YUHUA EDUCATION
宇华教育

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 2019

HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China YuHua Education Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2019 (the "**Reporting Period**"). These annual results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

(RMB'000)	**Year ended 31 August**		
	2019	2018	Change (%)
Revenue	**1,714,485**	1,195,110	+43.5%
Gross Profit	**999,893**	670,723	+49.1%
Adjusted Gross Profit[1]	**1,048,761**	700,349	+49.7%
Adjusted Net Profit attributable to the owners of the Company[2]	**792,538**	609,100	+30.1%

Notes:

(1) The Adjusted Gross Profit for the year ended 31 August 2019 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 HIEU Schools), Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), Thai Education Holdings Co., Ltd. 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 2018, please refer to the Company's annual results announcement for the year ended 31 August 2018.

(2) The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2019 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 period; (iv) accrued, but not paid interest expenses associated with the convertible bond issued; and (v) fair value losses on convertible bond and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the year ended 31 August 2018, please refer to the Company's annual results announcement for the year ended 31 August 2018.

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

		Year ended 31 August	
(RMB'000)		**2019**	2018
Gross Profit		**999,893**	670,723
Add: 100%	Share-based compensation expense (in cost of revenue)	**12,406**	16,823
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
Add: 100%	— HIEU	**16,693**	12,803
Add: 100%	— Bowang High School	**15,573**	—
Add: 100%	— Shandong Yingcai University	**1,695**	—
Add: 100%	— Stamford International University	**2,501**	
Adjusted Gross Profit		**1,048,761**	700,349

Calculation of Adjusted Net Profit attributable to owners of the Company

(RMB'000)		Year ended 31 August **2019**	2018
Net Profit attributable to the owners of the Company		**484,955**	530,812
Add: 100%	Share-based compensation expense (in cost of revenue)	**12,406**	16,823
Add: 100%	Share-based compensation expense (in administrative expense)	**27,714**	45,715
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
Add: 70%	— HIEU	**16,693**	12,803
Add: 70%	— Bowang High School	**15,573**	—
Add: 90%	— Shandong Yingcai University	**1,695**	—
Add: 100%	— Stamford International University	**2,501**	
Add: 100%	Accrued but not paid interest associated with Convertible Bond	**12,209**	—
Add: 100%	Change in fair value on Convertible Bond and Convertible Loan	**250,215**	—
Add: 70%	Derecognition of deferred tax assets due to changes in applied taxation rate of HIEU from 1 January 2018	**—**	9,018
Less: 100%	Government Grants	**(21,573)**	(13,442)
Less: 70%	Compensation for the realisation of security interests	**—**	(134,797)
Add: 100%	Waiver of the payable by the selling shareholder	**—**	108,275
Adjusted Net Profit attributable to the owners of the Company		**792,538**	609,100

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August 2019 *RMB'000*	2018 *RMB'000*
Revenue	3	**1,714,485**	1,195,110
Cost of revenue	5	**(714,592)**	(524,387)
Gross profit		**999,893**	670,723
Selling expenses	5	**(22,352)**	(6,522)
Administrative expenses	5	**(199,957)**	(132,631)
Net impairment losses on financial assets		**(682)**	—
Other income		**23,144**	16,081
Other (losses)/gains — net	4	**(233,191)**	31,714
Operating profit		**566,855**	579,365
Finance income		**52,719**	23,813
Finance expenses		**(78,051)**	(11,218)
Finance (expenses)/income — net		**(25,332)**	12,595
Profit before income tax		**541,523**	591,960
Income tax credit/(expense)	6	**13,542**	(3,726)
Profit for the year		**555,065**	588,234
Profit attributable to:			
Owners of the Company		**484,955**	530,812
Non-controlling interests		**70,110**	57,422
		555,065	588,234
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	7	**0.15**	0.17
Diluted earnings per share	7	**0.15**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**555,065**	588,234
Other comprehensive income/(loss)		
Items that may not be reclassified to profit or loss		
Currency translation differences	**24,662**	(7,247)
Other comprehensive income/(loss) for the year, net of tax	**24,662**	(7,247)
Total comprehensive income for the year	**579,727**	580,987
Total comprehensive income for the year attributable to:		
Owners of the Company	**509,617**	523,565
Non-controlling interests	**70,110**	57,422
	579,727	580,987

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Prepaid land lease payments		**1,651,195**	793,175
Property, plant and equipment		**3,705,965**	2,239,853
Intangible assets		**1,570,379**	756,001
Other non-current assets		**20,639**	37,107
Total non-current assets		**6,948,178**	3,826,136
Current assets			
Trade and other receivables	10	**81,231**	27,104
Cash and cash equivalents	9	**2,125,719**	1,593,177
Restricted cash	9	**291,716**	270,963
Term deposits with initial term of over three months		**333,131**	414,680
Financial assets at fair value through other comprehensive income		**3,323**	—
Total current assets		**2,835,120**	2,305,924
Total assets		**9,783,298**	6,132,060
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**28**	28
Share premium		**1,803,948**	2,130,457
Other reserves		**776,896**	582,779
Retained earnings		**1,080,192**	762,140
		3,661,064	3,475,404
Non-controlling interests		**482,511**	283,779
Total equity		**4,143,575**	3,759,183
Liabilities			
Non-current liabilities			
Borrowings	12	**506,979**	90,988
Deferred tax liabilities	8	**521,065**	246,870
Financial liabilities at fair value through profit or loss	13	**149,349**	—
Deferred income		**5,758**	375
Total non-current liabilities		**1,183,151**	338,233
Current liabilities			
Accruals and other payables	11	**963,014**	633,050
Contract liabilities	3	**1,301,163**	—
Deferred revenue		**—**	956,541
Borrowings	12	**1,065,394**	438,464
Financial liabilities at fair value through profit or loss	13	**1,127,001**	—
Provisions		**—**	6,589
Total current liabilities		**4,456,572**	2,034,644
Total liabilities		**5,639,723**	2,372,877
Total equity and liabilities		**9,783,298**	6,132,060

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**") provide private formal full-coverage education services in the People's Republic of China (the "**PRC**") and the Kingdom of Thailand ("**Thailand**") (the "**Business**").

The Company was incorporated in the Cayman Islands on 25 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company's registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland 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 an executive director and Chairman of the Board of Directors of the Company (the "**Controlling Shareholder**").

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**") and rounded to nearest thousand yuan, unless otherwise stated.

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 all applicable 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 2019, the Group's current liabilities exceeded its current assets by RMB1,621,452,000. Included in the current liabilities as at 31 August 2019 were contract liabilities of RMB1,301,163,000 relating to tuition and boarding fees received in advance; current borrowings of RMB1,065,394,000; and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB1,127,001,000. In addition, as at 31 August 2019, the Group had non-current borrowings of RMB506,979,000, the principals of which were all repayable more than twelve months from the year end date in accordance with the respective borrowing agreements. The Group had cash and cash equivalents of RMB2,125,719,000 as at 31 August 2019.

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 August 2019 and concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 31 August 2019.

The directors of the Company have reviewed the Group's cash flow projections together with the underlying basis and assumption and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.1.2 Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

2.1.3 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 2018:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts with Customers*

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15 and the impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.2 below. The other 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.

2.1.4 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 2019 and have not been early adopted by the Group:

		Effective for accounting periods beginning on
IFRS 16	Leases	1 September 2019
IFRIC 23	Uncertainty over income tax treatments	1 September 2019
IAS 19	Employee benefits on plan amendment, curtailment or settlement	1 September 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 September 2019
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associates or joint venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of Material	1 September 2020
Amendments to IFRS 3	Definition of a Business	1 September 2020
Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 September 2020

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB52,002,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for the financial periods beginning on or after 1 September 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group will apply the standard from its mandatory adoption date of 1 September 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 September 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

IFRS 9 and IFRS 15 were adopted using the modified retrospective approach that prior information was not restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 August 2018, but are recognised in the opening balance sheet on 1 September 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	**31 August 2018 As originally presented** *RMB'000*	**Impact of first-time adoption of IFRS 15** *RMB'000*	**1 September 2018 Restated** *RMB'000*
Current liabilities			
Contract liabilities	—	956,541	956,541
Deferred revenue	956,541	(956,541)	—
Total current liabilities	956,541	—	956,541
Total liabilities	956,541	—	956,541

(b) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 September 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The adoption of IFRS 9 did not have material impact on the Group's recognition, classification and measurement of financial instruments.

Classification and measurement

On 1 September 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The majority of the Group's financial assets includes:

- trade and other receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

- debt and equity investments currently classified as at fair value through other comprehensive income ("**FVOCI**") as a whole under IFRS 9.

Impairment of financial assets

The Group has three types of financial instruments that are subject to IFRS 9's new expected credit loss model:

- trade receivables for provision of services;

- other receivables carried at amortised cost; and

- debt and equity investments carried at FVOCI.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under IAS 39. The impact of the change in impairment methodology on the Group's retained earnings as of 1 September 2018 was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The increase of the loss allowance of trade receivables on 1 September 2018 was not material.

Other receivables carried at amortised cost

The Group assesses on a forward looking basis the expected credit losses associated with its other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The increase of the loss allowance of other receivables on 1 September 2018 was not material.

Debt and equity investments carried at FVOCI

The group assesses on a forward-looking basis the expected credit losses associated with its debt and equity instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(c) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 September 2018 replacing IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contract which covers construction contract. The Group has adopted the modified retrospective approach and the comparatives were not restated. The impact of the adoption of IFRS 15 was immaterial and there was no adjustments in retained earnings as of 1 September 2018.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that has been affected:

The Group has changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract liabilities in relation to advanced tuition and boarding fees were previously presented as deferred revenue and deferred income.

2.3 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 denominated in a currency other than the functional currency of the Company as financial liabilities at fair value through profit or loss. They are initially recognised 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.

The convertible bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.4 The convertible tranche of convertible loans

The convertible tranche of convertible loans issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates the convertible tranche of convertible loans denominated in a currency other than the functional currency of the Company as financial liabilities at fair value through profit or loss. They are initially recognised 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.

The convertible tranche of convertible loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.5 Revenue recognition

(a) Accounting policies applied from 1 September 2018

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, high schools, middle schools, primary schools and kindergartens 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 service from kindergarten to university in the PRC and Thailand.

The Controlling Shareholder and other 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. In the view of CODM, the Group is principally engaged in three 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 Kindergartens, Grade 1–12 and University respectively. The Kindergartens segment principally derives its revenue by providing tuition and boarding services to students of kindergartens. The Grade 1–12 segment principally derives its revenue by providing tuition and boarding services to students of high schools, middle schools and primary schools. The University segment principally derives its revenue by providing tuition and boarding services to students of universities in China and Thailand.

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

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2019 are as follows:

	Kindergartens	Grade 1–12	University	Unallocated	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 August 2019						
Revenue	**57,474**	**592,985**	**1,064,026**	**2,376**	**(2,376)**	**1,714,485**
Cost of revenue	**(27,256)**	**(278,240)**	**(409,096)**	**—**	**—**	**(714,592)**
Gross profit	**30,218**	**314,745**	**654,930**	**2,376**	**(2,376)**	**999,893**
Selling expenses	**(24)**	**(6,568)**	**(15,623)**	**(137)**	**—**	**(22,352)**
Administrative expenses	**(6,169)**	**(38,851)**	**(97,584)**	**(59,729)**	**2,376**	**(199,957)**
Net impairment losses on financial assets	**—**	**—**	**(682)**	**—**	**—**	**(682)**
Other income	**70**	**17,222**	**5,852**	**—**	**—**	**23,144**
Other gains/(losses) — net	**2,006**	**9,007**	**6,604**	**(250,808)**	**—**	**(233,191)**
Operating profit	**26,101**	**295,555**	**553,497**	**(308,298)**	**—**	**566,855**
Finance income/(expenses) — net	**302**	**316**	**(13,336)**	**(12,614)**	**—**	**(25,332)**
Profit before income tax	**26,403**	**295,871**	**540,161**	**(320,912)**	**—**	**541,523**
Income tax credit	**—**	**3,893**	**9,649**	**—**	**—**	**13,542**
Profit for the year	**26,403**	**299,764**	**549,810**	**(320,912)**	**—**	**555,065**
As at 31 August 2019						
Total assets	**194,046**	**2,998,599**	**7,917,060**	**4,167,997**	**(5,494,404)**	**9,783,298**
Total liabilities	**70,606**	**1,608,557**	**3,421,079**	**6,190,380**	**(5,650,899)**	**5,639,723**

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2018 are as follows:

	Kindergartens	Grade 1–12	University	Unallocated	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 August 2018						
Revenue	62,328	525,650	607,132	2,697	(2,697)	1,195,110
Cost of revenue	(30,170)	(222,830)	(271,387)	—	—	(524,387)
Gross profit	32,158	302,820	335,745	2,697	(2,697)	670,723
Selling expenses	(4)	(1,079)	(5,277)	(162)	—	(6,522)
Administrative expenses	(6,315)	(26,485)	(40,671)	(61,857)	2,697	(132,631)
Other income	—	12,949	3,127	5	—	16,081
Other gains/(losses) — net	351	3,534	135,388	(107,559)	—	31,714
Operating profit	26,190	291,739	428,312	(166,876)	—	579,365
Finance (expenses)/income — net	(439)	(797)	(7,760)	21,591	—	12,595
Profit before income tax	25,751	290,942	420,552	(145,285)	—	591,960
Income tax expense	—	—	(3,726)	—	—	(3,726)
Profit for the year	25,751	290,942	416,826	(145,285)	—	588,234
As at 31 August 2018						
Total assets	178,724	2,065,802	4,349,497	4,705,264	(5,167,227)	6,132,060
Total liabilities	85,586	1,116,241	1,463,826	2,725,361	(3,018,137)	2,372,877

Contract liabilities

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 August 2019 and will be expected to be recognised within one year:

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities related to tuition and boarding fees (a)	**1,295,498**	953,837
Others	**5,665**	2,704
	1,301,163	956,541

The Group receives 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 refund of the payment in relation to the proportionate service not yet provided.

4 Other (losses)/gains — net

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Fair value losses on financial liabilities:		
— Net fair value losses on financial liabilities at fair value through profit or loss	**(250,215)**	—
Gains on disposal of financial assets at fair value through profit or loss	**21,862**	6,577
Loss on debt cancellation	**(5,159)**	—
Gains on disposal of a subsidiary	**3,600**	—
Losses on disposal of property, plant and equipment	**(3,094)**	(570)
Donation	**(185)**	(358)
Compensation for the realisation of security interests	**—**	134,797
Waiver of payable by the selling shareholder	**—**	(108,275)
Provision for legal claims	**—**	(457)
	(233,191)	31,714

5 Expenses by nature

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**475,808**	325,794
Depreciation of property, plant and equipment	**125,799**	102,253
Share-based payment expenses	**40,120**	62,538
Amortisation of prepaid land lease payments	**24,708**	17,843
Amortisation of intangible assets	**19,903**	2,353
Canteen expenditure	**27,069**	23,099
Students training and scholarship expenses	**22,596**	18,124
School consumables	**33,033**	25,334
Utilities expenses	**34,871**	28,778
Marketing expenses	**15,977**	5,021
Operating lease payments	**10,617**	6,224
Office expenses	**28,660**	13,490
Travel and entertainment expenses	**8,195**	2,033
Expense in relation to the acquisition	**4,903**	3,136
Auditors' remuneration		
— Audit and audit related services	**3,955**	3,400
— Services in connection with capital market transactions	**3,072**	4,000
— Non-audit services	**600**	—
Consultancy and professional fee	**22,533**	3,797
Other expenses	**34,482**	16,323
	936,901	663,540

6 Income tax (credit)/expense

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Current tax on profits before income tax for the year	**—**	(185)
Deferred tax (benefit)/expense	**(13,542)**	3,911
Income tax (credit)/expense	**(13,542)**	3,726

(a) The Cayman Islands profits tax

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 the Cayman Islands income tax.

(b) British Virgin Islands profit tax

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

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the year.

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

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "**CIT Law**"), which was effective from 1 January 2008, the CIT was 25% during the year.

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

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

(e) Thailand corporate income tax

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

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	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**484,955**	530,812
Weighted average number of ordinary shares in issue (Thousand)	**3,238,537**	3,200,258
Basic earnings per share (RMB Yuan)	**0.15**	0.17

(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.

	For the year ended 31 August	
	2019	2018
Earnings		
Profit attributable to owners of the Company (RMB'000)	**484,955**	530,812
Adjustments for:		
Adjusted profit attributable to owners of the Company (RMB'000)	**484,955**	—
Weighted average number of ordinary shares in issue (thousands)	**3,238,537**	3,200,258
Adjustments for:		
— Pre-IPO share options (thousands)	**90,875**	98,869
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,329,412**	3,299,127
Diluted earnings per share (RMB Yuan)	**0.15**	0.16

Convertible bonds and convertible loans are anti-dilutive because the amount of dividend on such shares, declared or accrued in the period per ordinary share obtainable on conversion, exceeds the basic earnings per share, so convertible bonds and convertible loans are ignored in calculating diluted earnings per share.

8 Deferred tax assets and liabilities

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

(a) Deferred tax assets

	As at 31 August 2019 *RMB'000*	As at 31 August 2018 *RMB'000*
Opening amount	**—**	—
Acquisition of subsidiaries	**16,172**	9,018
Charged to profit or loss	**4,012**	(9,018)
Closing amount	**20,184**	—

(b) Deferred tax liabilities

	Prepaid land lease payment *RMB'000*	**Trademark** *RMB'000*	**Software** *RMB'000*	**Property, plant and equipment appreciation** *RMB'000*	**Other payables and accrued expenses** *RMB'000*	**Student base** *RMB'000*	**Total** *RMB'000*
Balance at 1 September 2018	(113,941)	(54,750)	(161)	(78,018)	—	—	(246,870)
Acquisition of subsidiaries	(155,147)	(47,387)	—	(51,542)	(44,158)	(5,675)	(303,909)
Credited to profit or loss	3,892	(4)	108	2,066	—	3,468	9,530
Balance at 31 August 2019	(265,196)	(102,141)	(53)	(127,494)	(44,158)	(2,207)	(541,249)

The deferred tax liabilities arise from fair value adjustment of prepaid land lease payments, recognition of trademark and fair value adjustment of buildings and other fixed assets upon the acquisition of subsidiaries.

9 Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Cash at bank and on hand		
— RMB	**1,116,661**	1,464,785
— HKD	**4,083**	3,693
— USD	**22,376**	4,437
— THB	**30,609**	—
Short-term bank deposits		
— USD	**937,894**	52,208
Cash at financial institutions other than bank		
— RMB	**14,096**	—
— HKD	**—**	68,054
Cash and cash equivalents	**2,125,719**	1,593,177

Cash at bank and other financial institutions can be redeemed by the Company within a short-term.

(b) Restricted Cash

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Restricted Cash	**291,716**	270,963

As at 31 August, 2019, the restricted cash comprised the following deposits: (i) the deposit in the escrow account opened subject to the joint escrow of China Yuhua Education Investment Limited, one of the Company's wholly owned subsidiaries, and LEI China Limited for the acquisition of LEI Lie Ying in the amount of HKD310,529,000 (RMB280,501,000 equivalent); (ii) the deposit in the account opened by STIU subject to the bank loan facility request in the amount of THB20,000,000 (RMB4,652,000 equivalent); (iii) the deposit in the education reserve required by local authority of RMB1,006,000; (iv) the deposit of RMB5,557,000 locked up due to an order granted by the People's Court of Zhengzhou High & New Technology Industries and Development Zone on 28 March 2019. As at 31 August, 2018, the restricted cash comprised the deposit in the escrow account opened subject to the joint escrow of China Yuhua Education Investment Limited, one of the Company's wholly owned subsidiaries, and LEI China Limited for the acquisition of LEI Lie Ying in the amount of HKD310,499,000 (RMB269,979,000 equivalent) and the deposit of education reserve required by local authority of RMB984,000.

10 Trade and other receivables

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
Due from students	**18,728**	4,066
Provision for impairment	**(551)**	(195)
	18,177	3,871
Other receivables		
Amounts due from related parties	**—**	104
Deposits	**15,226**	1,359
Staff advance	**13,839**	1,070
Interest receivables	**7,968**	5,108
Others	**6,311**	1,474
Provision for impairment	**(38)**	(135)
	43,306	8,980
Prepayments		
Prepaid expenses	**19,748**	14,253
	19,748	14,253
	81,231	27,104

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

The ageing analysis of the trade receivables based on the invoice date is out below:

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**18,626**	4,054
Over 1 year	**102**	12
	18,728	4,066

11 Accruals and other payables

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Amount due to related parties	**5,258**	4,844
Payables in relation to the acquisitions	**329,612**	320,000
Payables for purchases of property, plant and equipment	**164,191**	126,601
Salary and welfare payables	**121,688**	61,403
Defined pension benefits	**9,729**	—
Deposits received from teachers and students	**30,688**	14,333
Miscellaneous expenses received from students (a)	**90,509**	33,647
Payables for teaching materials and other operating expenditure (c)	**73,243**	25,214
Payables for contracting canteens (b)(c)	**514**	534
Government subsidies payable to students and teachers	**27,248**	25,049
Audit and consulting fees	**8,609**	3,632
Interest payables	**43,706**	145
Taxes payable	**17,300**	2,797
Legal claim payables	**6,589**	—
Others	**34,130**	14,851
	963,014	633,050

(a) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

(b) A few of third party canteens were contracted by the Group to provide catering service to schools.

(c) As at 31 August 2019 and 2018, the ageing of payables for teaching materials and other operating expenditure and payables for contracting canteens was less than 1 year.

12 Borrowings

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Secured		
Bank loans	**362,948**	70,000
Finance lease liabilities	**18,296**	20,988
Loans from other financial institutions	**65,735**	—
Unsecured		
Bank loans	**60,000**	—
	506,979	90,988
Current		
Secured		
Bank loans	**650,795**	235,000
Finance lease liabilities	**3,464**	3,464
Loans from other financial institutions	**58,957**	—
Unsecured		
Bank loans	**20,000**	200,000
Borrowings from other third parties (a)	**332,178**	—
	1,065,394	438,464
Total borrowings	**1,572,373**	529,452

(a) Borrowings from other third parties

Borrowings from other third parties were included in the net assets acquired by the Group in the acquisition of Jinan Shuangsheng. All borrowings from other third parties were repaid subsequently in September 2019.

13 Financial liabilities at fair value through profit or loss

(a) Convertible loans

On 31 May 2018, the Company, China YuHua Education Investment Limited and China HongKong Yuhua Education Limited ("**YuHua HK**") entered into a loan agreement with International Finance Corporation, pursuant to which IFC agreed to lend and the Company agreed to borrow up to the principal amount of USD75 million, comprised of an initial USD50 million tranche (the "**Initial Tranche**") and a USD25 million tranche (the "**Convertible Tranche**") which shall, at the option of IFC, be convertible into the ordinary share of the Company at a conversion price of HKD5.75 per Share (subject to the adjustments as set out in the loan agreement) at any time after the date of the first Convertible Tranche disbursement and prior to the date falling one year after the date of such Convertible Tranche disbursement. The Initial Tranche repayable in eleven equal semi-annual instalments commencing from 15 June 2020 is classified as borrowing and the Convertible Tranche repayable in seven equal semi-annual instalments commencing from the same date (unless converted prior), subject to customary early prepayment conditions, is classified as financial liabilities at fair value through profit or loss.

The proceeds of the loan will primarily be utilised to finance potential acquisitions.

As a condition to disbursement of the Loan, the chairman and ultimate controlling shareholder, Mr. Li Guangyu, and the chief executive officer, Ms. Li Hua, have entered into the Share Retention Agreement pursuant to which they will, among other things, be required to retain control over GuangYu Investment and, through GuangYu Investment, the Company, for so long as any indebtedness under the Loan remains outstanding. An equity pledge agreement was also entered into pursuant to which YuHua HK will grant IFC a pledge over an equity interest representing 40% of the registered capital of Xizang Yuanpei. The outstanding principal of the Loan will bear an interest rate at a rate of LIBOR plus 1.70% per annum. The Convertible Tranche is convertible at the option of IFC into the conversion shares at a conversion price of HKD5.75 per Share (subject to the adjustments) within the conversion period commencing on the drawdown of the Convertible Tranche and ending on the date one year after the date of such drawdown.

On 4 February 2019, the Company fully drew down the Initial Tranche and Convertible Tranche amounting to USD50 million and USD25 million, respectively. As at 31 August 2019, the loanholders had not converted the Convertible Tranche into ordinary shares of the Company.

(b) Convertible bonds

On 9 January 2019, the Company (the "**Issuer**") entered into the subscription agreement with Merrill Lynch (Asia Pacific) Limited (the "**Manager**"), pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds in an aggregate principal amount of HKD940,000,000. The convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HKD0.00001 each, at the option of the bondholders.

Each 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 18 January 2019 (the "**Issue Date**") up to the close of business (at the place where the certificate evidencing such bond is deposited for conversion) on the date falling seven days prior to 16 January 2020 (the "**Maturity Date**") into fully paid ordinary shares with a par value of HKD0.00001 each of the Issuer (the "**Shares**") at an initial conversion price of HKD3.3360 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions. The bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.00 per cent per annum, payable in arrear on 18 July 2019 and the Maturity Date. As at 31 August 2019, the bondholders had not converted the bonds into ordinary shares of the Company.

The issuance was completed on 18 January 2019. Details of the issuance was set out in the Company's announcement dated 18 January 2019.

14 Business combinations

(a) Acquisition of Yubohui Education

On 18 April 2018, the Group and Huibo Education entered into an investment agreement, pursuant to which the Group conditionally agreed to purchase, and Huibo Education conditionally agreed to sell 70% equity interest in Yubohui Education, a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. The purpose of the Group for this transaction was to acquire Kaifeng City Xiangfu District Bowang High School ("**Bowang High School**") which is a wholly owned subsidiary of Yubohui Education. The acquisition of Yubohui Education was achieved by the following steps: (i) Zhengzhou Qinfeng Education Science and Technology Limited ("**Zhengzhou Qinfeng**") was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 September 2018, 70% equity interests of Yubohui Education was acquired by Zhengzhou Qinfeng; (iii) on 1 September 2018, with effect of certain contractual arrangements entered into between Xizang Yuanpei Information Technology Management Company Limited ("**Xizang Yuanpei**"), a wholly owned subsidiary of the Company, Zhengzhou Qinfeng, Mr. Li Guangyu and Ms. Li Hua, Zhengzhou Qinfeng and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and was therefore consolidated by the Group since 1 September 2018.

The goodwill of RMB81,437,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer; obtaining economies of scale by cost reductions from purchasing efficiencies.

(b) Acquisition of TEDCO

On 12 February 2019, one of the Company's wholly owned subsidiaries, China YuHua Education Investment Limited, a company incorporated in the British Virgin Islands with limited liability (the "**Purchaser**"), and LEI Singapore, a third party company incorporated in Singapore with limited liability, entered into an acquisition agreement, pursuant to which the Purchaser agreed to purchase the sale shares which comprised of the target sale shares and the subsidiary sale shares for the consideration amounting to RMB63,639,000. The target sale shares represented all of the issued and outstanding ordinary shares of TEDCO, which owned approximately 92.8750% of the issued and outstanding share capital of FES; the subsidiary sale shares represented approximately 7.1249% of the issued and outstanding share capital of FES (collectively, the "**Acquisition**"). Upon completion of the Acquisition on 12 February 2019, TEDCO became a subsidiary of China YuHua Education Investment Limited. The Group obtained approximately 99.9999% equity interests in FES aggregately.

TEDCO was incorporated in Thailand on 12 October 2011 as a limited liability company. FES is the license holder of Stamford International University ("**STIU**"), a wholly owned subsidiary of FES, which was founded in 1995. STIU offers international and Thai undergraduate and graduate degree programs with two campuses in Bangkok, Thailand, and another campus in Hua Hin, Thailand.

The goodwill of RMB41,560,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer.

(c) Acquisition of Jinan Shuangsheng

Jinan Shuangsheng was incorporated as a limited liability company in Jinan, Shandong Province of the PRC on 26 October 2016. The address of Jinan Shuangsheng's registered office is at No 1–323, Qingnian East Road, Lixia District, Jinan, Shandong province PRC. Jinan Shuangsheng is an investment holding company and its subsidiaries provides private university education and related services in Shandong province of the PRC.

On 19 July 2019, Zhengzhou Hanchen Education Technology Co., Ltd. ("**Zhengzhou Hanchen**"), a wholly owned subsidiary of the Group, entered into an acquisition agreement with the Mr. Xia Jiting and Ms. Yang Wen (collectively, the "**Transferors**"), pursuant to which the Transferors agreed to transfer an aggregate of 90% equity of Jinan Shuangsheng to Zhengzhou Hanchen at a total consideration of RMB1,491,552,000. The acquisition of Jinan Shuangsheng was achieved by the following steps: (i) Zhengzhou Hanchen was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 July 2019, with effect of certain contractual arrangements entered into between Xizang Yuanpei Information Technology Management Company Limited ("**Xizang Yuanpei**"), a wholly owned subsidiary of the Company, Zhengzhou Hanchen, Mr. Li Guangyu and Ms. Li Hua; (iii) on 2 August 2019, 90% equity interests of Jinan Shuangsheng was acquired by Zhengzhou Hanchen, Zhengzhou Hanchen and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and was therefore consolidated by the Group.

On 2 August 2019, Jinan Shuangsheng became a non-wholly owned subsidiary of the Group. Mr. Xia Jiting and Ms. Yang Wen each owned 5% equity interest of Jinan Shuangsheng and collectively held the remaining 10% equity interest.

The goodwill of RMB432,925,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer; obtaining economies of scale by cost reductions from purchasing efficiencies.

The following table summarises the purchase consideration for Jinan Shuangsheng and its subsidiary, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 2 August 2019 *(RMB'000)*
Acquisition consideration	1,491,552
Less:	
Cash and cash equivalents	28,985
Trade and other receivables	34,057
Property, plant and equipment	1,219,413
Intangible assets	206,325
Prepaid land lease payments	754,414
Financial assets at fair value through OCI	3,595
Other non-current assets	1,668
Accruals and other payables	(199,653)
Contract Liabilities	(62,290)
Non-current liabilities within one year	(490,035)
Long-term borrowings	(70,337)
Deferred income	(1,541)
Deferred tax liabilities	(248,348)
Non-controlling interests	(117,626)
Goodwill	**432,925**
Acquisition-related costs (included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 August 2019)	4,000
Outflow of cash for the acquisition of Jinan Shuangsheng, net of cash acquired	
Acquisition consideration	1,491,552
Payables for acquisition consideration as at 31 August 2019	(59,737)
Cash paid during the current period	1,431,815
Cash and cash equivalents in the subsidiaries acquired	(28,985)
Net cash outflow	1,402,830

Note:

(i) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interests.

(ii) Revenue and profit contribution

The revenue and net profit included in the consolidated statement of profit or loss contributed by Jinan Shuangsheng and its subsidiaries since 2 August 2019 was RMB41,896,000 and RMB7,844,000, respectively. If the acquisition had occurred on 1 September 2018, consolidated revenue and consolidated profit of the Group for the year ended 31 August 2019 would have been RMB2,161,517,000 and RMB628,726,000, respectively.

(iii) Property, plant and equipment

The fair value of the property, plant and equipment acquired by the Group was RMB1,219,413,000. The carrying amount of buildings without building ownership certificates was RMB274,666,000.

15 Dividends

The dividends paid in 2019 and 2018 were RMB364,077,000 (HKD0.13 per share) and RMB239,024,000 (HKD0.09 per share) respectively. A dividend in respect of the year ended 31 August 2019 of HKD0.073 per share, amounting to a total dividend of RMB216,805,000, is to be proposed at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 18 years of operating private schools in Henan province, 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 university and K-12 schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

On 12 February 2019, China YuHua Education Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and LEI Singapore Holdings Pte. Ltd. (the "**Seller**") entered into an acquisition agreement pursuant to which the Purchaser acquired (i) 15,907 ordinary shares in the issued and outstanding share capital of Thai Education Holdings Co., Ltd. ("**TEDCO**"); and (ii) 285,001 ordinary shares in the issued and outstanding share capital of the Fareast Stamford International Co., Ltd. for a total consideration of approximately US$27.87 million (equivalent to approximately HK$218.78 million). On 12 February 2019, the acquisition was completed. Further details of the acquisition are set out in the announcements of the Company dated 12 February 2019 and 13 February 2019. The financial results of TEDCO, Fareast Stamford International Co., Ltd. and Stamford International University have been consolidated into the Group's since completion of the acquisition.

On 19 July 2019, Zhengzhou Hanchen Education Technology Co., Ltd. (鄭州漢晨教育科技有限公司) (the "**Transferee**"), a subsidiary of the Company, entered into an agreement with Mr. Xia and Ms. Yang (together, the "**Transferors**"), Jinan Shuangsheng Education Consulting Co., Ltd. (濟南雙勝教育諮詢有限公司) (the "**Target Company**") and Shandong Yingcai University (山東英才學院) (the "**Target University**"), pursuant to which the Transferors conditionally agreed to transfer an aggregate 90% equity interest in the Target Company, which holds the entire sponsorship interest in the Target University, to the Transferee, for a consideration of RMB1,491.6 million. On 2 August 2019, the financial results of the Target Company and the Target University were consolidated into the Group's. Further details of the acquisition is set in the announcement of the Company dated 19 July 2019.

The business of the Group remained relatively stable for the year ended 31 August 2019. 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 31 August 2019.

The Group's Schools and Student Enrolment

As at 31 August 2019, the Group had 26 schools located in Henan province of China, one school located in Shandong province of China and one school located in Hunan province of China as well as one school in Thailand.

The following table sets out a summary of the Group's schools by category as at the end of August 2019 and 2018:

	As at 31 August 2019	As at 31 August 2018
Number of the Group's schools in the PRC		
Universities	**3** (note 1)	2 (note 1)
High schools	**5** (note 2)	4
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**7**	8
The Group's schools overseas		
University	**1** (note 3)	—
Total	**29**	27

Notes:

(1) Through LEI Lie Ying Limited, the Group owns 70% of the equity interest in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) 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) (together the "**HIEU Schools**"), and the entire equity interests in Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司). The Group also owns 90% equity interests in the Jinan Shuangsheng Education Consulting Co., Ltd. (i.e. the Target Company), which holds the entire sponsorship interest in Shandong Yingcai University. The Target Company and its subsidiaries were consolidated into the Group's accounts on 2 August 2019.

(2) Kaifeng City Xiangfu District Bowang High School (開封市祥符區博望高中) was only consolidated into the Group's accounts on 1 September 2018. On 18 April 2018, the Group and Kaifeng City Huibo Education Information Consulting Co., Ltd. ("**Huibo Education**") entered into an investment agreement, pursuant to which the Group conditionally agreed to purchase, and Huibo Education conditionally agreed to sell 70% equity interests in Kaifeng City Yubohui Education Information Consulting Co., Ltd. ("**Yubohui Education**"), a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. The purpose of the Group for this transaction was to acquire Kaifeng City Xiangfu District Bowang High School ("**Bowang High School**") which is a wholly owned subsidiary of Yubohui Education. The acquisition of Yubohui Education was achieved by the following steps: (i) Zhengzhou Qinfeng Education Science and Technology Limited ("**Zhengzhou Qinfeng**") was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 September 2018, 70% equity interests of Yubohui Education was acquired by Zhengzhou Qinfeng; (iii) on 1 September 2018, with effect of certain contractual arrangements entered into between Xizang Yuanpei, a wholly-owned subsidiary of the Company, Zhengzhou Qinfeng, Mr. Li Guangyu and Ms. Li Hua, Zhengzhou Qinfeng and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and were consolidated into the Group's accounts on 1 September 2018.

(3) This represents Stamford International University, which the Group operates in Thailand.

Events after the Reporting Period

There has been no material event after the Reporting Period.

Future Development

The Group has a strong pipeline for opening new schools in China and overseas. The Group will also continue to explore other potential acquisition targets or cooperation opportunities in China and overseas to supplement our school network.

Financial Review

1. Overview

For the year ended 31 August 2019, we recorded revenue of RMB1,714.5 million, an Adjusted Gross Profit of RMB1,048.8 million and a gross profit of RMB999.9 million. The Adjusted Gross Profit Margin[1] of the Group was 61.2% for the year ended 31 August 2019 as compared with 58.6% for the corresponding period in 2018. The gross profit margin was 58.3% for the year ended 31 August 2019 as compared with 56.1% for the corresponding period in 2018.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2019 was RMB792.5 million, representing an increase of RMB183.4 million or a 30.1% increase from the corresponding period in 2018. The Adjusted Net Profit Margin[2] attributable to owners of the Company was 46.2% and 51.0% for the years ended 31 August 2019 and 31 August 2018, respectively.

The net profit attributable to owners of the Company amounted to RMB485.0 million and RMB530.8 million for the years ended 31 August 2019 and 31 August 2018, respectively. The net profit margin attributable to owners of the Company amounted to 28.3% and 44.4% for the years ended 31 August 2019 and 31 August 2018, respectively.

2. Revenue

For the year ended 31 August 2019, revenue of the Group amounted to RMB1,714.5 million, representing an increase of RMB519.4 million or 43.5% as compared with RMB1,195.1 million for the corresponding period of 2018. The increase was primarily the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition in December 2017; (iii) the acquisitions of Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), the financial results of which have been consolidated into the Group's upon completion of the acquisition in September 2018; (iv) the acquisition of TEDCO and its subsidiaries (including Stamford International University), the financial results of which have been consolidated into the Group's upon completion of the acquisition in February 2019; and

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.

(v) the acquisition of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University), the financial results of which have been consolidated upon completion of the acquisition in August 2019.

3. Cost of Revenue

For the year ended 31 August 2019, the Adjusted Cost of Revenue[3] of the Group amounted to RMB665.7 million, representing an increase of RMB170.9 million or 34.5% as compared with RMB494.8 million for the corresponding period of 2018. The cost of revenue of the Group amounted to RMB714.6 million and RMB524.4 million for the years ended 31 August 2019 and 31 August 2018, respectively.

4. Gross Profit and Gross Profit Margin

For the year ended 31 August 2019, the Adjusted Gross Profit of the Group amounted to RMB1,048.8 million, representing an increase of RMB348.5 million or 49.8% as compared with RMB700.3 million for the corresponding period in 2018. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2019 was 61.2%, compared with 58.6% for the corresponding period in 2018.

The Group's gross profit amounted to RMB999.9 million and RMB670.7 million for the years ended 31 August 2019 and 31 August 2018, respectively. The Group's gross profit margin amounted to 58.3% and 56.1% for the years ended 31 August 2019 and 31 August 2018, respectively. The improvement in the gross profit margin was mainly due to implementation of cost control measures.

5. Selling Expenses

For the year ended 31 August 2019, selling expenses of the Group amounted to RMB22.4 million, representing an increase of RMB15.9 million from RMB6.5 million during the corresponding period in 2018. The increase was primarily the result of an increase in marketing activities expense in student recruitment.

6. Administrative Expenses

For the year ended 31 August 2019, the Adjusted Administrative Expenses[4] of the Group amounted to RMB172.2 million, representing an increase of RMB85.3 million as compared with RMB86.9 million for the corresponding period in 2018. The administrative expenses of the Group amounted to RMB200.0 million and RMB132.6 million for the years ended 31 August 2019 and 31 August 2018, respectively. The increase is in line with the expansion of the business scale of the Group.

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[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).

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

7. *Other Income*

For the year ended 31 August 2019, the other income of the Group amounted to RMB23.1 million, representing an increase of RMB7.0 million as compared with RMB16.1 million for the corresponding period in 2018. 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 2019, the other gains and losses of the Group amounted to a loss of RMB233.2 million as compared with a gain of RMB31.7 million for the corresponding period in 2018. The loss was primarily due to fair value losses on convertible bond and convertible loan.

9. *Operating Profit*

The Adjusted Operating Profit of the Group amounted to RMB872.1 million for the years ended 31 August 2019, representing an increase of RMB257.4 million or 41.9% as compared with RMB614.7 million for the corresponding period in 2018. The Adjusted Operating Profit Margin amounted to 50.9% and 51.4% for the year ended 31 August 2019 and 31 August 2018, respectively.

10. *Finance Income*

Finance income increased from RMB23.8 million for the year ended 31 August 2018 to RMB52.7 million for the corresponding period in 2019 due to (i) an increase in cash and cash equivalents and term deposits with initial term of over three months; and (ii) an increase in foreign exchange gains.

11. *Finance Expenses*

Finance expenses increased from RMB11.2 million for the year ended 31 August 2018 to RMB78.1 million for the corresponding period in 2019 due to addition of convertible bond and an increase in borrowings.

12. *Profit for the Reporting Period*

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB792.5 million for the year ended 31 August 2019, representing an increase of RMB183.4 million or 30.1% as compared with RMB609.1 million for the corresponding period in 2018. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 46.2% and 51.0% for the years ended 31 August 2019 and 31 August 2018, respectively.

The increase in the Adjusted Net Profit was mainly due to (i) an increase in student enrolment and tuition fees for several schools; (ii) the financial results of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools) have been consolidated into the Group upon completion of the acquisition in December 2017; and (iii) the acquisitions of Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), the financial results of which have been consolidated into the Group upon completion of the acquisition in September 2018.

The Group recorded a net profit attributable to owners of the Company of RMB485.0 million for the year ended 31 August 2019, representing a decrease of RMB45.8 million or 8.6% as compared with RMB530.8 million for the corresponding period in 2018. The net profit margin attributable to owners of the Company for the year ended 31 August 2019 was 28.3%, compared to 44.4% for the corresponding period in 2018.

13. *Liquidity and Source of Funding and Borrowing*

The Group's cash and cash equivalents increased from RMB1,593.2 million as at 31 August 2018 to RMB2,125.7 million as at 31 August 2019. Including restricted cash and term deposits with initial term of over three months, the Group's total bank balances and cash increased from RMB2,278.8 million as at 31 August 2018 to RMB2,750.6 million as at 31 August 2019. The increase primarily resulted from an increase in operating cash flows and borrowings.

As at 31 August 2019, the current assets of the Group amounted to RMB2,835.1 million, including RMB2,750.6 million in bank balances and RMB84.5 million in other current assets. The current liabilities of the Group amounted to RMB4,456.6 million, of which RMB963.0 million was accruals and other payables, RMB1,301.2 million was contract liabilities, RMB1,065.4 million was borrowings, and RMB1,127.0 million was financial liabilities at fair value through profit or loss. As at 31 August 2019, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.64 (31 August 2018: 1.13).

14. *Gearing Ratio*

As at 31 August 2019, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 26.4% (31 August 2018: 13.4%).

15. *Material Investments*

The Group did not make any material investments during the year ended 31 August 2019.

16. *Material Acquisitions and Disposals*

On 12 February 2019, the Purchaser and the Seller entered into an acquisition agreement pursuant to which the Purchaser acquired (i) 15,907 ordinary shares in the issued and outstanding share capital of TEDCO; and (ii) 285,001 ordinary shares in the issued and outstanding share capital of the Fareast Stamford International Co., Ltd. for a total consideration of approximately US$27.87 million (equivalent to approximately HK$218.78 million). On 12 February 2019, the acquisition was completed. Further details of the acquisition is set out in the announcements of the Company dated 12 February 2019 and 13 February 2019. The financial results of TEDCO, Fareast Stamford International Co., Ltd. and Stamford International University have been consolidated into the Group's since completion of the acquisition.

On 19 July 2019, the Transferee entered into an agreement with the Transferors, the Target Company and the Target University, pursuant to which the Transferors conditionally agreed to transfer an aggregate 90% equity interests in the Target Company, which holds the entire sponsorship interest in the Target University, to the Transferee, for a consideration of RMB1,491.6 million. Upon completion, the financial results of the Target Company and the Target University were consolidated into the Group's. Further details of the acquisition is set in the announcement of the Company dated 19 July 2019.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2019.

17. *Pledge of Assets*

As at 31 August 2019, the bank borrowings of the Group amounting to RMB1,013.7 million were guaranteed and pledged by certain prepaid land lease payments, buildings, right over the tuition fee and accommodation fee and equity interests of certain subsidiaries of the Group.

18. *Contingent Liabilities*

The Group had no contingent liabilities as at 31 August 2019.

19. *Foreign Exchange Exposure*

During the year ended 31 August 2019, 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.

20. *Employee and Remuneration Policy*

As at 31 August 2019 and 2018, we had 8,094 and 6,063 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 2019 was RMB475.8 million (for the year ended 31 August 2018: RMB325.8 million).

The following table sets forth the total number of employees by function as at 31 August 2019:

Function	**Number of employees**	**% of total**
Teachers	4,799	59.3%
Administrative staff	529	6.5%
Other staff	2,766	34.2%
Total	8,094	100.0%

FINAL DIVIDEND

The Board has resolved to recommend for the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company the payment of a final dividend of HK$0.073 (equivalent to approximately RMB0.066) per share of the Company (the "**Share**") totaling HK$240,015,000 (equivalent to RMB216,805,000) for the year (the "**Proposed Final Dividend**") (2018: HK$0.064) to the Shareholders whose names appear on the register of members of the Company at the close of business on 12 February 2020. Subject to the Shareholders' approval of the Proposed Final Dividend at the forthcoming annual general meeting of the Company, the relevant dividend is expected to be paid on or before 21 February 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The Company's annual general meeting will be held on 4 February 2020. The register of members of the Company will be closed from 30 January 2020 to 4 February 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, 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 29 January 2020.

In case a final dividend is declared and approved, the register of members of the Company will also be closed from 10 February 2020 to 12 February 2020, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, 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 7 February 2020.

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

1. Compliance with the Code on Corporate Governance Practices

For the year ended 31 August 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (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**").

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 August 2019.

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 and they have confirmed that they have complied with the Model Code during the year ended 31 August 2019.

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 2019 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 2019. 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 2019 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

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 2019.

7. Material Litigation

Save for those described in the Company's circular dated 29 June 2018 in relation to the acquisition of LEI Lie Ying Limited, the Company was not involved in any material litigation or arbitration during the year ended 31 August 2019. Save for those described in the Company's circular dated 29 June 2018 in relation to the acquisition of LEI Lie Ying Limited, the Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 August 2019.

8. Building Certificates and Permits

As at 31 August 2019, 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 2019, 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

(a) Use of Net Proceeds from Global Offering

On 28 February 2017, the Shares were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK$1,488.3 million, which are intended to be applied in the manner as set out in the Prospectus.

As at 31 August 2019, the Group had utilized the net proceeds as set out in the table below:

	% of net proceeds	**Net proceeds from IPO**	**Utilized as at 31 August 2018**	**Unutilized until 31 August 2018**	**Utilization during the year ended 31 August 2019**	**Unutilized amount as at 31 August 2019**
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Expansion of our school network	30%	446.5	—	446.5	**446.5**	**0**
Acquisition of K-12 schools and universities	28%	416.7	416.7	0	**—**	**0**
Upgrade and expansion of school facilities and capacity of our existing schools	25%	372.1	102.6	269.5	**100.0**	**169.5**
Supplementing our working capital	10%	148.8	—	148.8	**148.8**	**0**
Repayment of bank loans	7%	104.2	104.2	0	**—**	**0**
Total	100%	1,488.3	623.5	864.8	**695.3**	**169.5**

The remaining balance of the net proceeds (approximately HK$169.5 million) was placed with banks. The Group expects to gradually apply the remaining net proceeds in the manner set out in the Prospectus in accordance with actual business needs and use up the remaining proceeds within five years.

(b) Use of Proceeds from the International Financial Corporation Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into a loan agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of an initial US$50 million tranche and a US$25 million tranche which shall, at the option of International Finance Corporation, be convertible into conversion shares at a conversion price of HK$5.75 per share.

For further details, please refer to the Company's announcement dated 31 May 2018.

As at 31 August 2019, the Company had drawn US$75 million from the loan facility and had not utilized any amount drawn from the loan facility.

	% of loan facility	Amount of loan facility	Utilized as at 31 August 2018	Unutilized until 31 August 2018	Utilization during the year ended 31 August 2019	Unutilized amount as at 31 August 2019
		US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	100%	75	0	75	**0**	**75**
Total	100%	75	0	75	**0**	**75**

(c) Use of Proceeds from Issue of Convertible Bonds

On 9 January 2019, the Company and the Manager entered into the Subscription Agreement, pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Convertible Bonds. The net proceeds from the subscription amounted to approximately HK$923 million. As at 31 August 2019, the proceeds of the Convertible Bonds had been fully utilized in acquisitions as set out in the table below:

	% of net proceeds	Net proceeds from the Convertible Bonds	Utilized as at 31 August 2018	Unutilized until 31 August 2018	Utilization during the year ended 31 August 2019	Unutilized amount as at 31 August 2019
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
	100%	923	0	923	**923**	**0**
Total	100%	923	0	923	**923**	**0**

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 2019 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, 29 November 2019

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.