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CHINA YUHUA EDUCATION CORPORATION LIMITED

中国宇华教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6169)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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 28 February 2021. These interim results except for the non-IFRS measures have been reviewed by the Company’s audit committee and the Company’s auditors, PricewaterhouseCoopers.

	Six months ended		Change
	28 February 2021 (Unaudited)	29 February 2020 (Unaudited)	
<i>(RMB’000)</i>			
Revenue	1,365,495	1,260,408	8.3%
Gross Profit	854,686	732,476	16.7%
Adjusted Gross Profit ¹	881,232	762,609	15.6%
Adjusted Net Profit attributable to owners of the Company ²	691,146	494,765	39.7%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 28 February 2021 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 29 February 2020, please refer to the Company’s interim results announcement for the six months ended 29 February 2020.
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2021 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 29 February 2020, please refer to the Company’s interim results announcement for the year ended six months ended 29 February 2020.

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	
	28 February 2021 (RMB'000)	29 February 2020 (RMB'000)
Gross Profit	854,686	732,476
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		
— HIEU	4,457	4,457
— Bowang High School	3,372	7,156
— Shandong Yingcai University	10,370	10,173
— Stamford International University	2,144	2,144
Adjusted Gross Profit	881,232	762,609

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

	Six months ended	
	28 February 2021 (RMB'000)	29 February 2020 (RMB'000)
Net profit attributable to the owners of the Company	849,217	17,233
Share-based compensation expenses (in cost of revenue)	6,203	6,203
Share-based compensation expense (in administrative expenses)	5,845	8,293
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU	4,065	3,120
— Bowang High School	2,360	5,009
— Shandong Yingcai University	10,370	9,155
— Stamford International University	2,144	2,144
Change in fair value on convertible bonds and Convertible Loan ^{Note}	(167,275)	453,534
Government Grants	(21,783)	(9,927)
Adjusted Net Profit attributable to the owners of the Company	691,146	494,765

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

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2021 <i>RMB'000</i> (Unaudited)	29 February 2020 <i>RMB'000</i> (Unaudited)
Revenue	4	1,365,495	1,260,408
Cost of revenue	5	(510,809)	(527,932)
Gross profit		854,686	732,476
Selling expenses	5	(31,177)	(35,647)
Administrative expenses	5	(118,381)	(122,629)
Net impairment losses on financial assets		2,036	(3,444)
Other income		30,728	13,585
Other gains/(losses) — net	6	166,161	(453,949)
Operating profit		899,981	130,392
Finance income		13,817	18,947
Finance expenses		(44,357)	(68,775)
Finance expenses — net		(30,540)	(49,828)
Profit before income tax		869,441	80,564
Income tax credit	7	4,760	4,427
Profit for the period		874,201	84,991
Profit attributable to:			
— Owners of the Company		849,217	17,233
— Non-controlling interests		24,984	67,758
		874,201	84,991
Earnings per share attributable to owner of the Company (RMB)			
Basic earnings per share	8	0.25	0.01
Diluted earnings per share	8	0.18	0.01

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		3,862,515	3,792,348
Intangible assets		1,543,941	1,550,944
Right-of-use assets		1,896,567	1,927,981
Other non-current assets		110,423	11,109
		<hr/>	<hr/>
Total non-current assets		7,413,446	7,282,382
		<hr/>	<hr/>
Current assets			
Trade and other receivables	9	94,427	57,211
Financial assets at fair value through profit or loss		—	50,000
Cash and cash equivalents		1,780,455	2,175,197
Restricted cash		145,719	154,372
		<hr/>	<hr/>
Total current assets		2,020,601	2,436,780
		<hr/>	<hr/>
Total assets		9,434,047	9,719,162
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		28	28
Share premium		1,336,870	1,546,308
Reserves		802,898	974,417
Retained earnings		1,956,406	1,109,469
		<hr/>	<hr/>
Capital and reserves attributable to owners of the Company		4,096,202	3,630,222
		<hr/>	<hr/>
Non-controlling interests		21,991	459,190
		<hr/>	<hr/>
Total equity		4,118,193	4,089,412
		<hr/>	<hr/>
Liabilities			
Non-current liabilities			
Borrowings	11	690,000	633,326
Deferred income tax liabilities	13	506,075	510,835
Lease liabilities		27,979	31,101
Financial liabilities at fair value through profit or loss	12	2,000,063	2,301,148
Deferred income		96,096	97,739
		<hr/>	<hr/>
Total non-current liabilities		3,320,213	3,574,149
		<hr/>	<hr/>

	Note	As at 28 February 2021 <i>RMB'000</i> (Unaudited)	As at 31 August 2020 <i>RMB'000</i> (Audited)
Current liabilities			
Accruals and other payables	10	598,493	616,168
Borrowings	11	160,463	509,093
Contract liabilities		1,231,744	924,507
Lease liabilities		4,941	5,833
		<hr/>	<hr/>
Total current liabilities		1,995,641	2,055,601
		<hr/>	<hr/>
Total liabilities		5,315,854	5,629,750
		<hr/>	<hr/>
Total equity and liabilities		9,434,047	9,719,162
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	28 February 2021 <i>RMB'000</i> (Unaudited)	29 February 2020 <i>RMB'000</i> (Unaudited)
	Note	
Cash flows from operating activities		
Cash generated from operations	1,140,818	556,611
Interest paid	(12,864)	(61,501)
	<u>1,127,954</u>	<u>495,110</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(157,649)	(125,828)
Payment of prepaid land lease payments	—	(117,508)
Prepayment for construction of a new campus in Henan Province	—	(61,419)
Purchases of intangible assets	(1,858)	(3,159)
Proceeds from disposal of property, plant and equipment	936	1,569
Proceeds from disposal of intangible assets	7	3
Proceeds from disposal of subsidiary	533	—
Purchases of financial instruments at fair value through profit or loss	—	(400,000)
Disposals of financial instruments at fair value through profit or loss	50,406	400,217
Payment related to other non-current assets	(100,000)	—
Acquisition of subsidiaries of prior periods	—	(69,612)
Changes in term deposits with initial term of over three months	—	329,395
Changes in restricted bank deposits	—	(40)
Interest received	474	7,111
Disposals of financial instruments at fair value through other comprehensive income	720	—
	<u>(206,431)</u>	<u>(39,271)</u>
Net cash used in investing activities		

		Six months ended	
	Note	28 February 2021 RMB'000 (Unaudited)	29 February 2020 RMB'000 (Unaudited)
Cash flows from financing activities			
Issuance of convertible bonds		—	1,876,402
Payment of convertible bonds issuance costs		—	(18,756)
Redemption of convertible bonds		—	(1,388,768)
Transactions with non-controlling interests	15	(721,200)	—
Dividends paid to owners of the Company		(277,333)	(219,042)
Principal elements of lease payments or finance lease payments		(4,941)	(3,464)
Proceeds from borrowings	11	440,000	369,894
Repayments of borrowings	11	(731,956)	(1,608,739)
		<hr/>	<hr/>
Net cash used in financing activities		(1,295,430)	(992,473)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(373,907)	(536,634)
Cash and cash equivalents at beginning of the period		2,175,197	2,125,719
Exchange losses on cash and cash equivalents		(20,835)	(11,452)
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		1,780,455	1,577,633
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2021 RMB'000 (Unaudited)	29 February 2020 RMB'000 (Unaudited)
Profit for the period	874,201	84,991
Other comprehensive income (loss)		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	91,887	(16,008)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	720	97
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	7,154	14,699
Other comprehensive loss for the period, net of tax	99,761	(1,212)
Total comprehensive income for the period	973,962	83,779
Total comprehensive income for the period attributable to:		
— Owners of the Company	948,978	16,021
— Non-controlling interests	24,984	67,758
	973,962	83,779

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, Uglund 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) *Transactions with non-controlling interests*

On 22 September 2020 and 26 October 2020, the Group acquired the remaining 7.2% and 22.8% of the issued shares of Hunan Lie Ying Industry Co., Ltd. (“**Hunan Lieying**”), a previously 70% subsidiary held by the Group, from their respective non-controlling shareholders at purchase considerations of RMB143,200,000 and RMB578,000,000, respectively. Immediately prior to the above transactions, the carrying amount of the existing 7.2% and 22.8% non-controlling interests in Hunan Lieying were RMB108,700,000 and RMB353,483,000 respectively. The Group recognized a decrease in non-controlling interests of RMB462,183,000 and a decrease in equity attributable to owners of the Company of RMB259,017,000. Upon completion of the transactions with non-controlling interests, Hunan Lieying became a wholly owned subsidiary of the Group during the six months ended 28 February 2021.

Details were set out in Note 15.

(b) *Grant of awards pursuant to a share award scheme*

On 25 January 2021, the Group awarded a total of 6,684,800 award shares to 103 selected participants who are unconnected grantees under a share award scheme (the “**Share Award Scheme**”). The closing price of the shares on this grant date was HK\$7.39 per share. The award shares issued represent approximately 0.2002% of the total issued shares of the Company immediately prior to the issue of such shares and approximately 0.1998% of the total issued shares of the Company as enlarged by such issue. As at 28 February 2021, all the awarded shares were vested and exercised. The expenses charged to this interim condensed financial information was amounted to HK\$49,401,000 (equivalent to RMB41,304,000).

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 28 February 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2020.

(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 2020:

- Amendments to IAS 1 and IAS 8 — Definition of Material
- Amendments to IFRS 3 — Definition of a Business
- Conceptual Framework for Financial Reporting — Conceptual Framework for Financial Reporting
- Amendments to IFRS 9, IAS 39 and IFRS 7 — Interest rate benchmark reform
- Amendments to IFRS 16 — COVID-19-related rent concessions

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

(b) New standards and interpretations not yet adopted

New Standards, interpretations and amendments		Effective for accounting periods beginning on
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

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 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 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, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 28 February 2021 and 29 February 2020.

The information of the reportable segments provided to the CODM for the six months ended 28 February 2021 and 29 February 2020 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						
28 February 2021						
Revenue	26,795	328,116	1,010,584	1,113	(1,113)	1,365,495
Cost of revenue	(18,864)	(188,702)	(303,243)	—	—	(510,809)
Gross profit	7,931	139,414	707,341	1,113	(1,113)	854,686
Selling expenses	(61)	(5,091)	(26,025)	—	—	(31,177)
Administrative expenses	(1,970)	(21,657)	(77,978)	(17,889)	1,113	(118,381)
Net impairment losses on financial assets	—	—	(2,036)	—	—	(2,036)
Other income	10	15,214	14,542	962	—	30,728
Other (losses)/gains — net	(38)	(222)	(2,487)	168,908	—	166,161
Operating profit	5,872	127,658	613,357	153,094	—	899,981
Finance income (expenses) — net	126	376	12,346	(43,388)	—	(30,540)
Profit before income tax	5,998	128,034	625,703	109,706	—	869,441
Income tax credit	—	843	3,917	—	—	4,760
Profit for the period	5,998	128,877	629,620	109,706	—	874,201
Unaudited						
As at 28 February 2021						
Total assets	183,584	2,858,751	9,072,766	3,402,648	(6,083,702)	9,434,047
Total liabilities	44,924	1,160,283	3,077,011	7,277,493	(6,243,857)	5,315,854
Other segment information						
For the six months ended						
28 February 2021						
Additions to non-current assets	227	6,772	398,721	296	—	406,016
Depreciation and amortisation	(666)	(22,733)	(100,733)	(1,595)	—	(125,727)
Losses on disposal of property, plant and equipment	38	192	5,121	53	—	5,404

	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

5 Expenses by nature

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Employee benefit expenses	347,716	342,315
— Wages, salaries, bonus and other welfare	294,364	327,819
— Share-based compensation expenses	12,048	14,496
— Share Award Scheme expenses	41,304	—
Depreciation of property, plant and equipment	88,198	86,433
Depreciation of right-of-use assets	28,714	28,300
Amortisation of intangible assets	8,815	15,903
Canteen expenditure	19,312	13,736
Student training and scholarship expenses	29,272	40,140
School consumables	20,269	21,015
Utilities expenses	22,190	24,272
Maintenance expenses	17,375	18,296
Marketing expense	23,543	20,595
Operating lease payments	2,482	2,444
Office expenses	33,390	42,642
Consultancy and professional fee	7,717	10,524
Travel and entertainment expense	5,494	7,932
Other expenses	5,880	11,661
	660,367	686,208
	660,367	686,208

6 Other gains/(losses) — net

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Net gains or (losses) on financial liabilities at fair value through profit or loss as at period end	167,275	(163,014)
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	(5,404)	(1,202)
Gain on disposal of financial assets at fair value through profit or loss	406	217
Donation	(976)	570
Write-off long aged payables	4,860	—
	166,161	(453,949)
	166,161	(453,949)

7 Income tax credit

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	—	—
Deferred tax		
Decrease in deferred tax assets (Note 13)	(310)	(500)
Decrease in deferred tax liabilities (Note 13)	5,070	4,927
Deferred tax expense for the period	4,760	4,427
Income tax credit	4,760	4,427

(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 28 February 2021 and 29 February 2020.

(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 28 February 2021 and 29 February 2020.

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.

8 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 28 February 2021 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2021.

	Six months ended	
	28 February 2021	29 February 2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	849,217	17,233
Weighted average number of ordinary shares in issue (thousand)	3,341,205	3,292,972
	<hr/>	<hr/>
Basic earnings per share (RMB)	0.25	0.01
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 28 February 2021 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2021	29 February 2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	849,217	17,233
Adjustments for:		
— interest savings and fair value change on convertible Bonds	(159,196)	—
	<hr/>	<hr/>
Adjusted profit attributable to owners of the Company (RMB'000)	690,021	17,233
Weighted average number of ordinary shares in issue (thousands)	3,341,205	3,292,972
Adjustments for:		
— Pre-IPO share options (thousands)	95,927	89,526
— Convertible Bonds	306,158	—
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	3,743,290	3,382,498
Diluted earnings per share (RMB)	0.18	0.01
	<hr/> <hr/>	<hr/> <hr/>

9 Trade and other receivables

	As at 28 February 2021 <i>RMB'000</i> (Unaudited)	As at 31 August 2020 <i>RMB'000</i> (Audited)
Trade receivables		
Due from students	20,231	14,858
Provision for impairment	(4,726)	(2,891)
	<u>15,505</u>	<u>11,967</u>
Other receivables		
Receivables from local government	56,673	21,953
Deposits	3,700	3,451
Receivables for disposal of subsidiaries	—	533
Staff advance	9,007	7,484
Interest receivables	572	110
Others	2,970	3,310
Provision for impairment	(239)	(38)
	<u>72,683</u>	<u>36,803</u>
Prepayment		
Prepaid expenses	6,239	8,441
	<u>94,427</u>	<u>57,211</u>

As at 28 February 2021 and 31 August 2020, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 28 February 2021 <i>(RMB'000)</i> (Unaudited)	As at 31 August 2020 <i>(RMB'000)</i> (Audited)
Less than 1 year	16,617	14,216
Over 1 year	3,614	642
	<u>20,231</u>	<u>14,858</u>

10 Accruals and other payables

	As at 28 February 2021 (RMB'000) (Unaudited)	As at 31 August 2020 (RMB'000) (Audited)
Amounts due to related parties	9,925	9,567
Payables in relation to the acquisition of subsidiaries	134,185	134,712
Payables for purchases of property, plant and equipment	110,272	101,494
Salary and welfare payables	89,351	124,204
Defined pension benefits	9,989	9,579
Deposits received	29,005	30,385
Miscellaneous expenses received from students	93,592	75,519
Payables for teaching materials and other operating expenditure	37,913	38,591
Payables for contracting canteens	772	770
Government subsidies payable to students and teachers	22,147	32,937
Audit and consulting fees	5,219	7,677
Interest payables	3,444	3,591
Taxes payable	22,199	16,902
Legal claim payables	6,589	6,589
Others	23,891	23,651
	<u>598,493</u>	<u>616,168</u>

11 Borrowings

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	690,000	633,326
	<u>690,000</u>	<u>633,326</u>
Current		
Secured		
Bank loans	160,463	509,093
	<u>160,463</u>	<u>509,093</u>
Total borrowings	<u>850,463</u>	<u>1,142,419</u>

- (a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 28 February 2021	
Opening amount as at 1 September 2020	1,142,419
Restated opening net book amount	
Proceeds of new borrowings (i)	440,000
Settlement of borrowings by repayment in cash	(731,956)
	<hr/>
Closing amount as at 28 February 2021	850,463
	<hr/> <hr/>
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	689
Proceeds of new borrowings	369,894
Settlement of borrowings by repayment in cash	(1,608,739)
Settlement by offsetting deposits for the respective borrowings	(10,550)
	<hr/>
Closing amount as at 29 February 2020	301,907
	<hr/> <hr/>

Note:

- (i) The bank loans carry interest rate is 4.200%.
- (b) As at 28 February 2021, there were no undrawn bank facility (31 August 2020: RMB240,000,000).
- (c) The carrying amounts of assets pledged as security for borrowings are:

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Bank borrowings		
Guaranteed by related party	850,000	650,000
Pledged with land use rights and property, plant and equipment	—	41,733
Guaranteed and pledged by subsidiaries of the Group	463	686
Pledged with right over the tuition fee and accommodation fee	—	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	—	250,000
	<hr/>	<hr/>
	850,463	1,142,419
	<hr/> <hr/>	<hr/> <hr/>

12 Financial liabilities at fair value through profit or loss

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Non-current		
Convertible Bonds due 2024	<u>2,000,063</u>	<u>2,301,148</u>

Issuance of the Convertible Bonds due 2024

On 27 December 2019 (the “**Issue Date**”), 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 during prior period.

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 31 August 2020 and 28 February 2021 were of RMB2,301,148,000 and RMB2,000,063,000, respectively. The changes in the fair value that were attributable to the changes in the liability’s credit risk of RMB7,154,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB162,275,000 were charged to other gains (Note 6).

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. The conversion price of the Convertible Bonds due 2024 as at 28 February 2021 is HK\$6.8200 per share.

As at 28 February 2021, 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.

13 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:

Deferred tax assets

	As at 28 February 2021 <i>RMB'000</i> (Unaudited)	As at 31 August 2020 <i>RMB'000</i> (Audited)
Opening amount	20,194	20,184
Charged to profit or loss (Note 7)	(310)	10
	<hr/>	<hr/>
Closing amount	19,884	20,194
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax liabilities

	As at 28 February 2021 <i>RMB'000</i> (Unaudited)	As at 31 August 2020 <i>RMB'000</i> (Audited)
Opening amount	(531,029)	(541,249)
Charged to profit or loss (Note 7)	5,070	10,220
	<hr/>	<hr/>
Closing amount	(525,959)	(531,029)
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax liabilities (net)

	As at 28 February 2021 <i>RMB'000</i> (Unaudited)	As at 31 August 2020 <i>RMB'000</i> (Audited)
Opening amount	(510,835)	(521,065)
Charged to profit or loss (Note 7)	4,760	10,230
	<hr/>	<hr/>
Closing amount	(506,075)	(510,835)
	<hr/> <hr/>	<hr/> <hr/>

14 Dividends

On 27 April 2021, the Board of Directors has resolved to declare an interim dividend of HK\$0.123 (2020: HK\$0.082) per share to shareholders whose names appear on the register of members of the Company at the close of business on 15 June 2021. This interim dividend, amounting to HK\$414,113,000 (2020: HK\$273,850,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company on 24 June 2021.

A dividend in respect of the year ended 31 August 2020 of HK\$0.092 per share amounting to a total dividend of HK\$308,673,000 (equivalent to RMB277,333,000) was approved at the annual general meeting held on 1 February 2021 and paid on 22 February 2021.

15 Transactions with non-controlling interests

On 22 September 2020 and 26 October 2020, the Group acquired the remaining 7.2% and 22.8% of the issued shares of Hunan Lie Ying Industry Co., Ltd. (“**Hunan Lieying**”), a previously 70% subsidiary held by the Group at purchase considerations of RMB143,200,000 and RMB578,000,000, respectively. Immediately prior to the above transactions, the carrying amount of the existing 7.2% and 22.8% non-controlling interests in Hunan Lie Ying Industry Co., Ltd. were RMB108,700,000 and RMB353,483,000 respectively. The Group recognized a decrease in non-controlling interests of RMB462,183,000 and a decrease in equity attributable to owners of the parent of RMB259,017,000.

The transactions were achieved by the following steps: (i) Changsha Jiuzhao Education Technology Co., Ltd. (“**Changsha Jiuzhao**”) was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua at respective shareholding of 40% and 60% on 19 June 2020; (ii) on 30 September 2020, certain contractual arrangements were entered into among Xizang Yuanpei Information Technology Management Company Limited (“**Xizang Yuanpei**”), a wholly owned subsidiary of the Company, Changsha Jiuzhao and Mr. Li Guangyu and Ms. Li Hua. With effect of the contractual arrangement, the Directors of the Group concluded that the Group has control over Changsha Jiuzhao as a result of the contractual arrangement; (iii) on 22 September and 26 October 2020, 7.2% and 22.8% equity interests of Hunan Lieying was acquired by Changsha Jiuzhao.

Upon completion of the transactions above, Hunan Lieying became a wholly owned subsidiary of the Group.

The effect on the equity attributable to the owners of China YuHua Education Limited during the year is summarized as follows:

	As at 28 February 2021 (RMB'000) (Unaudited)
Carrying amount of non-controlling interests acquired	462,183
Consideration paid to non-controlling interests	(721,200)
	<hr/>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(259,017)
	<hr/> <hr/>

There were no other transactions with non-controlling interests during the six months ended 28 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 20 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.

For the six months ended 28 February 2021, notwithstanding the impact of COVID-19, the business of the Group remained relatively stable, and COVID-19 has not had a material adverse effect on the revenue 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.

The Group's Schools

As at 28 February 2021, the Group had 26 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 2021 and 2020:

	As at 28 February 2021	As at 29 February 2020
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.
2. This represents Stamford International University that the Group operates in Thailand.

Event after the Reporting Period

There has been no material event after the reporting period.

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 six months ended 28 February 2021, the Group recorded revenue of RMB1,365.5 million, an Adjusted Gross Profit of RMB881.2 million and a gross profit of RMB854.7 million. The Adjusted Gross Profit Margin¹ of the Group was 64.5% for the six months ended 28 February 2021 as compared with 60.5% for the corresponding period in 2020. The gross profit margin was 62.6% for the six months ended 28 February 2021 as compared with 58.1% for the corresponding period in 2020.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2021 was RMB691.1 million, representing an increase of RMB196.3 million or a 39.7% increase from the corresponding period in 2020. The Adjusted Net Profit Margin² attributable to owners of the Company was 50.6% and 39.3% for the six months ended 28 February 2021 and 29 February 2020, respectively.

The net profit attributable to owners of the Company amounted to RMB849.2 million and RMB17.2 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The net profit margin attributable to owners of the Company amounted to 62.2% and 1.4% for the six months ended 28 February 2021 and 29 February 2020, respectively.

2. Revenue

For the six months ended 28 February 2021, the revenue of the Group amounted to RMB1,365.5 million, representing an increase of RMB105.1 million or 8.3% as compared with RMB1,260.4 million for the corresponding period in 2020. The increase was primarily due to the result of an increase in student enrolment and tuition fees for several schools.

3. Cost of Revenue

For the six months ended 28 February 2021, the Adjusted Cost of Revenue³ of the Group amounted to RMB484.3 million, representing a decrease of RMB13.5 million or 2.7% as compared with RMB497.8 million for the corresponding period in 2020. The cost of revenue of the Group amounted to RMB510.8 million and RMB527.9 million for the six months ended 28 February 2021 and 29 February 2020, 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.

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).

4. Gross Profit and Gross Profit Margin

For the six months ended 28 February 2021, the Adjusted Gross Profit of the Group amounted to RMB881.2 million, representing an increase of RMB118.6 million or 15.6% as compared with RMB762.6 million for the corresponding period in 2020. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2021 was 64.5%, compared with 60.5% for the corresponding period in 2020.

The Group's gross profit amounted to RMB854.7 million and RMB732.5 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The Group's gross margin amounted to 62.6% and 58.1% for the six months ended 28 February 2021 and 29 February 2020, respectively. The improvement in the gross profit margin was mainly due to (i) implementation of cost control measures; and (ii) the increase in revenue as a result of the increase in student enrolment and tuition fees for several schools.

5. Selling Expenses

For the six months ended 28 February 2021, the selling expenses of the Group amounted to RMB31.2 million, representing a decrease of RMB4.4 million or 12.4% from RMB35.6 million during the corresponding period in 2020. The decrease was primarily due to implementation of cost control measures.

6. Administrative Expenses

For the six months ended 28 February 2021, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB112.5 million, representing a decrease of RMB1.8 million as compared with RMB114.3 million for the corresponding period in 2020. The administrative expenses of the Group amounted to RMB118.4 million and RMB122.6 million for the six months ended 28 February 2021 and 29 February 2020, respectively.

7. Other Income

For the six months ended 28 February 2021, the other income of the Group amounted to RMB30.7 million, representing an increase of RMB17.1 million or 125.7% as compared with RMB13.6 million for the corresponding period in 2020. This increase was primarily due to an increase in government grants and subsidies obtained.

8. Other Gains and Losses

For the six months ended 28 February 2021, the other gains and losses of the Group amounted to a gain of RMB166.2 million as compared with a loss of RMB453.9 million for the corresponding period in 2020. The gain and loss was primarily due to fair value changes on convertible bonds.

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

9. Operating Profit

The operating profit of the Group amounted to RMB900.0 million and RMB130.4 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The increase was primarily due to increase in gross profit and fair value changes on convertible bonds.

10. Finance Income

Finance income decreased by 27.0% from RMB18.9 million for the six months ended 29 February 2020 to RMB13.8 million for the corresponding period in 2021 due to a decrease in cash and cash equivalents and term deposits with initial term of over three months.

11. Finance Expenses

Finance expenses decreased by 35.5% from RMB68.8 million for the six months ended 29 February 2020 to RMB44.4 million for the corresponding period in 2021 due to a decrease in interest expenses from borrowings.

12. Profit for the Reporting Period

As a result of the above factors, the profit for the period for the six months ended 28 February 2021 and 29 February 2020 were RMB874.2 million and RMB85.0 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB691.1 million and RMB494.8 million for the six months ended 28 February 2021 and 29 February 2020, respectively.

The increase in the Adjusted Net Profit attributable to owners of the Company was mainly due to (i) increase in student enrolment and tuition fees for several schools; and (ii) the acquisition of the remaining 30% of the issued shares of Hunan Lie Ying Industry Co., Ltd. in September and October 2020; and (iii) the acquisition of the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd. in August 2020.

The net profit attributable to owners of the Company for the six months ended 28 February 2021 and 29 February 2020 were RMB849.2 million and RMB17.2 million, respectively, representing an increase of RMB832.0 million. The increase in net profit was primarily due to (i) increase in revenue; (ii) the acquisition of minority interests in Hunan Lie Ying Industry Co., Ltd. and Jinan Shuangsheng Education Consulting Co., Ltd.; and (iii) changes in fair value on convertible bonds.

13. Liquidity and Source of Funding and Borrowing

As at 28 February 2021, the Group's cash and cash equivalents decreased by 18.1% from RMB2,175.2 million as at 31 August 2020 to RMB1,780.5 million. Including restricted cash, the Group's total cash decreased from RMB2,329.6 million as at 31 August 2020 to RMB1,926.2 million as at 28 February 2021. The decrease primarily resulted from payments associated with the repurchase of the Company's 3.00% convertible bonds due January 2020.

As at 28 February 2021, the current assets of the Group amounted to RMB2,020.6 million, including RMB1,926.2 million in cash and restricted cash and RMB94.4 million in other current assets. The current liabilities of the Group amounted to RMB1,995.6 million, of which RMB598.5 million was accruals and other payables, RMB160.5 million was borrowings, RMB1,231.7 million was contract liabilities and RMB4.9 million was other current liabilities. As at 28 February 2021, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 1.01 (31 August 2020: 1.19).

14. Gearing Ratio

As at 28 February 2021, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 20.7% (31 August 2020: 27.9%).

15. Material Investments

On 25 September 2020, the Group received a notification from the Changsha court that its bid in the court-sanctioned public action process to acquire Chen Zhengxian's 7.2% non-controlling interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) ("**Hunan Lie Ying**"), a non-wholly owned subsidiary of the Company and the holding company of the Company's interests in HIEU Schools, was successful (the "**First Acquisition**"). On the same day, the Company entered into an agreement with Guangdong Nanbo Education Investment Pte Ltd. (廣東南博教育投資有限公司) ("**Guangdong Nanbo**") to acquire its 22.8% non-controlling interests in Hunan Lie Ying (the "**Second Acquisition**" and together with the First Acquisition, the "**Acquisitions**"). Upon completion of the Acquisitions, Hunan Lie Ying became a wholly-owned subsidiary of the Company. The total consideration paid for Chen Zhengxian's 7.2% and Guangdong Nanbo's 22.8% non-controlling interests in Hunan Lie Ying was approximately RMB721.2 million (equivalent to approximately HK\$819.1 million). Details of the Group's acquisition of the remaining 30% equity interests in Hunan Lie Ying on 25 September 2020 were disclosed in the Company's announcements published on 28 September 2020 and 30 September 2020.

Other than the above, the Group did not make any material investments during the six months ended 28 February 2021.

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 28 February 2021.

17. Pledge of Assets

As at 28 February 2021, the bank borrowings of the Group amounting to RMB850.5 million were secured by related party and equity interests of certain subsidiaries of the Group.

18. Contingent Liabilities

The Group had no contingent liabilities as at 28 February 2021.

19. Foreign Exchange Exposure

During the six months ended 28 February 2021, 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 28 February 2021, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

20. Employee and Remuneration Policy

As at 28 February 2021 and 29 February 2020, we had 6,965 and 7,542 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 — 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 28 February 2021 was RMB347.7 million (for the six months ended 29 February 2020: RMB342.3 million).

The following table sets forth the total number of employees by function as at 28 February 2021:

Function	Number of employees	% of total
Teachers	4,833	69.4%
Administrative staff	311	4.5%
Other staff	1,821	26.1%
Total	6,965	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 28 February 2021 of HK\$0.123 (2020: HK\$0.082) per share to shareholders whose names appear on the register of members of the Company at the close of business on 15 June 2021. The interim dividend will be distributed to shareholders of the Company on 24 June 2021.

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 10 June 2021 to 15 June 2021, 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 9 June 2021.

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 28 February 2021, 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 have complied with the Model Code during the six months ended 28 February 2021.

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 financial information of the Group for the six months ended 28 February 2021 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim condensed financial information in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Group.

4. Other Board Committees

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

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

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2021.

6. Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2021. 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 28 February 2021.

7. Building Certificates and Permits

As at 28 February 2021, 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 28 February 2021, 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 have been utilised in the manner as set out in the Prospectus.

(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 announcement dated 31 May 2018.

As of 28 February 2021, the Company had drawn US\$75 million from the loan facility; US\$50.0 million of the total principal amount had been repaid to International Finance Corporation and US\$0.1 million of the total principal amount was transferred to borrowings; and US\$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to International Finance Corporation in February 2020. For further details, please refer to the Company’s announcements dated 4 February 2020 and 23 November 2020.

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

On 27 December 2019, the Company completed the issuance of the 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 28 February 2021, the net proceeds of the issue of these convertible bonds had been utilised as set out in the announcement of the Company dated 23 November 2020.

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 28 February 2021 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 2021

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.