,144
Gains and losses related to convertible bonds ¹		
— Change in fair value on convertible bonds	15,208	44,276
— Net gains on repurchase of convertible bonds	—	(169,738)
— Losses arising from revising the terms of the convertible bonds	—	6,781
Government grants	(4,554)	(10,203)
Adjusted Net Profit attributable to the owners of the Company	229,584	483,523

Note:

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		29 February 2024	28 February 2023
	Note	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	4	1,253,307	1,188,765
Cost of revenue	5	(821,875)	(630,844)
Gross profit		431,432	557,921
Selling expenses	5	(22,027)	(14,664)
Administrative expenses	5	(162,365)	(94,613)
Net impairment losses on financial assets		(3,072)	(2,888)
Other income		8,634	13,969
Other (losses)/gains — net	6	(47,192)	116,380
Operating profit		205,410	576,105
Finance income		14,280	29,570
Finance expenses		(28,957)	(20,696)
Finance expenses — net		(14,677)	8,874
Profit before income tax		190,733	584,979
Income taxation	7	4,605	4,709
Profit for the period		195,338	589,688
Profit attributable to:			
— Owners of the Company		193,255	586,749
— Non-controlling interests		2,083	2,939
		195,338	589,688
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	8	0.05	0.16
Diluted earnings per share	8	0.05	0.12

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	29 February 2024	28 February 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>195,338</u>	<u>589,688</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(11,365)	(8,264)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair value related to the changes in the credit risk of the Convertible Bonds	1,213	15,444
Transfer of changes in fair value related to the changes in the credit risk of the Convertible Bonds due to the termination of the Convertible Bonds	—	(156,582)
Currency translation differences	(395)	(741)
Other comprehensive income for the period, net of tax	<u>(10,547)</u>	<u>(150,143)</u>
Total comprehensive income for the period	<u>184,791</u>	<u>439,545</u>
Total comprehensive income for the period attributable to:		
— Owners of the Company	182,708	436,606
— Non-controlling interests	2,083	2,939
	<u>184,791</u>	<u>439,545</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
	Note		
Assets			
Non-current assets			
Property, plant and equipment	9	7,241,986	5,862,436
Intangible assets	9	1,641,363	1,609,202
Right-of-use assets		1,849,259	1,847,953
Other non-current assets		19,404	120,518
Total non-current assets		10,752,012	9,440,109
Current assets			
Trade and other receivables	10	69,092	174,745
Restricted cash		544	552
Cash and cash equivalents		1,357,840	2,370,966
Total current assets		1,427,476	2,546,263
Total assets		12,179,488	11,986,372
Equity			
Equity attributable to owners of the Company			
Share capital	11	30	30
Share premium	11	1,762,405	1,762,405
Reserves		1,226,793	1,229,970
Retained earnings		4,154,523	3,961,268
Capital and reserves attributable to owners of the Company		7,143,751	6,953,673
Non-controlling interests		41,982	39,899
Total equity		7,185,733	6,993,572

		As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		5,007	8,102
Deferred income		166,839	168,769
Deferred income tax liabilities	15	480,550	485,155
Borrowings	13	146,660	220,000
Financial liabilities at fair value through profit or loss	14	—	811,117
		<hr/>	<hr/>
Total non-current liabilities		799,056	1,693,143
		<hr/>	<hr/>
Current liabilities			
Accruals and other payables	12	1,048,313	1,323,739
Contract liabilities		1,218,724	729,591
Lease liabilities		6,250	9,427
Borrowings	13	1,103,340	1,236,900
Financial liabilities at fair value through profit or loss	14	818,072	—
		<hr/>	<hr/>
Total current liabilities		4,194,699	3,299,657
		<hr/>	<hr/>
Total liabilities		4,993,755	4,992,800
		<hr/>	<hr/>
Total equity and liabilities		12,179,488	11,986,372
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	29 February 2024	28 February 2023
Note	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,102,971	320,896
Interest received	13,442	25,181
Interest paid	(24,451)	(19,359)
	1,091,962	326,718
Net cash generated from operating activities	1,091,962	326,718
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,802,889)	(630,247)
Proceeds from disposal of property, plant and equipment	232	25,910
Purchases of intangible assets	(49,653)	(58,944)
Proceeds from disposal of intangible assets	1	326
Payments of prepaid land lease payments	(36,899)	—
Purchases of financial assets at fair value through profit or loss	—	(600,000)
Disposals of financial assets at fair value through profit or loss	—	200,000
Changes in restricted cash	8	11,045
Interest received	—	771
	(1,889,200)	(1,051,139)
Net cash used in investing activities	(1,889,200)	(1,051,139)

	Note	Six months ended	
		29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Proceeds from borrowings	13	400,000	—
Repayments of borrowings	13	(606,900)	(160,097)
Repurchase of the Convertible Bonds	14(b)(i)	—	(388,784)
Mandatory redemption of the Convertible Bonds	14(b)(iii)	—	(433,487)
Principal elements of lease payments or finance lease payments		(6,938)	(3,982)
		(213,838)	(986,350)
Net cash used in financing activities		(213,838)	(986,350)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,370,966	4,240,783
Exchange (losses)/gains on cash and cash equivalents		(2,050)	1,850
Cash and cash equivalents at end of the period		<u>1,357,840</u>	<u>2,531,862</u>

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**”) is principally engaged in the provision of private formal education services from high school to university 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, 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 of the Board of Directors of the Company (the “**Controlling Shareholder**”).

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**”).

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 29 February 2024 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 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

2.1 Going concern

As at 29 February 2024, the Group’s current liabilities exceeded its current assets by RMB2,767,223,000. Included in the current liabilities as at 29 February 2024 were contract liabilities of RMB1,218,724,000 (being annual tuition and boarding fees received in advance which do not involve future cash outflows), current borrowings of RMB1,103,340,000, and convertible bonds issued in Hong Kong and classified under financial liabilities at fair value through profit or loss (the “**Convertible Bonds**”) of RMB818,072,000, with a remaining

outstanding aggregate principal amount of HK\$974,000,000 (equivalent to approximately RMB883,905,000) fully repayable on 27 December 2024. In addition, the Group also had non-current borrowings of RMB146,660,000, the principal of which were all repayable by instalments more than twelve months from the period end date in accordance with the borrowing agreement. As at 29 February 2024, although the Group had cash and cash equivalents of RMB1,357,840,000, the cash and cash equivalents available outside of mainland China were not sufficient for the full repayment of the Convertible Bonds on 27 December 2024, if the mandatory conversion (Note 14(b)(ii)(3)) does not take place prior to the maturity date.

The above conditions indicate the existence of a material uncertainty which casts a significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, 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 financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows, which include, but are not limited to, the following:

- (a) Management has a plan to negotiate with the holders of the Convertible Bonds in October 2024 and to enter into an agreement before the maturity date to modify the terms and conditions of the Convertible Bonds, including interest rate, conversion price and the maturity date of the Convertible Bonds; and
- (b) Management is proactively securing appropriate alternative financing arrangements, such as bank facilities outside mainland China to ensure the Company will have sufficient financing resources to meet the repayments of the Convertible Bonds as and when necessary.

Management has prepared cashflow projections for twelve months from 29 February 2024 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 29 February 2024. Accordingly, the Directors have prepared the interim condensed consolidated financial information on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) Whether the holders of the Convertible Bonds will reach an agreement with the Company to modify the terms and conditions, including the extension of maturity date of the Convertible Bonds; or
- (ii) Whether appropriate alternative financing arrangements will be successfully secured to ensure the Company will have sufficient financing resources outside mainland China for the repayment of the Convertible Bonds as and when necessary.

Should the Group be unable to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2023.

(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 2023:

- Definition of Accounting Estimates — amendments to IAS 8.

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.

(b) New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published and are not mandatory for 29 February 2024 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 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 period, 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 High School and Universities and vocational college, respectively.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the 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, no single customer accounted for more than 10% of the Group's total revenue for the six months ended 29 February 2024 and 28 February 2023.

The information of the reportable segments provided to the CODM is as follows:

	High school <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>
Unaudited					
For the six months ended					
29 February 2024					
Revenue	77,115	1,176,192	473	(473)	1,253,307
Cost of revenue	(61,151)	(760,724)	—	—	(821,875)
Gross profit	15,964	415,468	473	(473)	431,432
Selling expenses	(718)	(21,309)	—	—	(22,027)
Administrative expenses	(4,569)	(147,369)	(10,900)	473	(162,365)
Net impairment losses on financial assets	—	(3,072)	—	—	(3,072)
Other income	653	7,971	10	—	8,634
Other losses — net	(6,985)	(24,994)	(15,213)	—	(47,192)
Operating profit	4,345	226,695	(25,630)	—	205,410
Finance income/(expenses) — net	2,112	(9,465)	(7,324)	—	(14,677)
Profit before income tax	6,457	217,230	(32,954)	—	190,733
Income taxation	213	4,392	—	—	4,605
Profit for the period	6,670	221,622	(32,954)	—	195,338
Unaudited					
As at 29 February 2024					
Total assets	1,507,199	14,131,408	3,184,234	(6,643,353)	12,179,488
Total liabilities	450,769	5,205,347	6,345,341	(7,007,702)	4,993,755
Other segment information					
For the six months ended					
29 February 2024					
Additions to non-current assets	14,542	1,714,733	—	—	1,729,275
Depreciation and amortisation (Note 5)	(15,642)	(284,322)	(1,696)	—	(301,660)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 6)	59	7,649	5	—	7,713

	High school <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>
Unaudited					
For the six months ended					
28 February 2023					
Revenue	90,565	1,098,200	462	(462)	1,188,765
Cost of revenue	(63,969)	(566,875)	—	—	(630,844)
Gross profit	26,596	531,325	462	(462)	557,921
Selling expenses	(493)	(14,171)	—	—	(14,664)
Administrative expenses	(3,377)	(81,940)	(9,758)	462	(94,613)
Net impairment losses on financial assets	—	(2,888)	—	—	(2,888)
Other income	357	13,231	381	—	13,969
Other (losses)/gains — net	(1,823)	(475)	118,678	—	116,380
Operating profit	21,260	445,082	109,763	—	576,105
Finance income/(expenses) — net	2,479	18,175	(11,780)	—	8,874
Profit before income tax	23,739	463,257	97,983	—	584,979
Income taxation	213	4,496	—	—	4,709
Profit for the period	<u>23,952</u>	<u>467,753</u>	<u>97,983</u>	<u>—</u>	<u>589,688</u>
Unaudited					
As at 28 February 2023					
Total assets	1,478,605	12,033,392	2,955,784	(5,758,126)	10,709,655
Total liabilities	457,158	3,812,383	6,191,383	(6,177,823)	4,283,101
Other segment information					
For the six months ended					
28 February 2023					
Additions to non-current assets	14,518	720,084	—	—	734,602
Depreciation and amortisation (Note 5)	(16,791)	(142,119)	(1,649)	—	(160,559)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 6)	1,823	977	2	—	2,802

5 Expenses by nature

	Six months ended	
	29 February 2024 <i>RMB'000</i> (Unaudited)	28 February 2023 <i>RMB'000</i> (Unaudited)
Employee benefit expenses	380,307	312,065
— Wages, salaries, bonus and other welfare	372,937	304,695
— Share-based compensation expenses	7,370	7,370
Depreciation expenses		
— property, plant and equipment	252,219	123,577
— right-of-use assets	31,950	29,621
Amortisation of intangible assets	17,491	7,361
Students training and scholarship expenses	106,887	95,430
School consumables	40,536	38,230
Utilities expenses	25,058	17,585
Maintenance expenses	44,048	25,065
Marketing expenses	18,826	11,146
Operating lease payments	2,712	2,701
Office expenses	64,558	59,262
Auditor's remuneration	1,400	1,400
Consultancy and professional fee	1,760	2,540
Travel and entertainment expenses	8,254	6,064
Other expenses	10,261	8,074
	<u>1,006,267</u>	<u>740,121</u>

6 Other (losses)/gains — net

	Six months ended	
	29 February 2024 <i>RMB'000</i> (Unaudited)	28 February 2023 <i>RMB'000</i> (Unaudited)
Net loss on financial liabilities at fair value through profit or loss	(15,208)	(44,276)
Provision for legal claims (a)	(17,401)	—
Losses on disposal of property, plant and equipment	(7,713)	(2,802)
Write-off of other non-current assets	(6,924)	—
Gains on disposal of financial assets at fair value through profit or loss	—	436
Donation	54	65
Net gains on repurchase of the Convertible Bonds (Note 14 (b)(i))	—	169,738
Losses arising from revising the terms of the Convertible Bonds	—	(6,781)
	<u>(47,192)</u>	<u>116,380</u>

- (a) On 15 December 2023, the Intermediate People’s Court of Changsha City in the Hunan Province handed down a final judgment that Hunan Lie Ying Industry Co., Ltd. (“**Hunan Lie Ying**”), a wholly owned subsidiary acquired by the Group in 2017, is liable to pay up the capital of Hunan Su Yue Sen Construction Engineering Co., Ltd. amounting to RMB17,401,000, where Hunan Lie Ying was a shareholder prior to 2013. The amount is recognized as an other loss in the income statement.

7 Income taxation

	Six months ended	
	29 February 2024 <i>RMB’000</i> (Unaudited)	28 February 2023 <i>RMB’000</i> (Unaudited)
Current income tax		
Current income tax on profits before income tax for the period	—	—
Deferred income tax		
Decrease/(increase) in deferred income tax assets (Note 15)	19	(89)
Decrease in deferred income tax liabilities (Note 15)	(4,624)	(4,620)
Total deferred income tax benefit	(4,605)	(4,709)
Income taxation	(4,605)	(4,709)

(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) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not derive any assessable profits in Hong Kong (2023: Nil).

(c) **Mainland China**

Corporate income tax (“CIT”) in mainland China is provided on 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% during the six months ended 29 February 2024 and 28 February 2023.

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 period, 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.

(d) **Thailand**

The statutory corporate income tax rate applied on the taxable profits for Thailand companies is 20% (2023: 20%). According to the relevant Thailand regulations, entities which engages in provision of higher education services are not subject to Thailand income taxes.

8 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.

	Six months ended	
	29 February 2024	28 February 2023
	(Unaudited)	(Unaudited)
Profit attribute to owners of the Company (RMB'000)	193,255	586,749
Weighted average number of ordinary shares in issue (Thousands)	3,600,388	3,594,494
Basic earnings per share (RMB Yuan)	0.05	0.16

(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.

	Six months ended	
	29 February 2024	28 February 2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	193,255	586,749
Adjustments for:		
— impact of the Convertible Bonds (RMB'000)	<u>19,203</u>	<u>(111,682)</u>
Adjusted profit attributable to owners of the Company (RMB'000)	<u>212,458</u>	<u>475,067</u>
Weighted average number of ordinary shares in issue (Thousands)	3,600,388	3,594,494
Adjustments for:		
— impact of the Convertible Bonds (Thousands)	<u>590,303</u>	<u>312,575</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	<u>4,190,691</u>	<u>3,907,069</u>
Diluted earnings per share (RMB Yuan)	<u><u>0.05</u></u>	<u><u>0.12</u></u>

9 Property, plant and equipment and intangible assets

	Property, plant and equipment	Trademark	Goodwill	Other intangible assets
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 29 February 2024				
Opening net book amount	5,862,436	432,438	1,084,625	92,139
Additions	1,642,468	—	—	49,653
Disposals	(7,945)	—	—	(1)
Depreciation and amortisation	(252,219)	(2,144)	—	(15,347)
Exchange differences	(2,754)	—	—	—
Closing net book amount	<u>7,241,986</u>	<u>430,294</u>	<u>1,084,625</u>	<u>126,444</u>
Six months ended 28 February 2023				
Opening net book amount	3,706,284	436,726	1,084,625	10,194
Additions	661,758	—	—	58,944
Disposals	(28,712)	—	—	(326)
Depreciation and amortisation	(123,577)	(2,144)	—	(5,217)
Exchange differences	2,935	—	—	—
Closing net book amount	<u>4,218,688</u>	<u>434,582</u>	<u>1,084,625</u>	<u>63,595</u>

10 Trade and other receivables

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Trade receivables		
Due from students	14,700	14,679
Provision for impairment	<u>(9,144)</u>	<u>(6,762)</u>
	<u>5,556</u>	<u>7,917</u>
Other receivables		
Receivables from local government	45,555	48,339
Deposits	2,127	2,127
Staff advances	4,909	4,863
Receivable from a third party (a)	—	100,000
Others	<u>6,321</u>	<u>5,788</u>
	<u>58,912</u>	<u>161,117</u>
Provision for impairment	<u>(1,787)</u>	<u>(1,097)</u>
	<u>57,125</u>	<u>160,020</u>
Prepayments		
Prepaid expenses	<u>6,411</u>	<u>6,808</u>
	<u>69,092</u>	<u>174,745</u>

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

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Less than 1 year	6,033	10,620
Over 1 year	<u>8,667</u>	<u>4,059</u>
	<u>14,700</u>	<u>14,679</u>

- (a) The amount represented refundable prepayments relating to a contract with a supplier terminated before August 31 2023 and was fully settled on October 2023.

11 Share capital and share premium

	Number of ordinary shares (unaudited)	Nominal value of ordinary shares <i>HK\$</i> (unaudited)
Authorised, HK\$0.00001 each:		
As at 31 August 2023 and 29 February 2024	50,000,000,000	500,000

	Number of ordinary shares	Amount <i>HK\$</i>	Equivalent amount <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and paid, HK\$0.00001 each:					
Balance at 1 September 2023 and 29 February 2024	3,606,787,883	36,068	30	1,762,405	1,762,435
Balance at 1 September 2022 and 28 February 2023	3,594,493,833	35,945	30	1,741,528	1,741,558

12 Accruals and other payables

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Net payables to the Affected Business upon deconsolidation	594,030	594,030
Amounts due to related parties	12,077	11,719
Payables for purchases of property, plant and equipment	118,363	372,974
Salary and welfare payables	55,845	70,247
Defined pension benefits	9,223	9,189
Deposits received	20,132	21,245
Miscellaneous expenses received from students	95,924	83,010
Payables for teaching materials and other operating expenditure	38,856	62,723
Government subsidies payable to students and teachers	16,517	34,864
Audit and consulting fees	2,340	3,542
Interest payables	9,096	8,195
Taxes payable	33,668	27,671
Legal claim payables	19,590	2,189
Others	22,652	22,141
	1,048,313	1,323,739

13 Borrowings

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Non-current		
Bank loans, secured	50,000	220,000
Bank loans, unsecured	96,660	—
	<u>146,660</u>	<u>220,000</u>
Current		
Bank loans, secured	220,000	210,000
Bank loans, unsecured	883,340	1,026,900
	<u>1,103,340</u>	<u>1,236,900</u>
Total borrowings	<u><u>1,250,000</u></u>	<u><u>1,456,900</u></u>

(a) Movements in borrowings is analysed as follows:

	Six months ended 29 February 2024 <i>RMB'000</i> (Unaudited)	Six months ended 28 February 2023 <i>RMB'000</i> (Unaudited)
As at beginning of the period	1,456,900	640,198
Proceeds of new borrowings (i)	400,000	—
Repayments of borrowings	(606,900)	(160,097)
As at end of the period	<u><u>1,250,000</u></u>	<u><u>480,101</u></u>

(i) The interest rates are determined by the relevant loan prime rate plus 35 basis points of the respective bank loans. The average interest rate of the bank loans during the period was 3.705% (2023: 4.089%).

(b) As at 29 February 2024, there were no undrawn bank facility (31 August 2023: Nil).

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

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Bank borrowings		
Guaranteed by related party	270,000	430,000
	<u>270,000</u>	<u>430,000</u>

14 Financial liabilities at fair value through profit or loss

	As at 29 February 2024 <i>RMB'000</i> (Unaudited)	As at 31 August 2023 <i>RMB'000</i> (Audited)
Current		
Convertible Bonds	<u>818,072</u>	<u>—</u>
Non-current		
Convertible Bonds	<u>—</u>	<u>811,117</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 (c) 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 classified as non-current liability as at 31 August 2023 and it was classified as current liability as at 29 February 2024, respectively.

15 Deferred income tax assets and liabilities

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

(a) Deferred income tax assets

	Six months ended 29 February 2024	Year ended 31 August 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
As at beginning of the period	16,867	18,065
Charged to profit or loss (Note 7)	(19)	(1,198)
As at end of the period	<u>16,848</u>	<u>16,867</u>

(b) **Deferred income tax liabilities**

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Year ended 31 August 2023 RMB'000 (Audited)
As at beginning of the period	(502,022)	(511,581)
Credited to profit or loss (Note 7)	<u>4,624</u>	<u>9,559</u>
As at end of the period	<u>(497,398)</u>	<u>(502,022)</u>

(c) **Deferred tax assets and liabilities after offset are listed as below:**

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Year ended 31 August 2023 RMB'000 (Audited)
As at beginning of the period	(485,155)	(493,516)
Credited to profit or loss (Note 7)	<u>4,605</u>	<u>8,361</u>
As at end of the period	<u>(480,550)</u>	<u>(485,155)</u>

16 Dividends

The Board did not recommend an interim dividend for the period ended 29 February 2024 (2023: 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 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 on 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 changes in respect of the business of the Group since 29 February 2024.

The Group's Schools and Student Enrolment

As at 29 February 2024, 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 February 2024 and 2023:

	As at 29 February 2024	As at 28 February 2023
The Group's schools in the PRC		
Universities and vocational college	4 ^(Note 1)	3
High schools	5	5
The Group's school overseas		
University	<u>1^(Note 2)</u>	<u>1^(Note 2)</u>
Total	<u>10</u>	<u>9</u>

Note:

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 that the Group operates in Thailand.

Event after the Reporting Period

Save as disclosed in this announcement, there has been no other significant events that might affect the Group after 29 February 2024 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 six months ended 29 February 2024, the Group recorded revenue of RMB1,253.3 million, an Adjusted Gross Profit of RMB452.6 million and a gross profit of RMB431.4 million. The Adjusted Gross Profit Margin¹ of the Group was 36.1% for the six months ended 29 February 2024 as compared with 48.7% for the corresponding period in 2023. The gross profit margin was 34.4% for the six months ended 29 February 2024 as compared with 46.9% for the corresponding period in 2023.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2024 was RMB229.6 million, representing a decrease of RMB253.9 million or a 52.5% decrease from the corresponding period in 2023. The Adjusted Net Profit Margin² attributable to owners of the Company was 18.3% and 40.7% for the six months ended 29 February 2024 and 28 February 2023, respectively.

The net profit attributable to owners of the Company amounted to RMB193.3 million and RMB586.7 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The net profit margin attributable to owners of the Company amounted to 15.4% and 49.4% for the six months ended 29 February 2024 and 28 February 2023, respectively.

2. Revenue

For the six months ended 29 February 2024, the revenue of the Group amounted to RMB1,253.3 million, representing an increase of RMB64.5 million or 5.4% as compared with RMB1,188.8 million for the corresponding period in 2023. The increase was primarily due to the result of the increase in student enrolment and tuition fees for several schools.

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.

3. Cost of Revenue

For the six months ended 29 February 2024, the Adjusted Cost of Revenue³ of the Group amounted to RMB800.7 million, representing an increase of RMB191.0 million or 31.3% as compared with RMB609.7 million for the corresponding period in 2023. The cost of revenue of the Group amounted to RMB821.9 million and RMB630.8 million for the six months ended 29 February 2024 and 28 February 2023, respectively.

4. Gross Profit and Gross Profit Margin

For the six months ended 29 February 2024, the Adjusted Gross Profit of the Group amounted to RMB452.6 million, representing a decrease of RMB126.5 million or 21.8% as compared with RMB579.1 million for the corresponding period in 2023. The Adjusted Gross Profit Margin of the Group for the six months ended 29 February 2024 was 36.1%, compared with 48.7% for the corresponding period in 2023.

The Group's gross profit amounted to RMB431.4 million and RMB557.9 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The Group's gross profit margin amounted to 34.4% and 46.9% for the six months ended 29 February 2024 and 28 February 2023, 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.

5. Selling Expenses

For the six months ended 29 February 2024, the selling expenses of the Group amounted to RMB22.0 million, representing an increase of RMB7.4 million or 50.2% from RMB14.7 million during the corresponding period in 2023. The increase was primarily the result of expanded marketing campaigns.

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).

6. *Administrative Expenses*

For the six months ended 29 February 2024, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB157.7 million, representing an increase of RMB67.7 million as compared with RMB90.0 million for the corresponding period in 2023. The administrative expenses of the Group amounted to RMB162.4 million and RMB94.6 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The increase is primarily due to higher personnel costs and increased depreciation and amortization expenses on long-term assets, resulting from expanded investments in facilities.

7. *Other Income*

For the six months ended 29 February 2024, the other income of the Group amounted to RMB8.6 million, representing a decrease of RMB5.3 million or 38.2% as compared with RMB14.0 million for the corresponding period in 2023. This decrease was primarily due to a decrease in government grants and subsidies obtained.

8. *Other Gains and Losses*

For the six months ended 29 February 2024, the other gains and losses of the Group amounted to a net loss of RMB47.2 million as compared with a net gain of RMB116.4 million for the corresponding period in 2023. The net loss was primarily due to fair value changes on convertible bonds.

9. *Operating Profit*

The operating profit of the Group amounted to RMB205.4 million and RMB576.1 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The decrease was primarily due to increased costs and expenses and fair value changes on convertible bonds. The Operating Profit Margin amounted to 16.4% and 48.5% for the six months ended 29 February 2024 and 28 February 2023, 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 decreased by 51.7% from RMB29.6 million for the six months ended 28 February 2023 to RMB14.3 million for the corresponding period in 2024 due to a decrease in cash and cash equivalents.

11. Finance Expenses

Finance expenses increased by 39.9% from RMB20.7 million for the six months ended 28 February 2023 to RMB29.0 million for the corresponding period in 2024 due to an increase in interest expenses from borrowings.

12. Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company amounted to RMB229.6 million and RMB483.5 million for the six months ended 29 February 2024 and 28 February 2023, respectively. Moreover, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 18.3% and 40.7% for the six months ended 29 February 2024 and 28 February 2023, respectively.

The decrease in the Adjusted Net Profit attributable to owners of the Company was mainly due to increased costs and expenses 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 net profit attributable to owners of the Company for the six months ended 29 February 2024 and 28 February 2023 were RMB193.3 million and RMB586.7 million, respectively, representing a decrease of RMB393.4 million. The decrease in net profit was primarily due to (i) increased costs and expenses; and (ii) changes in fair value on convertible bonds. The net profit margin attributable to owners of the Company for the six months ended 29 February 2024 was 15.4%, compared to 49.4% for the corresponding period in 2023.

13. *Liquidity and Source of Funding and Borrowing*

As at 29 February 2024, the Group's cash and cash equivalents decreased by 42.7% from RMB2,371.0 million as at 31 August 2023 to RMB1,357.8 million. The decrease was primarily due to the investment in long-term assets.

As at 29 February 2024, the current assets of the Group amounted to RMB1,427.5 million, including RMB1,358.4 million in cash and restricted cash and RMB69.1 million in trade and other receivables. The current liabilities of the Group amounted to RMB4,194.7 million, of which RMB1,048.3 million was accruals and other payables, RMB1,103.3 million was borrowings, RMB1,218.7 million was contract liabilities, RMB818.1 million was financial liabilities at fair value through profit or loss, and RMB6.3 million was lease liabilities. As at 29 February 2024, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.34 (31 August 2023: 0.77).

14. *Gearing Ratio*

As at 29 February 2024, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 17.4% (31 August 2023: 20.8%).

15. *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 29 February 2024) during the six months ended 29 February 2024.

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 six months ended 29 February 2024.

17. *Pledge of Assets*

As at 29 February 2024, the bank borrowings of the Group amounting to RMB270.0 million were secured by related party.

18. *Contingent Liabilities*

The Group had no contingent liabilities as at 29 February 2024.

19. *Foreign Exchange Exposure*

During the six months ended 29 February 2024, the Group mainly operated in China and the 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 29 February 2024, 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 29 February 2024 and 28 February 2023, we had 8,125 and 8,876 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.

The Group believes in the importance of attracting, recruiting and retaining of quality employees (in particular teachers) in achieving the Group’s success. The Group provides training for teachers to equip them with teaching skills and techniques and stay abreast of the changes in student demands and teaching methodologies, changing testing and admission standards and other trends. During each school year, the Group monitors the teaching quality of its teachers and evaluates the performance of its teachers from time to time. During the six months ended 29 February 2024, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

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 — 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 six months ended 29 February 2024 was RMB380.3 million (for the six months ended 28 February 2023: RMB312.1 million).

21. Future Plans for Material Investments and Capital Assets

As of 29 February 2024, the Group did not have other plans for material investments and capital assets.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 29 February 2024 (2023: Nil).

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 six months ended 29 February 2024, 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 C1 (as amended from time to time) to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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 C3 (as amended from time to time) 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 29 February 2024. No incident of non-compliance of the Model Code was noted by the Company during the six months ended 29 February 2024.

3. Audit Committee

The Company has established the 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 (resigned with effect from 30 April 2024 and replaced by Ms. Fan Nannan as set out below) and Mr. Zhang Zhixue. Mr. Chen Lei is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim condensed financial information of the Group for the six months ended 29 February 2024 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim condensed 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.

4. Other Board Committees

In addition to the audit committee, the Company has also established a nomination committee (the “**Nomination Committee**”) and a remuneration committee (the “**Remuneration Committee**”).

5. Purchase, Sale or Redemption of the Company’s Listed Securities

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 29 February 2024.

6. Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 29 February 2024. 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 29 February 2024.

7. Building Certificates and Permits

As at 29 February 2024, 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 29 February 2024, 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.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND COMPOSITION OF BOARD COMMITTEES

Resignation of independent non-executive Director

The Board hereby announces that Mr. Xia Zuoquan (夏佐全) (“**Mr. Xia**”) has tendered his resignation as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 30 April 2024, due to his desire to devote more time to his other commitments. Mr. Xia has confirmed that he has no disagreement with the Board and there is no other matter in respect of his resignation that needs to be brought to the attention of the Shareholders or the Stock Exchange.

The Board would like to take this opportunity to express its gratitude and appreciation to Mr. Xia for his invaluable contribution to the Company during his tenure of office.

Appointment of independent non-executive Director

The Board is pleased to announce that Ms. Fan Nannan (范楠楠) (“**Ms. Fan**”) has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 30 April 2024.

The biographical details of Ms. Fan are set out below:

Ms. Fan, aged 31, prior to joining the Company, has been teaching at Changsha College (長沙學院) since September 2018. Ms. Fan received her bachelor's degree in law from Xiangtan University (湘潭大學), China in 2015 and her master's and doctorate degree in law from Central South University (中南大學), China in 2018 and 2024, respectively.

Ms. Fan has entered into a letter of appointment with the Company for an initial term of three years commencing on 30 April 2024 and shall be automatically renewed for a successive periods of three years until terminated by either party by giving not less than three months' prior notice in writing. Ms. Fan is subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with the amended and restated memorandum and articles of association of the Company and the CG Code as set out in Appendix C1 of the Listing Rules. Ms. Fan will receive a director's fee of HKD200,000 per annum and is entitled to additional benefits (including any options and/or awards under the rules of any share option scheme or share award scheme to be adopted by the Company) at the Board's discretion, which has been determined by the Board upon recommendation of the remuneration committee of the Board with reference to her qualifications, experiences, duties and responsibilities with the Company and prevailing market conditions.

Save as disclosed above, as at the date of this announcement, (i) Ms. Fan does not hold any other position in the Company or its subsidiaries; (ii) Ms. Fan does not hold any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three (3) years; (iii) Ms. Fan does not, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance; (iv) Ms. Fan does not have any relationship with any Directors, senior management, substantial shareholders (as defined under the Listing Rules) or controlling shareholders (as defined under the Listing Rules) of the Company; and (v) Ms. Fan does not possess any other professional qualifications.

Ms. Fan has confirmed that (i) she meets the independence criteria as set out in Rule 3.13 of the Listing Rules; (ii) she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as defined under the Listing Rules) of the Company; and (iii) there are no other factors that may affect her independence at the time of her appointment. Save as disclosed above, the Board is not aware of any other matters relating to the appointment of Ms. Fan that need to be brought to the attention of the Shareholders, nor is there any other information which is required to be disclosed by the Company pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

The Board would like to extend a warm welcome to Ms. Fan on her appointment.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the report on review of interim condensed consolidated financial information for the six months ended 29 February 2024 from the Company's independent auditors:

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the interim condensed consolidated financial information, which indicates that as at 29 February 2024, the Group's current liabilities exceeded its current assets by RMB2,767,223,000. On the same date, the Group had current borrowings of RMB1,103,340,000 and convertible bonds issued in Hong Kong and classified under financial liabilities at fair value through profit or loss of RMB818,072,000, with a remaining outstanding aggregate principal amount of HK\$974,000,000 (equivalent to approximately RMB883,905,000) fully repayable on 27 December 2024. As at 29 February 2024, although the Group had cash and cash equivalents of RMB1,357,840,000, the cash and cash equivalents available outside of mainland China were not sufficient for the full repayment of the Convertible Bonds on 27 December 2024, if the mandatory conversion (Note 14(b)(ii) (3)) will not take place prior to the maturity date. These conditions, along with other events and conditions as set forth in Note 2.1 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuhua.com. The interim report of the Group for the six months ended 29 February 2024 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 April 2024

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. Zhang Zhixue and Ms. Fan Nannan as independent non-executive Directors.