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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

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 2020. These interim results except for the non-IFRS measures have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

(RMB'000)	**Six months ended 29 February 2020 (Unaudited)**	28 February 2019 (Unaudited)	Change
Revenue	**1,260,408**	801,013	+57.4%
Gross Profit	**732,476**	456,572	+60.4%
Adjusted Gross Profit[1]	**762,609**	480,163	+58.8%
Adjusted Net Profit attributable to owners of the Company[2]	**494,765**	340,402	+45.3%

Notes:

(1) The Adjusted Gross Profit for the six months ended 29 February 2020 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 HIEU Schools), Kaifeng City Yubohui Education Information Consulting Co., Ltd. ("**Yubohui Education**") and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), Thai Education Holdings Co., Ltd. ("**TEDCO**") and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University). For the calculation of the Adjusted Gross Profit for the six months ended 28 February 2019, please refer to the Company's interim results announcement for the six months ended 28 February 2019.

(2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2020 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; (iv) accrued, but not paid interest expenses associated with the convertible bonds issued; and (v) fair value losses on convertible bonds and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2019, please refer to the Company's interim results announcement for the six months ended 28 February 2019.

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 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 2020	28 February 2019
		(RMB'000)	*(RMB'000)*
Gross Profit		**732,476**	456,572
Add 100%	Share-based compensation expenses (in cost of revenue)	**6,203**	6,203
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
Add 100%	— HIEU	**4,457**	9,602
Add 100%	— Bowang High School	**7,156**	7,786
Add 100%	— Shandong Yingcai University	**10,173**	—
Add 100%	— Stamford International University	**2,144**	—
Adjusted Gross Profit		**762,609**	480,163

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

		Note	Six months ended 29 February 2020 (RMB'000)	28 February 2019 (RMB'000)
Net profit attributable to the owners of the Company			**17,233**	330,391
Add 100%	Share-based compensation expenses (in cost of revenue)		**6,203**	6,203
Add 100%	Share-based compensation expenses (in administrative expenses)		**8,293**	13,857
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets			
Add 70%	— HIEU		**4,457**	9,602
Add 70%	— Bowang High School		**7,156**	7,786
Add 90%	— Shandong Yingcai University		**10,173**	—
Add 100%	— Stamford International University		**2,144**	—
Add 100%	Change in fair value on convertible bonds and convertible loan	7	**453,534**	—
Less 100%	Government Grants		**(9,927)**	(22,221)
Adjusted Net Profit attributable to the owners of the Company			**494,765**	340,402

Note: when calculating the Adjusted Net Profit attributable to the owner of the Company, the numbers in the adjusted items were multiplied by the respective shareholdings held by the Company in the related entities.

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		29 February	28 February
	Note	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	5	**1,260,408**	801,013
Cost of revenue	6	**(527,932)**	(344,441)
Gross profit		**732,476**	456,572
Selling expenses	6	**(35,647)**	(9,976)
Administrative expenses	6	**(122,629)**	(91,895)
Net impairment losses on financial assets		**(3,444)**	—
Other income		**13,585**	16,587
Other (losses)/gains — net	7	**(453,949)**	4,666
Operating profit		**130,392**	375,954
Finance income		**18,947**	16,351
Finance expenses		**(68,775)**	(33,252)
Finance expenses — net		**(49,828)**	(16,901)
Profit before income tax		**80,564**	359,053
Income tax credit	8	**4,427**	4,867
Profit for the period		**84,991**	363,920
Profit attributable to:			
— Owners of the Company		**17,233**	330,391
— Non-controlling interests		**67,758**	33,529
		84,991	363,920
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share	9	**0.01**	0.10
Diluted earnings per share	9	**0.01**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Profit for the period	**84,991**	363,920
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	**(16,008)**	(17,667)
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	**14,699**	—
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**97**	—
Other comprehensive loss for the period, net of tax	**(1,212)**	(17,667)
Total comprehensive income for the period	**83,779**	346,253
Total comprehensive income for the period attributable to:		
— Owners of the Company	**16,021**	312,724
— Non-controlling interests	**67,758**	33,529
	83,779	346,253

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Assets			
Non-current assets			
Prepaid land lease payments		**—**	1,651,195
Property, plant and equipment		**3,700,428**	3,705,965
Intangible assets		**1,557,361**	1,570,379
Right-of-use assets		**1,804,933**	—
Other non-current assets		**73,553**	20,639
Total non-current assets		**7,136,275**	6,948,178
Current assets			
Trade and other receivables	10	**48,338**	81,231
Financial instruments at fair value through other comprehensive income		**3,420**	3,323
Cash and cash equivalents		**1,577,633**	2,125,719
Restricted cash		**290,092**	291,716
Term deposits with initial term of over three months		**—**	333,131
Total current assets		**1,919,483**	2,835,120
Total assets		**9,055,758**	9,783,298
Equity			
Equity attributable to owners of the Company			
Share capital		**28**	28
Share premium		**1,792,355**	1,803,948
Reserves		**760,144**	776,896
Retained earnings		**1,096,001**	1,080,192
Capital and reserves attributable to owners of the Company		**3,648,528**	3,661,064
Non-controlling interests		**550,269**	482,511
Total equity		**4,198,797**	4,143,575
Liabilities			
Non-current liabilities			
Borrowings	12	**32,629**	506,979
Deferred income tax liabilities	14	**516,638**	521,065
Lease liabilities		**33,602**	—
Financial instruments at fair value through profit or loss	13	**2,028,588**	149,349
Deferred income		**2,104**	5,758
Total non-current liabilities		**2,613,561**	1,183,151

	Note	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Current liabilities			
Accruals and other payables	11	**781,545**	963,014
Borrowings	12	**269,278**	1,065,394
Contract liabilities		**1,181,728**	1,301,163
Lease liabilities		**10,849**	—
Financial instruments at fair value through profit or loss	13	**—**	1,127,001
Total current liabilities		**2,243,400**	4,456,572
Total liabilities		**4,856,961**	5,639,723
Total equity and liabilities		**9,055,758**	9,783,298

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended**	
		29 February 2020	28 February 2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		**556,611**	323,023
Interest paid		**(61,501)**	(10,321)
Net cash generated from operating activities		**495,110**	312,702
Cash flows from investing activities			
Purchases of property, plant and equipment		**(125,828)**	(57,049)
Payment of prepaid land lease payments		**(117,508)**	—
Prepayment for construction of a new campus in Henan Province		**(61,419)**	—
Refund of prepaid land lease payments		**—**	943
Purchases of intangible assets		**(3,159)**	(357)
Proceeds from disposal of property, plant and equipment		**1,569**	979
Proceeds from disposal of intangible assets		**3**	—
Purchases of financial instruments at fair value through profit or loss		**(400,000)**	(3,309,990)
Disposals of financial instruments at fair value through profit or loss		**400,217**	2,750,499
Acquisition of subsidiaries of prior periods		**(69,612)**	(137,567)
Changes in term deposits with initial term of over three months		**329,395**	(742,241)
Changes in restricted bank deposits		**(40)**	1,052
Interest received		**7,111**	4,516
Payments for the assignment of creditor's rights		**—**	(124,372)
Net cash used in investing activities		**(39,271)**	(1,613,587)

	Note	Six months ended 29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Cash flows from financing activities			
Issuance of convertible loans		**—**	167,703
Issuance of convertible bonds	13	**1,876,402**	810,938
Payment of convertible bonds issuance costs		**(18,756)**	(14,466)
Redemption of convertible bonds	13	**(1,388,768)**	—
Dividends paid to owners of the Company		**(219,042)**	—
Finance lease payments	12	**(3,464)**	(3,464)
Proceeds from borrowings	12	**369,894**	395,834
Repayments of borrowings	12	**(1,608,739)**	(495,735)
Net cash (used in)/generated from financing activities		**(992,473)**	860,810
Net decrease in cash and cash equivalents		**(536,634)**	(440,075)
Cash and cash equivalents at beginning of the period		**2,125,719**	1,593,177
Exchange losses on cash and cash equivalents		**(11,452)**	(2,930)
Cash and cash equivalents at end of the period		**1,577,633**	1,150,172

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

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

The Company was incorporated in the Cayman Islands on 25 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company's registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited. 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**").

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

Key events

(a) Issuance of the Convertible Bonds due 2024

On 27 December 2019 (the "**Issue Date**"), the Company completed the issuance of convertible bonds due in December 2024 with an aggregate principal amount of HK$2,088,000,000 at 0.90% per annum (the "**Convertible Bonds due 2024**"). The cash proceeds related to the issuance of RMB1,876,402,000 was received by the Group on 27 December 2019.

Details were set out in Note 13.

(b) Redemption of the Prior Convertible Bonds

On 27 December 2019, the Company redeemed and cancelled all outstanding balance related to the convertible bonds due in January 2020 with an aggregate principal amount of HK$928,000,000 at 3.00% per annum (the "**Prior Convertible Bonds**"). The cash payment related to the redemption of RMB1,388,768,000 was made by the Group on 27 December 2019.

Details were set out in Note 13.

(c) The IFC Loan

On 31 May 2018, the Group entered into a loan agreement with International Finance Corporation ("**IFC**" or the "**Borrower**"), pursuant to which IFC 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 (the "**Initial Tranche**") and a US$25 million conversion tranche (the "**Convertible Loan**") that can be convertible into ordinary shares of the Company at a conversion price of HK$5.75 per share at the option of IFC (the "**IFC Loan**").

On 30 January 2020, the Borrower converted the Convertible Loan of US$24.9 million related to the Convertible Loan pursuant to the agreement, and the remaining Convertible Loan of US$0.1 million (equivalent to approximately RMB689,000) was transferred to borrowings.

On 10 January 2020, the Initial Tranche of US$50 million (equivalent to approximately RMB346,750,000) was repaid by the Group.

Details were set out in Note 12 and Note 13.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 29 February 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

As at 29 February 2020, the Group's current liabilities exceeded its current assets by RMB323,916,000. Included in the current liabilities as at 29 February 2020 were contract liabilities of RMB1,181,728,000 relating to tuition and boarding fees received in advance and borrowings of RMB269,278,000 (Note 12). In addition, as at 29 February 2020, the Group had non-current liabilities of RMB2,613,561,000, including borrowings of RMB32,629,000 (Note 12), the principals of which were all repayable more than twelve months from the period end date in accordance with the respective borrowing agreements; and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB2,028,588,000 (the "**Convertible Bonds**") which will be repayable in December 2024 subject to the redemption and conversion terms and conditions as stipulated in the subscription agreement (Note 13). The Group had cash and cash equivalents of RMB1,577,633,000 as at 29 February 2020.

Management has given careful consideration to the future liquidity and performance of the Group, including the likelihood of any events triggering the redemption of the Convertible Bonds; and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and commitments 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 29 February 2020 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 29 February 2020.

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 condensed consolidated interim financial statements on a going concern basis.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2019, as described in those annual financial statements, except for the adoption of new and amended standard as set out below.

(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 2019:

- IFRS 16 Lease

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 16 and the impact of the adoption of this standard and the new accounting policy are disclosed in Note 4 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.

(b) New standards and interpretations not yet adopted

		Effective for accounting periods beginning on
Amendments to IAS 1 and IAS 8	Definition of Material, Classification of liabilities as current or non-current	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
IFRS 17	Insurance Contracts	1 January 2021

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

4 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(a) below.

The Group has adopted IFRS 16 retrospectively from 1 September 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 September 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 September 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 7.2%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 September 2019 *RMB'000*
Operating lease commitments disclosed as at 31 August 2019	52,002
Discounted using the lessee's incremental borrowing rate of at the date of initial application	34,112
Add: finance lease liabilities recognised as at 31 August 2019	21,760
(Less): short-term leases recognised on a straight-line basis as expense	(3,628)
(Less): low-value leases recognised on a straight-line basis as expense	(2,170)
Lease liability recognised as at 1 September 2019	50,074
Of which are:	
Current lease liabilities	8,834
Non-current lease liabilities	41,240
	50,074

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	29 February 2020	1 September 2019
	RMB'000	*RMB'000*
Properties	**62,559**	68,155
Prepaid land lease payments	**1,741,608**	1,651,195
Motor vehicles	**766**	963
Total right-of-use assets	**1,804,933**	1,720,313

The change in accounting policy affected the following items in the balance sheet on 1 September 2019:

- property, plant and equipment — decrease by RMB31,475,000
- prepaid land lease payments — decrease by RMB1,651,195,000
- right-of-use assets — increase by RMB1,720,313,000
- trade and other receivables — decrease by RMB2,450,000
- other non-current assets — decrease by RMB6,967,000
- borrowings — decrease by RMB21,760,000
- lease liabilities — increase by RMB50,074,000.

The net impact on retained earnings on 1 September 2019 was a decrease of RMB1,424,000.

Segment assets and segment liabilities for February 2020 all increased as a result of the change in accounting policy. Lease liabilities and right-of-use assets are now included in segment information. The following segments were affected by the change in policy:

	Kindergartens	**Grade 1–12**	**University**	**Unallocated**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Unaudited					
As at 29 February 2020					
Total assets	4,547	13,592	6,495	—	24,634
Total liabilities	5,459	14,176	6,487	—	26,122

Earnings per share decreased by RMB0.00002 per share for the six months ended 29 February 2020 as a result of the adoption of IFRS 16.

(b) The Group's leasing activities and how these are accounted for

Until the financial year ended 31 August 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 September 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

5 Segment information

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

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

The CODM considers the business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group's operating segments are aggregated. 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.

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

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

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 29 February 2020 and 28 February 2019.

The information of the reportable segments provided to the CODM for the six months ended 29 February 2020 and 28 February 2019 is as follows:

	Kindergartens *(RMB'000)*	**Grade 1–12** *(RMB'000)*	**University** *(RMB'000)*	**Unallocated** *(RMB'000)*	**Inter-segment elimination** *(RMB'000)*	**Total** *(RMB'000)*
Unaudited						
For the six months ended 29 February 2020						
Revenue	**26,657**	**323,810**	**909,941**	**1,241**	**(1,241)**	**1,260,408**
Cost of revenue	**(14,345)**	**(165,572)**	**(348,015)**	**—**	**—**	**(527,932)**
Gross profit	**12,312**	**158,238**	**561,926**	**1,241**	**(1,241)**	**732,476**
Selling expenses	**(13)**	**(10,228)**	**(25,398)**	**(8)**	**—**	**(35,647)**
Administrative expenses	**(3,038)**	**(21,412)**	**(79,849)**	**(19,571)**	**1,241**	**(122,629)**
Net impairment losses on financial assets	**—**	**—**	**(3,444)**	**—**	**—**	**(3,444)**
Other income	**12**	**4,766**	**8,790**	**17**	**—**	**13,585**
Other (losses)/gains — net	**(24)**	**(656)**	**386**	**(453,655)**	**—**	**(453,949)**
Operating profit	**9,249**	**130,708**	**462,411**	**(471,976)**	**—**	**130,392**
Finance expenses — net	**(66)**	**(943)**	**(16,256)**	**(32,563)**	**—**	**(49,828)**
Profit before income tax	**9,183**	**129,765**	**446,155**	**(504,539)**	**—**	**80,564**
Income tax credit	**—**	**1,789**	**2,638**	**—**	**—**	**4,427**
Profit for the period	**9,183**	**131,554**	**448,793**	**(504,539)**	**—**	**84,991**
Unaudited						
As at 29 February 2020						
Total assets	**185,108**	**2,924,955**	**8,197,794**	**3,974,259**	**(6,226,358)**	**9,055,758**
Total liabilities	**52,409**	**1,393,673**	**3,248,466**	**6,536,213**	**(6,373,800)**	**4,856,961**
Other segment information						
For the six months ended 29 February 2020						
Additions to non-current assets	**1,036**	**6,758**	**232,498**	**16**	**—**	**240,308**
Depreciation and amortisation	**(819)**	**(29,443)**	**(98,509)**	**(1,865)**	**—**	**(130,636)**
Losses on disposal of property, plant and equipment	**24**	**606**	**551**	**21**	**—**	**1,202**

	Kindergartens *(RMB'000)*	Grade 1–12 *(RMB'000)*	University *(RMB'000)*	Unallocated *(RMB'000)*	Inter-segment elimination *(RMB'000)*	Total *(RMB'000)*
Unaudited						
For the six months ended 28 February 2019						
Revenue	28,058	302,978	469,977	1,200	(1,200)	801,013
Cost of revenue	(13,866)	(146,791)	(183,679)	(105)	—	(344,441)
Gross profit	14,192	156,187	286,298	1,095	(1,200)	456,572
Selling expenses	—	(5,577)	(3,911)	(488)	—	(9,976)
Administrative expenses	(3,186)	(19,958)	(38,114)	(31,837)	1,200	(91,895)
Other income	—	12,161	4,426	—	—	16,587
Other gains/(losses) — net	657	3,272	2,767	(2,030)	—	4,666
Operating profit	11,663	146,085	251,466	(33,260)	—	375,954
Finance income/(expenses) — net	(4,808)	173	377	(12,643)	—	(16,901)
Profit before income tax	6,855	146,258	251,843	(45,903)	—	359,053
Income tax credit	—	1,947	2,920	—	—	4,867
Profit for the period	6,855	148,205	254,763	(45,903)	—	363,920
As at 28 February 2019						
Total assets	166,509	2,338,887	4,459,156	6,798,285	(6,355,613)	7,407,224
Total liabilities	60,772	1,116,017	1,504,386	4,962,636	(4,192,645)	3,451,166
Other segment information						
For the six months ended 28 February 2019						
Additions to non-current assets	237	2,530	33,850	48	—	36,665
Additions to non-current assets due to the acquisition of subsidiaries	—	157,947	323,979	—	—	481,926
Depreciation and amortisation	(1,308)	(26,806)	(52,439)	(3,499)	—	(84,052)
Losses on disposal of property, plant and equipment	(160)	(239)	(2,701)	—	—	(3,100)

6 Expenses by nature

	Six months ended	
	29 February 2020	28 February 2019
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**342,315**	245,203
— Wages, salaries, bonus and other welfare	**327,819**	225,143
— Share-based compensation expenses	**14,496**	20,060
Depreciation of property, plant and equipment	**86,433**	61,547
Depreciation of right-of-use assets	**28,300**	—
Amortisation of prepaid land lease payments	**—**	11,518
Amortisation of intangible assets	**15,903**	10,987
Canteen expenditure	**13,736**	12,731
Student training and scholarship expenses	**40,140**	15,798
School consumables	**21,015**	19,491
Utilities expenses	**24,272**	15,954
Maintenance expenses	**18,296**	5,587
Marketing expense	**20,595**	3,244
Operating lease payments	**2,444**	2,548
Office expenses	**42,642**	13,945
Consultancy and professional fee	**10,524**	14,597
Travel and entertainment expense	**7,932**	2,706
Expense in relation to the acquisition of subsidiaries	**—**	3,703
Other expenses	**11,661**	6,753
	686,208	446,312

7 Other (losses)/gains — net

	Six months ended	
	29 February 2020	28 February 2019
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Net losses on financial liabilities at fair value through profit or loss as at period/year end	**(163,014)**	(387)
Net losses on redemption of the Prior Convertible Bonds	**(297,461)**	—
Net gains on conversion of the convertible loans under the IFC Loan	**6,941**	—
Losses on disposal of property plant and equipment	**(1,202)**	(3,100)
Gain on disposal of financial assets at fair value through profit or loss	**217**	10,509
Donation	**570**	(100)
Losses on debt forgiveness	**—**	(2,256)
	(453,949)	4,666

8 Income tax credit

	Six months ended	
	29 February 2020	28 February 2019
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Current tax		
Current tax on profits before income tax for the period	**—**	—
Deferred tax		
Decrease in deferred tax assets (Note 14)	**(500)**	—
Decrease in deferred tax liabilities (Note 14)	**4,927**	4,867
Deferred tax expense for the period	**4,427**	4,867
Income tax credit	**4,427**	4,867

(a) 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 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 six months ended 29 February 2020 and 28 February 2019.

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

CIT is provided on assessable profits of entities incorporation 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 six months ended 29 February 2020 and 28 February 2019.

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

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

(e) Thailand corporate income tax

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

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 29 February 2020 by the weighted average number of ordinary shares in issue during the six months ended 29 February 2020.

	Six months ended	
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**17,233**	330,391
Weighted average number of ordinary shares in issue (thousand)	**3,292,972**	3,204,396
Basic earnings per share (RMB)	**0.01**	0.10

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 29 February 2020 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**17,233**	330,391
Adjustments for:		
— interest savings and fair value change on convertible loans	**—**	(10,881)
Adjusted profit attributable to owners of the Company (RMB'000)	**17,233**	319,510
Weighted average number of ordinary shares in issue (thousands)	**3,292,972**	3,204,396
Adjustments for:		
— Pre-IPO share options (thousands)	**89,526**	74,614
— Convertible loans	**—**	4,472
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,382,498**	3,283,482
Diluted earnings per share (RMB)	**0.01**	0.10

10 Trade and other receivables

	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Trade receivables		
Due from students	**13,962**	18,728
Provision for impairment	**(3,977)**	(551)
	9,985	18,177
Other receivables		
Deposits	**6,301**	15,226
Staff advance	**9,872**	13,839
Interest receivables	**857**	7,968
Others	**6,452**	6,311
Provision for impairment	**(56)**	(38)
	23,426	43,306
Prepayment		
Prepaid expenses	**14,927**	19,748
	48,338	81,231

As at 29 February 2020 and 31 August 2019, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 29 February 2020 *(RMB'000)* (Unaudited)	As at 31 August 2019 *(RMB'000)* (Audited)
Less than 1 year	**11,565**	18,626
Over 1 year	**2,397**	102
	13,962	18,728

11 Accruals and other payables

	As at 29 February 2020 *(RMB'000)* (Unaudited)	As at 31 August 2019 *(RMB'000)* (Audited)
Amounts due to related parties	**5,616**	5,258
Payables in relation to the acquisition of subsidiaries	**260,000**	329,612
Payables for purchases of property, plant and equipment	**156,552**	164,191
Salary and welfare payables	**93,024**	121,688
Defined pension benefits	**10,143**	9,729
Deposits received from teachers and students	**29,728**	30,688
Miscellaneous expenses received from students	**93,903**	90,509
Payables for teaching materials and other operating expenditure	**49,514**	73,243
Payables for contracting canteens	**1,582**	514
Government subsidies payable to students and teachers	**14,917**	27,248
Audit and consulting fees	**2,024**	8,609
Interest payables	**2,815**	43,706
Taxes payable	**19,784**	17,300
Legal claim payables	**6,589**	6,589
Others	**35,354**	34,130
	781,545	963,014

12 Borrowings

	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Non-current		
Secured		
Bank loans	**32,629**	362,948
Finance lease liabilities	**—**	18,296
Loans from other financial institutions	**—**	65,735
Unsecured		
Bank loans	**—**	60,000
	32,629	506,979
Current		
Secured		
Bank loans	**268,589**	650,795
Finance lease liabilities	**—**	3,464
Loans from other financial institutions	**—**	58,957
Unsecured		
Bank loans	**—**	20,000
Borrowings from other third parties	**689**	332,178
	269,278	1,065,394
Total borrowings	**301,907**	1,572,373

(a) Movements in borrowings is analysed as follows:

Unaudited	***RMB'000***
Six months ended 29 February 2020	
Opening amount as at 1 September 2019	**1,572,373**
Adjustments for change in accounting policy	**(21,760)**
Restated opening net book amount	**1,550,613**
Transfer from the IFC Loan (i)	**689**
Proceeds of new borrowings (ii)	**369,894**
Settlement of borrowings by repayment in cash	**(1,608,739)**
Settlement by offsetting deposits for the respective borrowings	**(10,550)**
Closing amount as at 29 February 2020	**301,907**
Six months ended 28 February 2019	
Opening amount as at 1 September 2018	529,452
Acquisition of subsidiaries	83,507
Proceeds of new borrowings	395,834
Settlements of borrowings	(495,735)
Finance lease payments	(3,464)
Finance charge on finance leases	394
Closing amount as at 28 February 2019	509,988

Notes:

(i) RMB689,000 was transferred from the Loan to IFC in January 2020. The annual interest rate is determined based on LIBOR and a fixed rate of 1.7% pursuant to the loan agreement (Note 13).

(ii) The bank loans carry respective interest rates ranging from 4.7850% to 5.0025% and will be matured within one year.

(b) As at 29 February 2020, there were no undrawn bank facility (31 August 2019: nil).

(c) The carrying amounts of assets pledged as security for borrowings are:

	As at 29 February 2020 ***RMB'000*** **(Unaudited)**	As at 31 August 2019 *RMB'000* (Audited)
Bank borrowings		
Guaranteed by related party	**—**	200,000
Pledged with land use rights and property, plant and equipment	**51,218**	62,968
Guaranteed and pledged by subsidiaries of the Group	**—**	420,775
Pledged with right over the tuition fee and accommodation fee	**250,000**	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	**—**	130,000
	301,218	1,013,743

13 Financial liabilities at fair value through profit or loss

	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Non-current		
Convertible Bonds due 2024 (a)	**2,028,588**	—
The IFC Loan (c)	**—**	149,349
Current		
The IFC Loan (c)	**—**	24,891
Prior Convertible Bonds (b)	**—**	1,102,110
	—	1,127,001

(a) Issuance of the Convertible Bonds due 2024

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

The Convertible Bonds due 2024 were recognised and measured as financial liabilities at fair value through profit or loss pursuant to the subscription agreement. The fair value as of the Issue Date and 29 February 2020 were RMB1,876,402,000 and RMB2,028,588,000, respectively. The changes in the fair value that were attributable to the changes in the liability's credit risk of RMB14,699,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB163,014,000 were charged to other losses (Note 7).

The Convertible Bonds due 2024 bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020.

Pursuant to the subscription agreement, the convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK$0.00001 each, at the option of the bondholders. Each convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after the Issue Date up to the close of business on the date falling seven days prior to the Maturity Date (the "**Conversion Period**") into fully paid ordinary shares with a par value of HK$0.00001 each of the Company at an initial conversion price of HK$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement.

As at 29 February 2020, no conversion related to the Convertible Bonds due 2024 was exercised by the holders.

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

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

(b) Redemption of the Prior Convertible Bonds

On 27 December 2019 (the "**Redemption Date**"), the Company completed the redemption of all outstanding balance related to the Prior Convertible Bonds. The redemption price of RMB1,388,768,000 was paid by the Group on 27 December 2019.

Upon completion of the redemption, the Prior Convertible Bonds were cancelled by the Company on 27 December 2019.

The Prior Convertible Bonds were measured as financial liabilities at fair value through profit or loss. The changes between the fair value as of beginning of the period and the Redemption Date of RMB297,461,000 (Note 7) were charged to the other losses.

(c) The IFC Loan

On 31 May 2018, the Group entered into a loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of the Initial Tranche of US$50 million and the Convertible Loan with principle amount of US$25 million that can be convertible into ordinary shares of the Company at a conversion price of HK$5.75 per share at the option of IFC (the "**IFC Loan**"). The conversion price was subsequently adjusted to HK$5.53 per share.

On 30 January 2020, according to the loan agreement, the Borrower converted all outstanding balance of the Convertible Loan into: a) ordinary shares of the Company amounting to US$24.9 million (equivalent to approximately RMB166,610,000); and b) US$0.1 million (equivalent to approximately RMB689,000) was converted to an ordinary loan due to IFC commencing on 30 January 2020. The Convertible Loan was measured as financial liabilities at fair value through profit or loss (Note 13). The changes between the fair value as of beginning of the period and the conversion date of RMB6,941,000 were charged to the other gains (Note 7).

The Initial Tranche under the IFC Loan was accounted as borrowings of the Group in accordance with the loan agreement. (Note 13)

As of 29 February 2020, no outstanding balance in the financial liabilities related to the IFC Loan.

14 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 29 February 2020 ***RMB'000*** **(Unaudited)**	As at 31 August 2019 *RMB'000* (Audited)
Opening amount	**20,184**	—
Acquisition of subsidiaries	**—**	16,172
Charged to profit or loss (Note 8)	**(500)**	4,012
Closing amount	**19,684**	20,184

(b) Deferred tax liabilities

	As at 29 February 2020 *RMB'000* (Unaudited)	As at 31 August 2019 *RMB'000* (Audited)
Opening amount	**(541,249)**	(246,870)
Acquisition of subsidiaries	**—**	(303,909)
Charged to profit or loss (Note 8)	**4,927**	9,530
Closing amount	**(536,322)**	(541,249)

15 Dividends

On 27 April 2020, the Board of Directors has resolved to declare an interim dividend of HK$0.082 (2019: HK$0.061) per share to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2020. This interim dividend, amounting to approximately HK$273,850,000 (2019: HK$200,370,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company on 26 June 2020.

A dividend in respect of the year ended 31 August 2019 of HK$0.073 per share amounting to a total dividend of RMB216,805,000 was approved at the annual general meeting held on 4 February 2020 and paid on 17 February 2020.

16 Events occurring after the balance sheet date

(a) Details of the interim dividend proposed are given in Note 15.

(b) COVID-19 Impact

The outbreak of COVID-19 started in January 2020. After the outbreak, a series of precautionary and control measures have been continuing to be implemented in PRC and Thailand where the main operations of the Group are located, including postponement of work and school resumption, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in campus and workplaces and encouraged social distancing, etc.

Up to the date of this interim financial information, the impacts of the COVID-19 outbreak on both national and global macroeconomic conditions as a whole are still uncertain, and the Group is unable to quantify the related financial effects. The Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including provision of education services by implementing online courses, postponement of the resumption of school classroom education based on local government's guidance and implementation of prevention and control policies released by the relevant local government authorities. The Group will pay close attention to the development of the COVID-19 outbreak and is evaluating its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 19 years of operating private schools in China, 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 university and K-12 schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

In December 2019, the Company issued an aggregate principal amount of HK$2,088 million in 0.90% convertible bonds due in 2024 (the "**2024 Convertible Bonds**") that were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 40109). Of the amount raised, RMB1,388.8 million was used to repurchase the Company's existing 3.00% convertible bonds due January 2020 (former stock code: 5532) (the "**January 2020 Convertible Bonds**"). The repurchase was completed on 27 December 2019 and the listing of the January 2020 Convertible Bonds was withdrawn with effect upon the close of business on 14 January 2020.

Further details of the issue of the 2024 Convertible Bonds and the repurchase of the January 2020 Convertible Bonds are set out in the announcements of the Company dated 4 December 2019, 10 December 2019, 27 December 2019, 29 December 2019 and 6 January 2020.

The business of the Group remained relatively stable for the six months ended 29 February 2020, notwithstanding the impact of the novel coronavirus COVID-19. As previously disclosed, the Group collects 100% of its tuition fees prior to the commencement of the school year, and therefore the COVID-19 has not had a material adverse effect on the revenue and operating results of the Group for the six months ended 29 February 2020. The Group will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 29 February 2020.

The Group's Schools

As at 29 February 2020, the Group had 28 schools in China and 1 school in Thailand.

The following table shows a summary of the Group's schools by category as at the end of February 2020 and 2019:

	As at 29 February 2020	As at 28 February 2019
The Group's schools in the PRC		
Universities	**3** (note 1)	2
High schools	**5**	5
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**7**	8
The Group's schools overseas		
University	**1** (note 2)	1
Total	**29**	29

Notes:

1. The Group owns 90% equity interests in Jinan Shuangsheng Education Consulting Co., Ltd. which holds the entire sponsorship interest in Shandong Yingcai University. The financial results of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries were consolidated into the Group's accounts on 2 August 2019.

2. This represents Stamford International University that the Group operates in Thailand.

Event after the Reporting Period

(a) Details of the interim dividend proposed are given in Note 15 to the unaudited interim condensed consolidated financial information above.

(b) COVID-19 Impact

The outbreak of COVID-19 started in January 2020. After the outbreak, a series of precautionary and control measures have been continuing to be implemented in PRC and Thailand where the main operations of the Group are located, including postponement of work and school resumption, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in campus and workplaces and encouraged social distancing, etc.

Up to the date of this announcement, the impacts of the COVID-19 outbreak on both national and global macroeconomic conditions as a whole are still uncertain, and the Group is unable to quantify the related financial effects. The Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including provision of education services by implementing online courses, postponement of the resumption of school classroom education based on local government's guidance and implementation of prevention and control policies released by the relevant local government authorities. The Group will pay close attention to the development of the COVID-19 outbreak and is evaluating its impact on the financial position and operating results of the Group.

Outlook

The Group will 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 six months ended 29 February 2020, the Group recorded revenue of RMB1,260.4 million, an Adjusted Gross Profit of RMB762.6 million and a gross profit of RMB732.5 million. The Adjusted Gross Profit Margin[1] of the Group was 60.5% for the six months ended 29 February 2020 as compared with 60.0% for the corresponding period in 2019. The gross profit margin was 58.1% for the six months ended 29 February 2020 as compared with 57.0% for the corresponding period in 2019.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2020 was RMB494.8 million, representing an increase of RMB154.4 million or a 45.3% increase from the corresponding period in 2019. The Adjusted Net Profit Margin[2] attributable to owners of the Company was 39.3% and 42.5% for the six months ended 29 February 2020 and 28 February 2019, respectively.

The net profit attributable to owners of the Company amounted to RMB17.2 million and RMB330.4 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The net profit margin attributable to owners of the Company amounted to 1.4% and 41.2% for the six months period ended 29 February 2020 and 28 February 2019, respectively. The decrease in net profit was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

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

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

2. *Revenue*

For the six months ended 29 February 2020, revenue of the Group amounted to RMB1,260.4 million, representing an increase of RMB459.4 million or 57.4% as compared with RMB801.0 million for the corresponding period in 2019. The increase was primarily due to the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) 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 (iii) the acquisition of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University), the financial results of which have been consolidated into the Group's upon completion of the acquisition in August 2019.

3. *Cost of Revenue*

For the six months ended 29 February 2020, the Adjusted Cost of Revenue[3] of the Group amounted to RMB497.8 million, representing an increase of RMB176.9 million or 55.1% as compared with RMB320.9 million for the corresponding period in 2019. The cost of revenue of the Group amounted to RMB527.9 million and RMB344.4 million for the six months ended 29 February 2020 and 28 February 2019, respectively.

4. *Gross Profit and Gross Profit Margin*

For the six months ended 29 February 2020, the Adjusted Gross Profit of the Group amounted to RMB762.6 million, representing an increase of RMB282.4 million or 58.8% as compared with RMB480.2 million for the corresponding period in 2019. The Adjusted Gross Profit Margin of the Group for the six months ended 29 February 2020 was 60.5% and was 60.0% for the corresponding period in 2019.

The Group's gross profit amounted to RMB732.5 million and RMB456.6 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The Group's gross margin amounted to 58.1% and 57.0% for the six months ended 29 February 2020 and 28 February 2019, respectively. The improvement in the gross profit margin was mainly due to implementation of cost control measures.

5. *Selling Expenses*

For the six months ended 29 February 2020, the selling expenses of the Group amounted to RMB35.6 million, representing an increase of RMB25.6 million or 256.0% from RMB10.0 million during the corresponding period in 2019. The increase was primarily the result of an increase in marketing activities expense in student recruitment.

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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 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 2020, the Adjusted Administrative Expenses[4] of the Group amounted to RMB114.3 million, representing an increase of RMB36.3 million as compared with RMB78.0 million for the corresponding period in 2019. The administrative expenses of the Group amounted to RMB122.6 million and RMB92.0 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The increase was in line with the expansion of the business scale of the Group.

7. Other Income

For the six months ended 29 February 2020, the other income of the Group amounted to RMB13.6 million, representing a decrease of RMB3.0 million or 18.1% as compared with RMB16.6 million for the corresponding period in 2019. 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 2020, the other gains and losses of the Group amounted to a loss of RMB453.9 million as compared with a gain of RMB4.7 million for the corresponding period in 2019. The loss was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

9. Operating Profit

The operating profit of the Group amounted to RMB130.4 million and RMB376.0 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The decrease was primarily due to the mark-to-market valuation net loss of the convertible bonds and convertible loan.

10. Finance Income

Finance income increased by 15.2% from RMB16.4 million for the six months ended 28 February 2019 to RMB18.9 million for the corresponding period in 2020 due to an increase in cash and cash equivalents and term deposits with initial term of over three months.

11. Finance Expenses

Finance expenses increased by 106.6% from RMB33.3 million for the six months ended 28 February 2019 to RMB68.8 million for the corresponding period in 2020 due to (i) an increase in borrowings and convertible bonds; and (ii) the premium paid to International Finance Corporation ("**IFC**") for early repayment of the loan provided by IFC to the Company.

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

12. Profit for the Reporting Period

As a result of the above factors, the profit for the period for the six months ended 29 February 2020 and 28 February 2019 amounted to RMB85.0 million and RMB363.9 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB494.8 million and RMB340.4 million for the six months ended 29 February 2020 and 28 February 2019, 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 Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University) having been consolidated into the Group's upon completion of the acquisition in August 2019.

The net profit attributable to owners of the Company for the six months ended 29 February 2020 and 28 February 2019 were RMB17.2 million and RMB330.4 million, respectively. As discussed in the section headed "Financial Review — 1. Overview" in this announcement, the decrease in net profit was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

13. Liquidity and Source of Funding and Borrowing

As at 29 February 2020, the Group's cash and cash equivalents decreased by 25.8% from RMB2,125.7 million as at 31 August 2019 to RMB1,577.6 million. Including restricted cash, the Group's total cash decreased from RMB2,417.4 million as at 31 August 2019 to RMB1,867.7 million as at 29 February 2020. The decrease primarily resulted from payments associated with the repurchase of the January 2020 Convertible Bonds and repayment of borrowings.

As at 29 February 2020, the current assets of the Group amounted to RMB1,919.5 million, including RMB1,867.7 million in cash and restricted cash and RMB51.8 million in other current assets. The current liabilities of the Group amounted to RMB2,243.4 million, of which RMB781.5 million were accruals and other payables, RMB269.3 million were borrowings, and RMB1,192.6 million were other current liabilities. As at 29 February 2020, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.86 (31 August 2019: 0.64).

14. Gearing Ratio

As at 29 February 2020, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 7.2% (31 August 2019: 26.4%).

15. Material Investments

The Group did not make any material investments during the six months ended 29 February 2020.

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 2020.

17. Pledge of Assets

As at 29 February 2020, the bank borrowings of the Group amounting to RMB301.2 million were secured by certain land use right, buildings and right over the tuition fee and accommodation fee.

18. Contingent Liabilities

The Group had no contingent liabilities as at 29 February 2020.

19. Foreign Exchange Exposure

During the six months ended 29 February 2020, 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. As at 29 February 2020, 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 2020 and 28 February 2019, we had 7,542 and 6,269 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 laws and regulations of the PRC and the Kingdom of Thailand, the Company participates in various employee social security plans for its employees that are administered by local governments, including but not limited to (as applicable), 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 six months ended 29 February 2020 was RMB342.3 million (for the six months ended 28 February 2019: RMB245.2 million).

The following table sets forth the total number of employees by function as at 29 February 2020:

Function	**Number of employees**	**% of total**
Teachers	4,963	65.8%
Administrative staff	443	5.9%
Other staff	2,136	28.3%
Total	7,542	100.0%

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 29 February 2020 of HK$0.082 (2019: HK$0.061) per share to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2020. The interim dividend will be distributed to shareholders of the Company on 26 June 2020.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 4 June 2020 to 8 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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, for registration, no later than 4:30 p.m. on 3 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months ended 29 February 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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 complied with the Model Code during the six months ended 29 February 2020.

3. Audit Committee

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

The audit committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 29 February 2020 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial information in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Group.

4. Other Board Committees

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

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

Save for the repurchase of the existing 3.00% convertible bonds due January 2020 (former stock code: 5532) and the issue of the 2024 Convertible Bonds discussed in the section headed "Business Review" in this announcement, 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 2020.

6. Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 29 February 2020. 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 2020.

7. Building Certificates and Permits

As at 29 February 2020, 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 2020, 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.

8. 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 of 29 February 2020, the Group had utilised the net proceeds as set out in the table below:

	% of net proceeds	Net proceeds from IPO *HK$'million*	Utilised as at 31 August 2019 *HK$million*	Unutilised as at 31 August 2019 *HK$million*	Utilisation during the six months ended 29 February 2020 *HK$million*	Unutilised amount as at 29 February 2020 *HK$million*
Expansion of our school network	30%	446.5	446.5	0	0	0
Acquisition of K-12 schools and universities	28%	416.7	416.7	0	0	0
Upgrade and expansion of school facilities and capacity of our existing schools	25%	372.1	202.6	169.5	0	169.5
Supplementing our working capital	10%	148.8	148.8	0	0	0
Repayment of bank loans	7%	104.2	104.2	0	0	0
Total	**100%**	**1,488.3**	**1,318.8**	**169.5**	**0**	**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 IFC, pursuant to which IFC 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 IFC, be convertible into conversion shares at a conversion price of HK$5.75 per share. The conversion price was subsequently adjusted to HK$5.53 per share. For further details, please refer to the Company's announcements dated 31 May 2018 and 4 February 2020.

As of 29 February 2020, the Company had drawn US$75 million from the loan facility; US$50.0 million of the total principal amount had been repaid to IFC and US$0.1 million of the total principal amount was transfered to borrowings; and US$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to IFC in February 2020. For further details, please refer to the Company's announcement dated 4 February 2020.

	% of loan facility	Amount of loan facility *US$'million*	Utilised as at 31 August 2019 *US$'million*	Unutilised as at 31 August 2019 *US$'million*	Utilisation during the six months ended 29 February 2020 *US$'million*	Unutilised amount as at 29 February 2020 *US$'million*
	100%	**75**	**0**	**75**	**0**	**0**
Total	**100%**	**75**	**0**	**75**	**0**	**0**

(c) *Use of Proceeds from Issue of the 2024 Convertible Bonds*

On 27 December 2019, the Company completed the issuance of the 2024 Convertible Bonds, being the 0.90% convertible bonds due 2024 in an aggregate principal amount of HK$2,088 million, of which the net proceeds amounted to approximately HK$2,062 million. As of 29 February 2020, the net proceeds of the issue of these convertible bonds had been utilised as set out below:

	% of net proceeds	Net proceeds from the Convertible Bonds *HK$'million*	Utilisation during the six months ended 29 February 2020 *HK$'million*	Unutilised amount as at 29 February 2020 *HK$'million*
Repurchase of the existing convertible bonds due January 2020	**75.8%**	**1,564**	**1,564**	**0**
General corporate purposes	**4.8%**	**100**	**0**	**100**
Potential acquisitions	**19.4%**	**398**	**0**	**398**
Total	**100%**	**2,062**	**1,564**	**498**

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.yuhuachina.com. The interim report of the Group for the six months ended 29 February 2020 will be published on the aforesaid websites 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, 27 April 2020

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. Zhang Zhixue, Mr. Chen Lei and Mr. Xia Zuoquan as independent non-executive Directors.