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 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 audited consolidated annual results of the Group for the year ended 31 August 2020 (the "**Reporting Period**"). These annual results except for the non-IFRS measures have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

	Year ended 31 August		
	2020	2019	Change
	(RMB'000)	*(RMB'000)*	
Revenue	**2,409,352**	1,714,485	+40.5%
Gross Profit	**1,468,615**	999,893	+46.9%
Adjusted Gross Profit[1]	**1,522,029**	1,048,761	+45.1%
Adjusted Net Profit attributable to the owners of the Company[2]	**1,040,718**	792,538	+31.3%

Notes:

1. The Adjusted Gross Profit for the year ended 31 August 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 amortization 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 year ended 31 August 2019, please refer to the Company's annual results announcement for the year ended 31 August 2019.

2. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; and (iv) fair value 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 2019, please refer to the Company's annual results announcement for the year ended 31 August 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 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)		**2020**	2019
Gross Profit		**1,468,615**	999,893
Add: 100%	Share-based compensation expense (in cost of revenue)	**12,406**	12,406
	Additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets		
Add: 100%	— HIEU	**10,016**	16,693
Add: 100%	— Bowang High School	**8,006**	15,573
Add: 100%	— Shandong Yingcai University	**18,698**	1,695
Add: 100%	— Stamford International University	**4,288**	2,501
Adjusted Gross Profit		**1,522,029**	1,048,761

Calculation of Adjusted Net Profit attributable to owners of the Company

(RMB'000)		Year ended 31 August **2020**	2019
Net Profit attributable to the owners of the Company		**203,838**	484,955
Add: 100%	Share-based compensation expense (in cost of revenue)	**12,406**	12,406
Add: 100%	Share-based compensation expense (in administrative expense)	**16,586**	27,714
	Additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets		
Add: 70%	— HIEU	**10,016**	16,693
Add: 70%	— Bowang High School	**8,006**	15,573
Add: 90%	— Shandong Yingcai University (before acquisition of minority interests)	**17,140**	1,695
Add: 100%	— Shandong Yingcai University (after acquisition of minority interests)	**1,558**	—
Add: 100%	— Stamford International University	**4,288**	2,501
Add: 100%	Accrued but not paid interest associated with Prior Convertible Bond	**—**	12,209
Add: 100%	Change in fair value on Convertible Bond and Convertible Loan[Note]	**790,125**	250,215
Less: 100%	Government Grants	**(16,124)**	(21,573)
Adjusted Net Profit attributable to the owners of the Company		**1,040,718**	792,538

Note: Details are set out in Note 5: Other losses — net.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Revenue	3	**2,409,352**	1,714,485
Cost of revenue	6	**(940,737)**	(714,592)
Gross profit		**1,468,615**	999,893
Selling expenses	6	**(47,125)**	(22,352)
Administrative expenses	6	**(239,233)**	(199,957)
Net impairment losses on financial assets		**(7,192)**	(682)
Other income	4	**29,071**	23,144
Other losses — net	5	**(792,010)**	(233,191)
Operating profit		**412,126**	566,855
Finance income		**28,728**	52,719
Finance expenses		**(129,935)**	(78,051)
Finance expenses — net		**(101,207)**	(25,332)
Profit before income tax		**310,919**	541,523
Income tax credit	7	**10,230**	13,542
Profit for the year		**321,149**	555,065
Profit attributable to:			
Owners of the Company		**203,838**	484,955
Non-controlling interests		**117,311**	70,110
		321,149	555,065
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	8	**0.06**	0.15
Diluted earnings per share	8	**0.06**	0.15

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**3,792,348**	3,705,965
Intangible assets		**1,550,944**	1,570,379
Right-of-use assets		**1,927,981**	—
Prepaid land lease payments		**—**	1,651,195
Other non-current assets		**11,109**	20,639
Total non-current assets		**7,282,382**	6,948,178
Current assets			
Trade and other receivables	10	**57,211**	81,231
Restricted cash		**154,372**	291,716
Term deposits with initial term of over three months		**—**	333,131
Financial assets at fair value through profit or loss		**50,000**	—
Financial assets at fair value through other comprehensive income		**—**	3,323
Cash and cash equivalents		**2,175,197**	2,125,719
Total current assets		**2,436,780**	2,835,120
Total assets		**9,719,162**	9,783,298
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**28**	28
Share premium		**1,546,308**	1,803,948
Other reserves		**974,417**	776,896
Retained earnings		**1,109,469**	1,080,192
		3,630,222	3,661,064
Non-controlling interests		**459,190**	482,511
Total equity		**4,089,412**	4,143,575

	Note	As at 31 August 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	12	**633,326**	506,979
Deferred tax liabilities	9	**510,835**	521,065
Lease liabilities		**31,101**	—
Financial liabilities at fair value through profit or loss	13	**2,301,148**	149,349
Deferred income		**97,739**	5,758
Total non-current liabilities		**3,574,149**	1,183,151
Current liabilities			
Accruals and other payables	11	**616,168**	963,014
Contract liabilities		**924,507**	1,301,163
Lease liabilities		**5,833**	—
Borrowings	12	**509,093**	1,065,394
Financial liabilities at fair value through profit or loss	13	**—**	1,127,001
Total current liabilities		**2,055,601**	4,456,572
Total liabilities		**5,629,750**	5,639,723
Total equity and liabilities		**9,719,162**	9,783,298

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		**1,123,177**	1,302,886
Interest paid		**(120,055)**	(53,294)
Interest received		**5,528**	—
Net cash generated from operating activities		**1,008,650**	1,249,592
Cash flows from investing activities			
Payment of prepaid land lease payments		**(273,807)**	—
Purchases of property, plant and equipment		**(359,877)**	(179,951)
Purchases of intangible assets		**(3,611)**	(2,547)
Purchases of financial assets at fair value through profit or loss		**(450,000)**	(4,875,990)
Disposal of financial assets at fair value through profit or loss		**400,351**	4,875,990
Acquisition of subsidiaries, net of cash acquired		**—**	(1,567,316)
Payments for acquisition of subsidiaries of prior years		**(194,900)**	—
Purchases of term deposits with initial term of over three months		**—**	(317,419)
Disposal of term deposits with initial term of over three months		**333,131**	414,680
Changes in restricted cash		**137,344**	(10,229)
Interest received		**30,042**	58,463
Proceeds from disposal of property, plant and equipment		**3,123**	1,783
Proceeds from disposal of intangible assets		**44**	—
Proceeds from/(net cash disposed upon) disposal of subsidiaries		**2,160**	(1,247)
Refund of prepaid land lease payments		**—**	284
Payments for the assignment of creditor's rights		**—**	(124,372)
Net cash used in investing activities		**(376,000)**	(1,727,871)

	Note	Year ended 31 August **2020** *RMB'000*	2019 *RMB'000*
Cash flows from financing activities			
Issuance of convertible loans		**—**	167,702
Issuance of convertible bonds	13	**1,876,402**	810,938
Payment of convertible bonds issuance costs		**(18,756)**	—
Redemption of convertible bonds	13	**(1,388,768)**	—
Proceeds from borrowings		**1,220,000**	846,980
Repayments of borrowings		**(1,615,500)**	(445,538)
Principal elements of lease payments or finance lease payments		**(6,696)**	(2,692)
Dividends paid to shareholders of the Company	15	**(465,089)**	(364,077)
Transactions with non-controlling interests	14	**(165,728)**	—
Net cash (used in)/generated from financing activities		**(564,135)**	1,013,313
Net increase in cash and cash equivalents		**68,515**	535,034
Cash and cash equivalents at the beginning of year		**2,125,719**	1,593,177
Exchange losses on cash and cash equivalents		**(19,037)**	(2,492)
Cash and cash equivalents at the end of year		**2,175,197**	2,125,719

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 August **2020** *RMB'000*	2019 *RMB'000*
Profit for the year		**321,149**	555,065
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**5,026**	24,662
Items that will not be reclassified to profit or loss			
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	13	**47,418**	—
Changes in the fair value of equity investments at fair value through other comprehensive income		**(3,323)**	—
Remeasurements of post-employment benefit obligations		**1,403**	—
Other comprehensive income for the year, net of tax		**50,524**	24,662
Total comprehensive income for the year		**371,673**	579,727
Total comprehensive income for the year attributable to:			
Owners of the Company		**254,362**	509,617
Non-controlling interests		**117,311**	70,110
		371,673	579,727

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. 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.

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 pursuant to the agreement, and the remaining Convertible Loan of US$0.1 million (equivalent to approximately RMB686,000) 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.

(d) Transactions with non-controlling interests

On 4 August 2020, the Group acquired the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd., a previously 90% subsidiary held by the Group at a transaction consideration of RMB165,728,000. Immediately prior to the transaction, the carrying amount of the existing 10% non-controlling interests in Jinan Shuangsheng Education Consulting Co., Ltd. was RMB140,632,000. The Group recognized a decrease in non-controlling interests of RMB140,632,000 and a decrease in equity attributable to owners of the parent of RMB25,096,000. Upon completion of the transaction, the Group held 100% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd.

Details were set out in Note 14.

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 Historical cost convention

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

2.1.2 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 September 2019:

- *IFRS 16 Leases*
- *Prepayment Features with Negative Compensation — Amendments to IFRS 9*
- *Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to IAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments*

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 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.

2.1.3 New standards and interpretations not yet adopted

The following new and amended standards and interpretations are effective for the fiscal year beginning on 1 September 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on
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
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 September 2020
Amendments to IFRS 16	COVID-19-related rent concessions	1 September 2020
IFRS 17	Insurance Contracts	1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 September 2019, where they are different to those applied in prior periods.

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.

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 assets 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.

(i) Measurement of lease liabilities

	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

(ii) Measurement of right-of-use assets

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.

	31 August 2020 ***RMB'000***	1 September 2019 *RMB'000*
Buildings	**51,837**	68,155
Leasehold land	**1,875,670**	1,651,195
Vehicles	**474**	963
Total right-of-use assets	**1,927,981**	1,720,313

(iii) Adjustments recognised in the balance sheet on 1 September 2019

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

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

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

(iv) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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.

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

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

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's total revenue for the years ended 31 August 2020 and 31 August 2019.

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2020 are as follows:

	Kindergartens *RMB'000*	Grade 1–12 *RMB'000*	University *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
For the year ended 31 August 2020						
Revenue	39,920	608,657	1,760,775	2,765	(2,765)	2,409,352
Cost of revenue	(22,859)	(289,661)	(628,217)	—	—	(940,737)
Gross profit	17,061	318,996	1,132,558	2,765	(2,765)	1,468,615
Selling expenses	(55)	(11,067)	(35,995)	(8)	—	(47,125)
Administrative expenses	(5,684)	(38,806)	(155,445)	(42,063)	2,765	(239,233)
Net impairment losses on financial assets	—	—	(7,192)	—	—	(7,192)
Other income	93	10,121	13,023	5,834	—	29,071
Other gains/(losses) — net	1,109	(981)	(778)	(791,360)	—	(792,010)
Operating profit/(loss)	12,524	278,263	946,171	(824,832)	—	412,126
Finance expenses — net	(1,150)	(20,514)	(21,469)	(58,074)	—	(101,207)
Profit before income tax	11,374	257,749	924,702	(882,906)	—	310,919
Income tax credit	—	2,002	8,228	—	—	10,230
Profit for the year	11,374	259,751	932,930	(882,906)	—	321,149
As at 31 August 2020						
Total assets	196,696	3,282,230	8,601,594	3,672,137	(6,033,495)	9,719,162
Total liabilities	68,951	1,761,489	3,095,822	6,957,296	(6,253,808)	5,629,750
Other segment information						
Additions to non-current assets	792	63,653	506,326	59	—	570,830
Depreciation and amortisation (Note 6)	(4,596)	(45,579)	(193,813)	(3,018)	—	(247,006)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 5)	1,109	(930)	(1,850)	(40)	—	(1,711)
Borrowings (Note 12)	—	(250,000)	(241,733)	(650,686)	—	(1,142,419)

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/(loss)	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
Other segment information						
Additions to non-current assets due to the acquisition of subsidiaries	—	164,093	2,376,656	—	—	2,540,749
Additions to non-current assets	275	4,762	204,228	75	—	209,340
Depreciation and amortisation (Note 6)	(2,218)	(54,215)	(109,987)	(3,990)	—	(170,410)
Losses on disposal of property, plant and equipment (Note 5)	—	(145)	(2,949)	—	—	(3,094)

4 Other income

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Government grants and subsidies	**16,124**	21,573
Refund of service fee from government	**5,834**	—
Examination fee income	**2,803**	1,282
Others	**4,310**	289
	29,071	23,144

5 Other losses — net

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Net losses on financial liabilities at fair value through profit or loss as at year end	**(499,605)**	(250,215)
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	**(1,635)**	(3,094)
(Losses)/gains on disposal of subsidiaries	**(1,095)**	3,600
Losses on disposal of intangible assets	**(76)**	—
Loss on debt cancellation	**—**	(5,159)
Donation	**570**	(185)
Gains on disposal of financial assets at fair value through profit or loss	**351**	21,862
	(792,010)	(233,191)

6 Expenses by nature

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**614,876**	475,808
Depreciation of property, plant and equipment	**170,343**	125,799
Depreciation of right-of-use assets	**54,037**	—
Share-based payment expenses	**28,992**	40,120
Amortisation of prepaid land lease payments	**—**	24,708
Amortisation of intangible assets	**22,626**	19,903
Canteen expenditure	**22,509**	27,069
Students training and scholarship expenses	**44,133**	22,596
School consumables	**33,887**	33,033
Utilities expenses	**40,134**	34,871
Maintenance expenses	**27,897**	9,039
Marketing expenses	**38,703**	15,977
Operating lease payments	**5,798**	10,617
Office expenses	**52,357**	28,660
Travel and entertainment expenses	**10,957**	8,195
Expense in relation to the acquisition	**—**	4,903
Auditors' remuneration		
— Recurring audit and audit related services	**4,796**	3,955
— Non-recurring services related to capital market transaction and broader assurance service engagement	**2,250**	3,072
— Non-audit services	**30**	600
Consultancy and professional fee	**19,847**	22,533
Other expenses	**32,923**	25,443
	1,227,095	936,901

7 Income tax credit

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Current tax on profits before income tax for the year	**—**	—
Deferred tax		
Increase in deferred tax assets (Note 9)	**(10)**	(4,012)
Decrease in deferred tax liabilities (Note 9)	**(10,220)**	(9,530)
Total deferred tax benefit	**(10,230)**	(13,542)
Income tax credit	**(10,230)**	(13,542)

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

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**310,919**	541,523
Tax calculated at domestic tax rate applicable to profits in the respective countries	**308,040**	197,935
Tax effects of tuition and boarding income not subject to tax	**(327,187)**	(212,354)
Tax losses for which no deferred income tax asset was recognised	**8,917**	877
	(10,230)	(13,542)

(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 rate 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.

8 Earnings per share

(a) Basic

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

	For the year ended 31 August	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**203,838**	484,955
Weighted average number of ordinary shares in issue (Thousands)	**3,317,846**	3,238,537
Basic earnings per share (RMB Yuan)	**0.06**	0.15

(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	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**203,838**	484,955
Weighted average number of ordinary shares in issue (Thousands)	**3,317,846**	3,238,537
Adjustments for:		
— Pre-IPO share options (Thousands)	**96,971**	100,044
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	**3,414,817**	3,338,581
Diluted earnings per share (RMB Yuan)	**0.06**	0.15

Convertible bonds 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 are ignored in calculating diluted earnings per share.

9 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 2020 *RMB'000*	As at 31 August 2019 *RMB'000*
Opening amount	**20,184**	—
Acquisition of subsidiaries	**—**	16,172
Credited to profit or loss (Note 7)	**10**	4,012
Closing amount	**20,194**	20,184

(b) Deferred tax liabilities

	Right-of-use assets-leasehold land *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 2019	(265,196)	(102,141)	(53)	(127,494)	(44,158)	(2,207)	(541,249)
Credited/(charged) to profit or loss	7,275	(39)	37	1,371	—	1,576	10,220
Balance at 31 August 2020	(257,921)	(102,180)	(16)	(126,123)	(44,158)	(631)	(531,029)

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

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

At 31 August 2019 and 2020, no deferred tax has been recognised for withholding taxes payable on the unremitted earnings of the Group's subsidiaries established in mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 August 2020, deferred tax asset amounting to RMB20,194,000 (2019: RMB20,184,000) has been recognised for the Group's subsidiaries established in Thailand. In the opinion of the directors, it is probable that these subsidiaries will distribute such earnings in the foreseeable future.

10 Trade and other receivables

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
Due from students (a)	**14,858**	18,728
Provision for impairment	**(2,891)**	(551)
	11,967	18,177
Other receivables		
Receivables from local government	**21,953**	—
Staff advance	**7,484**	13,839
Deposits	**3,451**	15,226
Receivables for disposal of subsidiaries	**533**	—
Interest receivables	**110**	7,968
Others	**3,310**	6,311
Provision for impairment	**(38)**	(38)
	36,803	43,306
Prepayments		
Prepaid expenses	**8,441**	19,748
	8,441	19,748
	57,211	81,231

(a) 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 set as followings:

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**14,216**	18,626
Over 1 year	**642**	102
	14,858	18,728

11 Accruals and other payables

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Amount due to related parties	**9,567**	5,258
Payables in relation to the acquisitions	**134,712**	329,612
Payables for purchases of property, plant and equipment	**101,494**	164,191
Salary and welfare payables	**124,204**	121,688
Defined pension benefits	**9,579**	9,729
Deposits received from teachers and students	**30,385**	30,688
Miscellaneous expenses received from students (a)	**75,519**	90,509
Payables for teaching materials and other operating expenditure (c)	**38,591**	73,243
Payables for contracting canteens (b)(c)	**770**	514
Government subsidies payable to students and teachers	**32,937**	27,248
Audit and consulting fees	**7,677**	8,609
Interest payables	**3,591**	43,706
Taxes payable	**16,902**	17,300
Legal claim payables	**6,589**	6,589
Others	**23,651**	34,130
	616,168	963,014

(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 of 31 August 2020 and 2019, the ageing of payables for teaching materials and other operating expenditure and payables for contracting canteens were less than 1 year.

12 Borrowings

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Secured		
Bank loans	**633,326**	362,948
Finance lease liabilities	**—**	18,296
Loans from other financial institutions	**—**	65,735
Unsecured		
Bank loans	**—**	60,000
	633,326	506,979
Current		
Secured		
Bank loans	**509,093**	650,795
Finance lease liabilities	**—**	3,464
Loans from other financial institutions	**—**	58,957
Unsecured		
Bank loans	**—**	20,000
Borrowings from other third parties	**—**	332,178
	509,093	1,065,394
Total borrowings	**1,142,419**	1,572,373

(a) Bank Borrowings

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

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Guaranteed by related party	**650,000**	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	**250,000**	130,000
Pledged with land use rights and property, plant and equipment	**41,733**	62,968
Guaranteed and pledged by subsidiaries of the Group	**686**	420,775
Pledged with right over the tuition fee and accommodation fee	**200,000**	200,000
	1,142,419	1,013,743

13 Financial liabilities at fair value through profit or loss

	As at 31 August	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Convertible Bonds due 2024 (a)	**2,301,148**	—
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 recognized 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 31 August 2020 were of RMB1,876,402,000 and RMB2,301,148,000, respectively. The changes in the fair value that were attributable to the changes in the liability's credit risk of RMB47,418,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB499,605,000 were charged to other losses (Note 5).

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 27 December 2024 (the "**Maturity Date**") (the "**Conversion Period**") into fully paid ordinary shares with a par value of HK$0.00001 each of the Company at an initial conversion price of HK$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds due 2024 as at 31 August 2020 is HK$6.9200 per share.

As at 31 August 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 5) 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 RMB686,000) 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 5).

The Initial Tranche under the IFC Loan was accounted as borrowings of the Group in accordance with the loan agreement (Note 12).

As of 31 August 2020, no outstanding balance in the financial liabilities related to the IFC Loan.

14 Transactions with non-controlling interests

On 4 August 2020, the Group acquired the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd., a previously 90% subsidiary held by the Group at a transaction consideration of RMB165,728,000. Immediately prior to the transaction, the carrying amount of the existing 10% non-controlling interests in Jinan Shuangsheng Education Consulting Co., Ltd. was RMB140,632,000. The Group recognised a decrease in non-controlling interests of RMB140,632,000 and a decrease in equity attributable to owners of the parent of RMB25,096,000. Upon completion of the transaction, the Group held 100% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd. The effect on the equity attributable to the owners of China YuHua Education Corporation Limited during the year is summarised as follows:

	Year ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**140,632**	—
Consideration paid to non-controlling interests	**(165,728)**	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(25,096)**	—

There were no transactions with non-controlling interests during the year ended 31 August 2019.

15 Dividends

The dividends paid in the years ended 31 August 2020 and 2019 were approximately RMB465,089,000 (HKD0.16 per share) and RMB364,077,000 (HKD0.13 per share), respectively. A dividend in respect of the year ended 31 August 2020 of HKD0.092 per share, amounting to a total dividend of approximately RMB272,977,000, is to be proposed at the annual general meeting to be held on 1 February 2021. These financial statements do not reflect this dividend payable.

	2020	2019
	RMB'000	*RMB'000*
Dividend declared for the prior year	**216,805**	180,436
Interim dividend paid of HKD0.082 (2019: HKD0.061) per ordinary share	**248,284**	183,641
Proposed final dividend of HKD0.092 (2019: HKD0.073) per ordinary share	**272,977**	216,805

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 previously 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.

As at 31 August 2020, the impact of novel coronavirus ("**COVID-19**") in both China and Thailand, where the schools of the Group are located, is generally under control by local governments and the local economies have returned to normal.

As at the date of this announcement, the Group completed the refund settlements of a portion of tuition and boarding fees of an aggregate amount of RMB96.2 million to students related to the year ended 31 August 2020 due to the impact of COVID-19 and a corresponding amount was deducted from the revenue for the year ended 31 August 2020 accordingly. Despite the impact of the aforementioned refund, the Group's revenue and gross profit for the year ended 31 August 2020 still increased by 40.5% and 46.9%, respectively. In addition, the schools of the Group have already commenced the school year starting from September 2020 and finishing in August 2021 and students have returned to campus on schedule. The tuition and boarding fees for the school year starting from September 2020 to August 2021 have been duly collected as at the date of this announcement.

Based on the assessment above, the Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 2020, notwithstanding the impact of COVID-19. COVID-19 has not had a material adverse effect on the operation results and financial performance of the Group for the year ended 31 August 2020. The Group will continue 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 31 August 2020.

The Group's Schools and Student Enrolment

As at 31 August 2020, the Group had 26 schools in China and 1 school in Thailand.

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

	As at 31 August 2020	As at 31 August 2019
Number of the Group's schools in the PRC		
Universities	**3 (note 1)**	3 (note 1)
High schools	**5**	5
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**5**	7
The Group's school overseas		
University	**1 (note 2)**	1 (note 2)
Total	**27**	29

Notes:

(1) As of the date of this announcement, the Group, through LEI Lie Ying Limited, owns 100% of the equity interests 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). Details of the Group's acquisition of the remaining 30% equity interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) on 25 September 2020 were disclosed in the Company's announcements published on 28 September 2020 and 30 September 2020.

As of the date of this announcement, the Group also owns 100% equity interests in the Jinan Shuangsheng Education Consulting Co., Ltd., which holds the entire sponsorship interest in Shandong Yingcai University. The Group acquired the remaining 10% equity interests in Jinan Shuangsheng Education Consulting Co., Ltd. on 4 August 2020, as disclosed in Note 14 in notes to the consolidated financial statements for the year ended 31 August 2020.

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

Events after the Reporting Period

Subsequent events

*Acquisition of the remaining 30% non-controlling interests of Hunan Lie Ying Industry Co., Ltd. ("**Hunan Lie Ying**")*

On 25 September 2020, the Group acquired the 7.2% and 22.8% non-controlling interests in Hunan Lie Ying from their respective non-controlling shareholders, for a consideration of approximately RMB143,200,000 and RMB578,000,000, respectively. Hunan Lie Ying is the holding company of the HIEU Schools of the Group. Upon completion of the two transactions, Hunan Lie Ying became a wholly-owned subsidiary of the Company.

Further details of the acquisition of the remaining interests are set out in the announcements of the Company dated 28 September 2020 and 30 September 2020.

Future Development

The Group's future development focuses on potential acquisitions and their subsequent consolidation with the Group. The Group will continue to seek acquisitions in higher education sector with high growth potential and will focus on post-acquisition consolidation to maximize shareholder value.

Financial Review

1. Overview

For the year ended 31 August 2020, the Group recorded revenue of RMB2,409.4 million, an Adjusted Gross Profit of RMB1,522.0 million and a gross profit of RMB1,468.6 million. The Adjusted Gross Profit Margin[1] of the Group was 63.2% for the year ended 31 August 2020 as compared with 61.2% for the corresponding period in 2019. The gross profit margin was 61.0% for the year ended 31 August 2020 as compared with 58.3% for the corresponding period in 2019.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2020 was RMB1,040.7 million, representing an increase of RMB248.2 million or a 31.3% increase from the corresponding period in 2019. The Adjusted Net Profit Margin[2] attributable to owners of the Company was 43.2% and 46.2% for the years ended 31 August 2020 and 31 August 2019, respectively.

The net profit attributable to owners of the Company amounted to RMB203.8 million and RMB485.0 million for the years ended 31 August 2020 and 31 August 2019, respectively. The net profit margin attributable to owners of the Company amounted to 8.5% and 28.3% for the years ended 31 August 2020 and 31 August 2019, respectively.

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

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

2. *Revenue*

For the year ended 31 August 2020, the revenue of the Group amounted to RMB2,409.4 million, representing an increase of RMB694.9 million or 40.5% as compared with RMB1,714.5 million for the corresponding period of 2019. Due to the impact of COVID-19, the Group was required to refund a portion of tuition and boarding fees of an aggregate amount of RMB96.2 million to students related to the year ended 31 August 2020. The corresponding amount has been deducted from the revenue of the Group for the year accordingly. The refund settlements have been completed as at the date of this announcement. The increase in revenue was primarily the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) 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; and (iii) 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.

3. *Cost of Revenue*

For the year ended 31 August 2020, the Adjusted Cost of Revenue[3] of the Group amounted to RMB887.3 million, representing an increase of RMB221.6 million or 33.3% as compared with RMB665.7 million for the corresponding period of 2019. The cost of revenue of the Group amounted to RMB940.7 million and RMB714.6 million for the years ended 31 August 2020 and 31 August 2019, respectively.

4. *Gross Profit and Gross Profit Margin*

For the year ended 31 August 2020, the Adjusted Gross Profit of the Group amounted to RMB1,522.0 million, representing an increase of RMB473.3 million or 45.1% as compared with RMB1,048.8 million for the corresponding period in 2019. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2020 was 63.2%, compared with 61.2% for the corresponding period in 2019.

The Group's gross profit amounted to RMB1,468.6 million and RMB999.9 million for the years ended 31 August 2020 and 31 August 2019, respectively. The Group's gross profit margin amounted to 61.0% and 58.3% for the years ended 31 August 2020 and 31 August 2019, respectively. The improvement in the gross profit margin was mainly due to (i) implementation of cost control measures; and (ii) the proportion of university business has increased.

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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).

5. Selling Expenses

For the year ended 31 August 2020, the selling expenses of the Group amounted to RMB47.1 million, representing an increase of RMB24.8 million from RMB22.4 million during the corresponding period in 2019. The increase was primarily the result of an increase in marketing activities expenses for student recruitment.

6. Administrative Expenses

For the year ended 31 August 2020, the Adjusted Administrative Expenses[4] of the Group amounted to RMB222.6 million, representing an increase of RMB50.4 million as compared with RMB172.2 million for the corresponding period in 2019. The administrative expenses of the Group amounted to RMB239.2 million and RMB200.0 million for the years ended 31 August 2020 and 31 August 2019, respectively. The increase was in line with the expansion of the business scale of the Group.

7. Other Income

For the year ended 31 August 2020, the other income of the Group amounted to RMB29.1 million, representing an increase of RMB6.0 million as compared with RMB23.1 million for the corresponding period in 2019. This increase was primarily due to an increase in refund of service fee from government.

8. Other Gains and Losses

For the year ended 31 August 2020, the other gains and losses of the Group amounted to a loss of RMB792.0 million as compared with a loss of RMB233.2 million for the corresponding period in 2019. The loss was primarily due to fair value losses on convertible bond.

9. Operating Profit

The Adjusted Operating Profit of the Group amounted to RMB1,256.1 million for the years ended 31 August 2020, representing an increase of RMB384.0 million or 44.0% as compared with RMB872.1 million for the corresponding period in 2019. The Adjusted Operating Profit Margin amounted to 52.1% and 50.9% for the years ended 31 August 2020 and 31 August 2019, respectively.

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

10. Finance Income

Finance income decreased from RMB52.7 million for the year ended 31 August 2019 to RMB28.7 million for the corresponding period in 2020 due to (i) a decrease in cash and cash equivalents and term deposits with initial term of over three months; and (ii) a decrease in foreign exchange gains.

11. Finance Expenses

Finance expenses increased from RMB78.1 million for the year ended 31 August 2019 to RMB129.9 million for the corresponding period in 2020 due to (i) an increase in foreign exchange losses; and (ii) an increase in interest expenses.

12. Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB1,040.7 million for the year ended 31 August 2020, representing an increase of RMB248.2 million or 31.3% as compared with RMB792.5 million for the corresponding period in 2019. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 43.2% and 46.2% for the years ended 31 August 2020 and 31 August 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; and (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 Group recorded a net profit attributable to owners of the Company of RMB203.8 million for the year ended 31 August 2020, representing a decrease of RMB281.1 million or 58.0% as compared with RMB485.0 million for the corresponding period in 2019. The net profit margin attributable to owners of the Company for the year ended 31 August 2020 was 8.5%, compared to 28.3% for the corresponding period in 2019.

13. Liquidity and Source of Funding and Borrowing

The Group's cash and cash equivalents increased from RMB2,125.7 million as at 31 August 2019 to RMB2,175.2 million as at 31 August 2020. Including restricted cash and term deposits with initial term of over three months, the Group's total bank balances and cash decreased from RMB2,750.6 million as at 31 August 2019 to RMB2,329.6 million as at 31 August 2020. The decrease primarily resulted from payments associated with the repurchase of the January 2020 Convertible Bonds and repayment of borrowings.

As at 31 August 2020, the current assets of the Group amounted to RMB2,436.8 million, including RMB2,329.6 million in bank balances and RMB107.2 million in other current assets. The current liabilities of the Group amounted to RMB2,055.6 million, of which RMB616.2 million was accruals and other payables, RMB924.5 million was contract liabilities, and RMB509.1 million was borrowings. As at 31 August 2020, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 1.19 (31 August 2019: 0.64).

14. Gearing Ratio

As at 31 August 2020, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 27.9% (31 August 2019: 26.4%).

15. Material Investments

The Group did not make any material investments during the year ended 31 August 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 year ended 31 August 2020.

17. Pledge of Assets

As at 31 August 2020, the bank borrowings of the Group amounting to RMB1,142.4 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 2020.

19. Foreign Exchange Exposure

During the year ended 31 August 2020, 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. As at 31 August 2020, except for the bank deposits, the Group did not have significant foreign currency exposure from its operations.

20. Employee and Remuneration Policy

As at 31 August 2020 and 2019, we had 6,938 and 8,094 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 2020 was RMB614.9 million (for the year ended 31 August 2019: RMB475.8 million).

The following table sets forth the total number of employees by function as at 31 August 2020:

Function	Number of employees	% of total
Teachers	4,630	66.7%
Administrative staff	366	5.3%
Other staff	1,942	28.0%
Total	6,938	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$0.092 (equivalent to approximately RMB0.082) per share of the Company (the "**Share**") totaling HK$308,379,000 (equivalent to RMB272,977,000) for the year (the "**Proposed Final Dividend**") (2019: HK$0.073) to the Shareholders whose names appear on the register of members of the Company at the close of business on 9 February 2021. 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 22 February 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The Company's annual general meeting will be held on 1 February 2021. The register of members of the Company will be closed from 27 January 2021 to 1 February 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. Shareholders whose names appear on the register of members on 1 February 2021 will be entitled to attend and vote at the annual general meeting. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 January 2021.

In case a final dividend is declared and approved, the register of members of the Company will also be closed from 5 February 2021 to 9 February 2021, 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. Shareholders whose names appear on the register of members on 9 February 2021 will be entitled for the final dividend. 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 4 February 2021.

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 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 2020, 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 2020.

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 2020.

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 2020 have been agreed by PricewaterhouseCoopers, 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 2020. 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 2020 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

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 year ended 31 August 2020.

7. Material Litigation

The Directors are not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2020.

8. Building Certificates and Permits

As at 31 August 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 31 August 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.

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 2020, the Group had utilized the net proceeds as set out in the table below:

	% of net proceeds	Net proceeds from IPO *HK$'million*	Utilized as at 31 August 2019 *HK$'million*	Unutilized until 31 August 2019 *HK$'million*	Utilization during the year ended 31 August 2020 *HK$'million*	Unutilized amount as at 31 August 2020 *HK$'million*
Expansion of our school network	30%	446.5	446.5	0	**—**	**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	202.6	169.5	**169.5**	**0**
Supplementing our working capital	10%	148.8	148.8	0	**—**	**0**
Repayment of bank loans	7%	104.2	104.2	0	**—**	**0**
Total	100%	1,488.3	1,318.8	169.5	**169.5**	**0**

(b) Use of Proceeds from the International Finance 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. 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 31 August 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$'million*	Utilized as at 31 August 2019 *US$'million*	Unutilized until 31 August 2019 *US$'million*	Utilization during the year ended 31 August 2020 *US$'million*	Unutilized amount as at 31 August 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 31 August 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$'million*	Utilization during the year ended 31 August 2020 *HK$'million*	Unutilized amount as at 31 August 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	**100**	**0**
Potential acquisitions	19.4%	398	**398**	**0**
Total	100%	2,062	**2,062**	**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 2020 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, 23 November 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.