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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 2022

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 2022. These interim results except for the non-IFRS measures have been reviewed by the Company’s audit committee.

(RMB’000)	Six months ended		Change
	28 February 2022 (Unaudited)	28 February 2021 (Unaudited)	
Revenue	1,203,707	1,148,680	+4.8%
Gross Profit	681,837	771,948	-11.7%
Adjusted Gross Profit ¹	702,736	796,007	-11.7%
Adjusted Net Profit attributable to owners of the Company ²	575,862	621,332	-7.3%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 28 February 2022 and 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 Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) (“**Hunan Lie Ying**”), which in turn owns the entire sponsorship interests in Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心), collectively “**HIEU Schools**”), Kaifeng City Yubohui Education Information Consulting Co., Ltd. (“**Yubohui Education**”) and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School (“**Bowang High School**”), Thai Education Holdings Co., Ltd. (“**TEDCO**”) and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2022 is calculated as the net profit attributable to the owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period and (iv) fair value change on convertible bond recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2021, please refer to the Company’s interim results announcement for the six months ended 28 February 2021.

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 2022 (RMB'000)	28 February 2021 (RMB'000)
Gross Profit	681,837	771,948
Share-based compensation expenses (in cost of revenue)	3,187	3,716
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU	4,693	4,457
— Bowang High School	771	3,372
— Shandong Yingcai University	10,104	10,370
— Stamford International University	2,144	2,144
Adjusted Gross Profit	702,736	796,007

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

	Six months ended	
	28 February 2022 (RMB'000)	28 February 2021 (RMB'000)
Net profit attributable to the owners of the Company	542,331	849,217
Less: Net profit from K-9 schools	—	(73,333)
Share-based compensation expenses (in cost of revenue)	3,187	3,716
Share-based compensation expense (in administrative expenses)	5,463	2,940
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU	4,739	4,065
— Bowang High School	595	2,360
— Shandong Yingcai University	10,104	10,370
— Stamford International University	2,144	2,144
Change in fair value on convertible bonds ^{Note}	10,381	(167,275)
Government Grants	(3,082)	(12,872)
Adjusted Net Profit attributable to the owners of the Company	575,862	621,332

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2022 <i>RMB'000</i> (Unaudited)	28 February 2021 (Note 16) <i>RMB'000</i> (Unaudited)
Continuing operations			
Revenue	4	1,203,707	1,148,680
Cost of revenue	5	<u>(521,870)</u>	<u>(376,732)</u>
Gross profit		681,837	771,948
Selling expenses	5	(19,271)	(26,847)
Administrative expenses	5	(102,924)	(104,765)
Net impairment losses on financial assets		(862)	(2,036)
Other income		7,031	21,817
Other (losses)/gains — net	6	<u>(12,977)</u>	<u>166,280</u>
Operating profit		552,834	826,397
Finance income		18,609	14,068
Finance expenses		<u>(27,116)</u>	<u>(44,357)</u>
Finance expenses — net		(8,507)	(30,289)
Profit before income tax		544,327	796,108
Income tax credit	7	<u>3,492</u>	<u>4,760</u>
Profit for the period from continuing operations		<u>547,819</u>	<u>800,868</u>
Discontinued operations			
Profit for the period from discontinued operations, net of tax	16	<u>—</u>	<u>73,333</u>
Profit for the period		<u>547,819</u>	<u>874,201</u>

		Six months ended	
	Note	28 February 2022	28 February 2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company			
— Continuing operations		542,331	775,884
— Discontinued operations		—	73,333
		<u>542,331</u>	<u>849,217</u>
Non-controlling interests			
— Continuing operations		5,488	24,984
— Discontinued operations		—	—
		<u>5,488</u>	<u>24,984</u>
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share			
— Continuing operations	8	0.16	0.23
— Discontinued operations	16	—	0.02
		<u>0.16</u>	<u>0.25</u>
Diluted earnings per share			
— Continuing operations	8	0.15	0.16
— Discontinued operations	16	—	0.02
		<u>0.15</u>	<u>0.18</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2022 <i>RMB'000</i> (Unaudited)	28 February 2021 <i>RMB'000</i> (Unaudited)
Profit for the period	547,819	874,201
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	5,374	91,887
<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
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	21,066	7,154
Currency translation differences	(8,889)	—
Other comprehensive income for the period, net of tax	17,551	99,761
Total comprehensive income for the period	565,370	973,962
Total comprehensive income for the period attributable to:		
— Owners of the Company	559,882	948,978
— Non-controlling interests	5,488	24,984
	565,370	973,962
Total comprehensive income for the period attributable to owners of the Company arises from:		
Continuing operations	559,882	875,645
Discontinued operations	—	73,333
	559,882	948,978

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		3,644,871	3,624,140
Intangible assets		1,536,010	1,538,351
Right-of-use assets		1,922,548	1,818,941
Other non-current assets		12,555	17,713
		<hr/>	<hr/>
Total non-current assets		7,115,984	6,999,145
		<hr/>	<hr/>
Current assets			
Trade and other receivables	9	103,304	104,726
Restricted cash		200,000	150,523
Cash and cash equivalents		2,998,310	1,655,884
		<hr/>	<hr/>
Total current assets		3,301,614	1,911,133
		<hr/>	<hr/>
Total assets		10,417,598	8,910,278
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Share capital	10	30	28
Share premium	10	1,741,528	966,087
Other reserves		1,159,595	1,032,364
Retained earnings		2,301,155	1,758,824
		<hr/>	<hr/>
Capital and reserves attributable to owners of the Company		5,202,308	3,757,303
		<hr/>	<hr/>
Non-controlling interests		30,761	25,273
		<hr/>	<hr/>
Total equity		5,233,069	3,782,576
		<hr/>	<hr/>

	Note	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Liabilities			
Non-current liabilities			
Borrowings	12	480,000	639,980
Deferred income tax liabilities	14	498,678	502,170
Lease liabilities		12,529	16,492
Financial liabilities at fair value through profit or loss	13	—	1,667,555
Deferred income		174,558	94,978
		<hr/>	<hr/>
Total non-current liabilities		1,165,765	2,921,175
		<hr/>	<hr/>
Current liabilities			
Accruals and other payables	11	1,050,060	1,086,820
Borrowings	12	219,272	210,371
Contract liabilities		1,130,699	904,448
Financial liabilities at fair value through profit or loss	13	1,614,052	—
Lease liabilities		4,681	4,888
		<hr/>	<hr/>
Total current liabilities		4,018,764	2,206,527
		<hr/>	<hr/>
Total liabilities		5,184,529	5,127,702
		<hr/>	<hr/>
Total equity and liabilities		10,417,598	8,910,278
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		28 February 2022 <i>RMB'000</i> (Unaudited)	28 February 2021 <i>RMB'000</i> (Unaudited)
Cash flows from operating activities			
Cash generated from operations (continuing operations)		998,887	1,057,467
Interest paid		(9,894)	(12,864)
		988,993	1,044,603
Discontinued operations	16	—	83,351
Net cash generated from operating activities		988,993	1,127,954
Cash flows from investing activities			
Purchases of property, plant and equipment		(148,617)	(150,787)
Payments of prepaid land lease payments		(133,301)	—
Purchases of intangible assets		(3,593)	(1,858)
Proceeds from disposal of property, plant and equipment		638	918
Proceeds from disposal of intangible assets		15	7
Proceeds from disposal of a subsidiary		—	533
Disposals of financial instruments at fair value through profit or loss		—	50,406
Payments related to other non-current assets		—	(100,000)
Changes in restricted bank deposits		(49,477)	—
Interest received		397	474
Disposals of financial instruments at fair value through other comprehensive income		—	720
		(333,938)	(199,587)

	Note	Six months ended	
		28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Discontinued operations	16	—	(6,844)
Net cash used in investing activities		<u>(333,938)</u>	<u>(206,431)</u>
Cash flows from financing activities			
Acquisition of non-controlling interests		—	(721,200)
Dividends paid to owners of the Company		—	(277,333)
Proceed from disposal of treasury shares	10	106,824	—
Principal elements of lease payments or finance lease payments		(4,450)	(4,941)
Proceeds from borrowings	12	9,000	440,000
Repayments of borrowings	12	(160,079)	(601,956)
Proceeds from issuing of ordinary shares	10	752,743	—
		<u>704,038</u>	<u>(1,165,430)</u>
Discontinued operations	16	—	(130,000)
Net cash generated from/(used in) financing activities		<u>704,038</u>	<u>(1,295,430)</u>
Net increase/(decrease) in cash and cash equivalents		1,359,093	(373,907)
Cash and cash equivalents at beginning of the period		1,655,884	2,175,197
Exchange losses on cash and cash equivalents		(16,667)	(20,835)
Cash and cash equivalents at end of the period		<u><u>2,998,310</u></u>	<u><u>1,780,455</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

China YuHua Education Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) 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, Uglan House, Grand Cayman, KY1-1104, the Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited (“**GuangYu Investment**”). The ultimate controlling party of the Group is Mr. Li Guangyu, who is also the Chairman and an executive director of the Board of Directors of the Company (the “**Controlling Shareholder**”).

As set out in Note 4(a) to the consolidated financial statements for the year ended 31 August 2021, the Group conducts a substantial portion of its businesses through control of certain entities established in the PRC, together with their wholly owned schools, by way of contractual agreements (collectively the “**Consolidated Affiliated Entities**”), due to the regulatory restrictions on foreign ownership of schools in the PRC. During the period, the Board of Directors (the “**Directors**”) re-assessed and concluded that the contractual agreements continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable. Accordingly, the Directors are of the view that the Company continues to control over the Consolidated Affiliated Entities and therefore consolidates the Consolidated Affiliated Entities in this interim condensed consolidated financial information.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 28 February 2017 (the “**Listing**”).

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

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 28 February 2022 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 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

As at 28 February 2022, the Group’s current liabilities exceeded its current assets by RMB717,150,000. Included in the current liabilities as at 28 February 2022 were contract liabilities of RMB1,130,699,000 relating to tuition and boarding fees received in advance, and current borrowings of RMB219,272,000 (Note 12), and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB1,614,052,000 (Note 13). In addition, as at 28 February 2022, the Group had non-current borrowings of RMB480,000,000 (Note 12), the principals of which were all repayable more than twelve months from the period end date in accordance with the respective borrowing agreements. The Group had cash and cash equivalents of RMB2,998,310,000 as at 28 February 2022.

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern and concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 28 February 2022.

The directors of the Company have reviewed the management’s assessment together with the underlying basis and are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2021.

(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 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The above standard 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	NA
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 high school 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. For the period ended 28 February 2022, in the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and the Group’s operating and reportable segments for segment reporting purpose are Grade 1–12 and University, respectively. The former Grade 1–12 segment is renamed to High school since the high school programs are the remaining business of the segment due to the impact as disclosed in Note 16.

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 2022 and 28 February 2021.

Due to the matter as disclosed in Note 16, the corresponding figures in segment information for the six months ended 28 February 2021 was re-presented.

The information of the reportable segments provided to the CODM for the six months ended 28 February 2022 and 28 February 2021 is as follows:

	High School (formerly named "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 2022					
Revenue	110,842	1,092,865	513	(513)	1,203,707
Cost of revenue	(72,125)	(449,745)	—	—	(521,870)
Gross profit	38,717	643,120	513	(513)	681,837
Selling expenses	(786)	(18,485)	—	—	(19,271)
Administrative expenses	(1,571)	(77,721)	(24,145)	513	(102,924)
Net impairment losses on financial assets	—	(862)	—	—	(862)
Other income	493	6,516	22	—	7,031
Other (losses)/gains — net	(72)	(204)	(12,701)	—	(12,977)
Operating profit	36,781	552,364	(36,311)	—	552,834
Finance income/(expenses) — net	2,237	13,503	(31,769)	7,522	(8,507)
Profit before income tax	39,018	565,867	(68,080)	7,522	544,327
Income tax credit	213	3,279	—	—	3,492
Profit for the period	39,231	569,146	(68,080)	7,522	547,819
Unaudited					
As at 28 February 2022					
Total assets	1,336,562	10,816,969	3,632,166	(5,368,099)	10,417,598
Total liabilities	157,209	3,552,823	6,727,319	(5,252,822)	5,184,529
Other segment information					
For the six months ended					
28 February 2022					
Additions to non-current assets	11,967	260,720	2	—	272,689
Depreciation and amortisation	(15,546)	(105,830)	(1,954)	—	(123,330)
— Continuing operations	(15,546)	(105,830)	(1,954)	—	(123,330)
— Discontinued operations	—	—	—	—	—
Losses on disposal of property, plant and equipment	59	123	(82)	—	100
— Continuing operations	59	123	(82)	—	100
— Discontinued operations	—	—	—	—	—

	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	—	138,096	1,010,584	1,113	(1,113)	1,148,680
Cost of revenue	—	(73,489)	(303,243)	—	—	(376,732)
Gross profit	—	64,607	707,341	1,113	(1,113)	771,948
Selling expenses	—	(822)	(26,025)	—	—	(26,847)
Administrative expenses	—	(10,011)	(77,978)	(17,889)	1,113	(104,765)
Net impairment losses on financial assets	—	—	(2,036)	—	—	(2,036)
Other income	—	6,313	14,542	962	—	21,817
Other (losses)/gains — net	—	(141)	(2,487)	168,908	—	166,280
Operating profit	—	59,946	613,357	153,094	—	826,397
Finance income/(expenses) — net	—	753	12,346	(43,388)	—	(30,289)
Profit before income tax	—	60,699	625,703	109,706	—	796,108
Income tax credit	—	843	3,917	—	—	4,760
Profit for the period	—	61,542	629,620	109,706	—	800,868
Profit for the period from discontinued operations	5,998	67,335	—	—	—	73,333
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)
— Continuing operations	—	(13,651)	(100,733)	(1,595)	—	(115,979)
— Discontinued operations	(666)	(9,082)	—	—	—	(9,748)
Losses on disposal of property, plant and equipment	38	192	5,121	53	—	5,404
— Continuing operations	—	111	5,121	53	—	5,285
— Discontinued operations	38	81	—	—	—	119

5 Expenses by nature

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Employee benefit expenses	294,446	253,550
— Wages, salaries, bonus and other welfare	268,890	226,599
— Share Award Scheme expenses	16,906	20,295
— Share-based compensation expenses	8,650	6,656
Depreciation of property, plant and equipment	90,193	80,348
Depreciation of right-of-use assets	27,236	27,133
Amortisation of intangible assets	5,901	8,815
Canteen expenditure	1,300	2,467
Student training and scholarship expenses	75,560	22,533
School consumables	27,005	15,603
Utilities expenses	12,828	13,314
Maintenance expenses	23,658	17,375
Marketing expense	14,946	18,123
Operating lease payments	2,326	2,482
Office expenses	48,870	25,703
Consultancy and professional fee	5,102	5,940
Travel and entertainment expense	4,002	4,229
Other expenses	10,692	10,729
	644,065	508,344
	644,065	508,344

6 Other (losses)/gains — net

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Net (losses) or gains on financial liabilities at fair value		
through profit or loss as at period end	(10,381)	167,275
Losses on disposal of property, plant and equipment	(100)	(5,285)
Gain on disposal of financial assets at fair value through profit or loss	—	406
Donation	(2,496)	(976)
Write-off long aged payables	—	4,860
	(12,977)	166,280
	(12,977)	166,280

7 Income tax credit

	Six months ended	
	28 February 2022 (RMB'000) (Unaudited)	28 February 2021 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	—	—
Deferred tax		
(Increase)/decrease in deferred income tax assets (Note 14)	(89)	310
Decrease in deferred income tax liabilities (Note 14)	(3,403)	(5,070)
Deferred income tax expense for the period	(3,492)	(4,760)
Income tax credit	(3,492)	(4,760)

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands

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

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 2022 and 28 February 2021.

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

Corporate income tax ("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 2022 and 28 February 2021.

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 2022 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2022.

	Six months ended	
	28 February 2022	28 February 2021
	(Unaudited)	(Unaudited)
Profit attribute to owners of the company arising from		
— Continuing operations	542,331	775,884
— Discontinued operations (Note 16)	—	73,333
	<u>542,331</u>	<u>849,217</u>
Weighted average number of ordinary shares in issue (thousand)	<u>3,398,429</u>	<u>3,341,205</u>
Basic earnings per share (RMB)		
— Continuing operations	0.16	0.23
— Discontinued operations (Note 16)	—	0.02
	<u>0.16</u>	<u>0.25</u>

(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 2022 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2022	28 February 2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	542,331	775,884
Adjustments for:		
— interest expense and fair value change on Convertible Bonds	18,154	(159,196)
Adjusted profit attributable to owners of the Company (RMB'000)		
— Continuing operations	560,485	616,688
— Discontinued operations (Note 16)	—	73,333
	<u>560,485</u>	<u>690,021</u>
Weighted average number of ordinary shares in issue (thousands)	<u>3,398,429</u>	<u>3,341,205</u>
Adjustments for:		
— Pre-IPO share options (thousands)	55,574	95,927
— Convertible Bonds	312,575	306,158
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>3,766,578</u>	<u>3,743,290</u>
Diluted earnings per share (RMB)		
— Continuing operations	0.15	0.16
— Discontinued operations (Note 16)	—	0.02
	<u>0.15</u>	<u>0.18</u>

9 Trade and other receivables

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Trade receivables		
Due from students	14,552	14,038
Provision for impairment	(4,703)	(4,227)
	<u>9,849</u>	<u>9,811</u>
Other receivables		
Receivables from local government	75,232	75,232
Deposits	2,185	3,327
Staff advance	2,636	6,630
Interest receivables	68	122
Others	3,892	4,760
Provision for impairment	(361)	(361)
	<u>83,652</u>	<u>89,710</u>
Prepayment		
Prepaid expenses	9,803	5,205
	<u>103,304</u>	<u>104,726</u>

As at 28 February 2022 and 31 August 2021, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 28 February 2022 <i>(RMB'000)</i> (Unaudited)	As at 31 August 2021 <i>(RMB'000)</i> (Audited)
Less than 1 year	9,504	10,767
Over 1 year	5,048	3,271
	<u>14,552</u>	<u>14,038</u>

10 Share capital and share premium

Authorised, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$
--	------------------------------	---

Unaudited

As at 28 February 2022

50,000,000,000

500,000

Issued and paid, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2021	3,355,139,983	33,551	28	966,087	966,115
Share issued upon exercise of share-based compensation	13,758,850	138	—	33,691	33,691
Share Award Scheme	5,595,000	56	—	16,906	16,906
Issue of ordinary shares (a)	220,000,000	2,200	2	752,741	752,743
Disposal of treasury shares (b)	—	—	—	(27,897)	(27,897)
Balance at 28 February 2022	<u>3,594,493,833</u>	<u>35,945</u>	<u>30</u>	<u>1,741,528</u>	<u>1,741,558</u>

Authorised, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$
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Unaudited

As at 28 February 2021

50,000,000,000

500,000

Issued and paid, par value at HK\$0.00001 each:	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2020	3,339,640,183	33,396	28	1,546,308	1,546,336
Share issued upon exercise of share-based compensation	8,815,000	88	—	26,591	26,591
Share Award Scheme	6,684,800	67	—	41,304	41,304
Dividends distribution	—	—	—	(277,333)	(277,333)
Balance at 28 February 2021	<u>3,355,139,983</u>	<u>33,551</u>	<u>28</u>	<u>1,336,870</u>	<u>1,336,898</u>

(a) Issue of ordinary shares

On 26 October 2021, the Company, GuangYu Investment and Merrill Lynch (Asia Pacific) Limited acted as the placing manager, entered into a placing and subscription agreement, pursuant to which (a) the placing manager has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to third parties and (b) GuangYu Investment has agreed to subscribe for, and the Company agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price.

The net proceeds from the subscription are HK\$914,078,000, equivalent to RMB752,743,000, of which RMB2,000 was recorded in share capital and RMB752,741,000 was recorded in share premium.

(b) Treasury shares

As at 31 August 2021, the number of treasury shares was 38,456,000 shares of the Company in total, amounting to HK\$163,733,000 (equivalent to RMB134,721,000).

During the six months ended 28 February 2022, the Company sold all 38,456,000 treasury shares for HK\$130,560,000 (equivalent to RMB106,824,000). Accordingly, the Group recorded an increase in the equity from the deduction in “treasury shares” under reserves of RMB134,721,000 and a reduction of share premium of RMB27,897,000.

11 Accruals and other payables

	As at 28 February 2022 (RMB'000) (Unaudited)	As at 31 August 2021 (RMB'000) (Audited)
Net payables to the Affected Business upon deconsolidation	602,030	602,030
Amounts due to related parties	10,645	10,287
Payables for purchases of property, plant and equipment	100,122	140,275
Salary and welfare payables	73,583	85,867
Defined pension benefits	8,325	7,866
Deposits received	24,957	20,044
Miscellaneous amounts received from students	109,797	79,594
Payables for teaching materials and other operating expenditure	33,423	38,828
Payables for contracting canteens	200	235
Government subsidies payable to students and teachers	25,848	37,243
Audit and consulting fees	1,635	6,800
Interest payables	6,890	8,814
Taxes payable	21,919	23,966
Legal claim payables	6,589	6,589
Others	24,097	18,382
	<u>1,050,060</u>	<u>1,086,820</u>

12 Borrowings

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	480,000	639,980
	<u>480,000</u>	<u>639,980</u>
Current		
Secured		
Bank loans	219,272	210,371
	<u>219,272</u>	<u>210,371</u>
Total borrowings	<u>699,272</u>	<u>850,351</u>

(a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 28 February 2022	
Opening amount as at 1 September 2021	850,351
Proceeds of new borrowings (i)	9,000
Repayment of borrowings	(160,079)
	<hr/>
Closing amount as at 28 February 2022	699,272
	<hr/> <hr/>
Six months ended 28 February 2021	
Opening amount as at 1 September 2020	1,142,419
Proceeds of new borrowings	440,000
Repayment of borrowings	(731,956)
	<hr/>
Closing amount as at 28 February 2021	850,463
	<hr/> <hr/>

Note:

- (i) The interest rates are determined by the relevant Loan Prime Rate (LPR) plus 35 basic points of the respective bank loans. The average interest rate of the bank loans during the period is 3.900%.
- (b) As at 28 February 2022, there were no undrawn bank facility (31 August 2021: Nil).
- (c) The carrying amounts of bank loans are analysed as below:

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Bank borrowings		
Guaranteed by a related party	699,000	849,980
Guaranteed and pledged by subsidiaries of the Group	272	371
	<hr/>	<hr/>
	699,272	850,351
	<hr/> <hr/>	<hr/> <hr/>

13 Financial liabilities at fair value through profit or loss

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Current		
Convertible Bonds due 2024	1,614,052	—
	<hr/>	<hr/>
Non-current		
Convertible Bonds due 2024	—	1,667,555
	<hr/>	<hr/>

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 2021 and 28 February 2022 were of RMB1,667,555,000 and RMB1,614,052,000, respectively. The changes in the fair value that were attributable to the changes in the liability's credit risk of RMB21,066,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB10,381,000 were charged to other losses (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 2022 is HK\$6.8200 per share.

As at 28 February 2022, 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. As at 28 February 2022, the Convertible Bonds due 2024 was reclassified as current liability due to the relevant redemption option of the holder according to the terms and conditions under the subscription agreement.

14 Deferred income 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 income tax assets

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	18,901	20,194
Charged to profit or loss (Note 7)	89	(1,293)
Closing amount	18,990	18,901

Deferred income tax liabilities

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	(521,071)	(531,029)
Charged to profit or loss (Note 7)	3,403	9,958
Closing amount	<u>(517,668)</u>	<u>(521,071)</u>

Deferred income tax liabilities (net)

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Opening amount	(502,170)	(510,835)
Charged to profit or loss (Note 7)	3,492	8,665
Closing amount	<u>(498,678)</u>	<u>(502,170)</u>

15 Dividends

The Board does not recommend an interim dividend for the period ended 28 February 2022.

16 Re-presentation of comparative figures

On 14 May 2021, Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (中華人民共和國國民辦教育促進法實施條例, "Implementation Regulations") were promulgated. The Implementation Regulations were effective on 1 September 2021. The Implementation Regulations include rules that prohibit social organizations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties. The Directors assessed that all preschools in the Kindergartens segment of the Group and the compulsory education programs which is middle schools programs and primary schools programs in the Grade 1–12 segment of the Group were affected by the Implementation Regulations (collectively referred to as the "Affected Business"). As of 31 August 2021, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group. The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss for the year ended 31 August 2021.

Accordingly, the comparative figures of this interim condensed consolidated financial information has also been re-presented. The following tables show the adjustments recognised for each individual line item. Line items not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	For the six months ended 28 February 2021		
	As previously presented <i>RMB'000</i>	Re-presentation adjustments <i>RMB'000</i>	Re-presented <i>RMB'000</i>
Interim condensed consolidated statement of profit or loss			
Continuing operations			
Revenue	1,365,495	(216,815)	1,148,680
Cost of revenue	(510,809)	134,077	(376,732)
Selling expenses	(31,177)	4,330	(26,847)
Administrative expenses	(118,381)	13,616	(104,765)
Other income	30,728	(8,911)	21,817
Other gains — net	166,161	119	166,280
Finance expenses — net	(30,540)	251	(30,289)
Profit before income tax	869,441	(73,333)	796,108
Profit for the period from continuing operations	874,201	(73,333)	800,868
Discontinued operations			
Profit for the period from discontinued operations	—	73,333	73,333
Profit for the period	874,201	—	874,201
Basic earnings/(loss) per share			
— Continuing operations	0.25	(0.02)	0.23
— Discontinued operations	—	0.02	0.02
Diluted earnings/(loss) per share			
— Continuing operations	0.18	(0.02)	0.16
— Discontinued operations	—	0.02	0.02

The following tables show the re-presented cash flow information for the six months ended 28 February 2021:

	For the six months ended 28 February 2021		
	As previously presented <i>RMB'000</i>	Re-presentation adjustments <i>RMB'000</i>	Re-presented <i>RMB'000</i>
Cash flows from operating activities			
Continuing operations	1,127,954	(83,351)	1,044,603
Discontinued operations	—	83,351	83,351
	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	1,127,954	—	1,127,954
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Continuing operations	(206,431)	6,844	(199,587)
Discontinued operations	—	(6,844)	(6,844)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(206,431)	—	(206,431)
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
Continuing operations	(1,295,430)	130,000	(1,165,430)
Discontinued operations	—	(130,000)	(130,000)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(1,295,430)	—	(1,295,430)
	<hr/>	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 20 years of operating private schools in Henan province of the People's Republic of China (the “**PRC**”), the Group is one of the leading private school operators in China in terms of student enrolment.

The Group's fundamental educational objectives are to foster modern talent with leadership and lifelong learning capabilities and nurture great minds to contribute to the future development of the Chinese nation (“培養具有領導才能和自主學習能力的現代化人才，為中華民族的偉大復興貢獻力量”). As an educational service provider, the Group believes it is entrusted to nurture the future of society, and aims to provide educational services in a manner consistent with the values and attitudes of the Group. The curriculums for the Group's schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

For the six months ended 28 February 2022, notwithstanding the impact of the novel coronavirus (“**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 will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available.

On 14 May 2021, the PRC State Council announced the issuance of the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations prohibit social organizations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties.

As a result, the Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities providing kindergarten and compulsory education services (collectively referred to as the “**Affected Business**”). The Group has therefore determined to take measures to optimize its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transforming existing K-12 schools into higher vocational colleges and increasing investment in launching vocational undergraduate education at the Group's existing universities.

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 2021.

The Group's Schools

As at 28 February 2022, the Group had 8 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 2022 and 2021:

	As at 28 February 2022	As at 28 February 2021
The Group's schools in the PRC		
Universities	3	3
High schools	5	5
Middle schools	—	7
Primary schools	—	6
Kindergartens	—	5
The Group's school overseas		
University	1 ^(note 1)	1 ^(note 1)
Total	9	27

Note:

1. 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 making continuous improvements to the educational infrastructure, opening new campuses, and substantially increasing investment in vocational education. The Group will continue to seek expansion in higher education sector with high growth potential and will focus on post-expansion consolidation to maximize shareholder value.

Financial Review

1. Overview

For the six months ended 28 February 2022, the Group recorded revenue of RMB1,203.7 million, an Adjusted Gross Profit of RMB702.7 million and a gross profit of RMB681.8 million. The Adjusted Gross Profit Margin¹ of the Group was 58.4% for the six months ended 28 February 2022 as compared with 69.3% for the corresponding period in 2021. The gross profit margin was 56.6% for the six months ended 28 February 2022 as compared with 67.2% for the corresponding period in 2021.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2022 was RMB575.9 million, representing a decrease of RMB45.4 million or a 7.3% decrease from the corresponding period in 2021. The Adjusted Net Profit Margin² attributable to owners of the Company was 47.8% and 54.1% for the six months ended 28 February 2022 and 28 February 2021, respectively.

The net profit attributable to owners of the Company amounted to RMB542.3 million and RMB775.9 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The net profit margin attributable to owners of the Company amounted to 45.1% and 67.5% for the six months ended 28 February 2022 and 28 February 2021, respectively.

2. Revenue

For the six months ended 28 February 2022, the revenue of the Group amounted to RMB1,203.7 million, representing an increase of RMB55.0 million or 4.8% as compared with RMB1,148.7 million for the corresponding period in 2021. The increase was primarily due to raised tuition fees in several schools.

3. Cost of Revenue

For the six months ended 28 February 2022, the Adjusted Cost of Revenue³ of the Group amounted to RMB501.0 million, representing an increase of RMB148.3 million or 42.0% as compared with RMB352.7 million for the corresponding period in 2021. The cost of revenue of the Group amounted to RMB521.9 million and RMB376.7 million for the six months ended 28 February 2022 and 28 February 2021, 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 2022, the Adjusted Gross Profit of the Group amounted to RMB702.7 million, representing a decrease of RMB93.3 million or 11.7% as compared with RMB796.0 million for the corresponding period in 2021. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2022 was 58.4%, compared with 69.3% for the corresponding period in 2021.

The Group's gross profit amounted to RMB681.8 million and RMB771.9 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The Group's gross margin amounted to 56.6% and 67.2% for the six months ended 28 February 2022 and 28 February 2021, respectively. The decline in gross margin was mainly attributed to the Group's expanded investment in teaching personnel, campus expansion and renovation, curriculum development, student activities, etc. in order to further improve the quality of education we provide and enhance students' learning experience.

5. Selling Expenses

For the six months ended 28 February 2022, the selling expenses of the Group amounted to RMB19.3 million, representing a decrease of RMB7.5 million or 28.0% from RMB26.8 million during the corresponding period in 2021. The decrease was primarily due to implementation of cost control measures.

6. Administrative Expenses

For the six months ended 28 February 2022, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB97.5 million, representing a decrease of RMB4.3 million as compared with RMB101.8 million for the corresponding period in 2021. The administrative expenses of the Group amounted to RMB102.9 million and RMB104.8 million for the six months ended 28 February 2022 and 28 February 2021, respectively.

7. Other Income

For the six months ended 28 February 2022, the other income of the Group amounted to RMB7.0 million, representing a decrease of RMB14.8 million or 67.9% as compared with RMB21.8 million for the corresponding period in 2021. This decrease was primarily due to reduced government grants and subsidies recognized as income over the period.

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

8. Other Gains and Losses

For the six months ended 28 February 2022, the other gains and losses of the Group amounted to a loss of RMB13.0 million as compared with a gain of RMB166.3 million for the corresponding period in 2021. The loss was primarily due to fair value changes on convertible bonds.

9. Operating Profit

The operating profit of the Group amounted to RMB552.8 million and RMB826.4 million for the six months ended 28 February 2022 and 28 February 2021, respectively. The decrease was primarily due to lower gross profit.

10. Finance Income

Finance income increased by 31.9% from RMB14.1 million for the six months ended 28 February 2021 to RMB18.6 million for the corresponding period in 2022 due to an increase in cash and cash equivalents.

11. Finance Expenses

Finance expenses decreased by 39.0% from RMB44.4 million for the six months ended 28 February 2021 to RMB27.1 million for the corresponding period in 2022 due to (i) a decrease in foreign exchange losses; and (ii) 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 2022 and 28 February 2021 were RMB547.8 million and RMB874.2 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB575.9 million and RMB621.3 million for the six months ended 28 February 2022 and 28 February 2021, respectively.

The decrease in the Adjusted Net Profit attributable to owners of the Company was mainly due to the decline in gross profit as a result of the Group's expanded investment in teaching and facility to improve the quality of education we provide and enhance students' learning experience.

The net profit attributable to owners of the Company for the six months ended 28 February 2022 and 28 February 2021 were RMB542.3 million and RMB775.9 million, respectively, representing a decrease of RMB233.6 million. The decrease in net profit was primarily due to the same reason stated above.

13. Liquidity and Source of Funding and Borrowing

On 26 October 2021, the Company entered into a placing and top-up subscription agreement with GuangYu Investment Holdings Limited (“**GuangYu Investment**”) and a third party placing agent, pursuant to which (a) the placing agent has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to independent third parties; and (b) GuangYu Investment has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price (the “**2021 Placing and Subscription**”). The 2021 Placing and Subscription was completed on 3 November 2021. For further details, please refer to the Company’s announcements dated 27 October 2021 and 3 November 2021.

As at 28 February 2022, the Group’s cash and cash equivalents increased by 81.1% from RMB1,655.9 million as at 31 August 2021 to RMB2,998.3 million. Including restricted cash, the Group’s total cash increased from RMB1,806.4 million as at 31 August 2021 to RMB3,198.3 million as at 28 February 2022. The increase was mainly attributed to proceeds from issuing of ordinary shares.

As at 28 February 2022, the current assets of the Group amounted to RMB3,301.6 million, including RMB3,198.3 million in cash and restricted cash and RMB103.3 million in other current assets. The current liabilities of the Group amounted to RMB4,018.8 million, of which RMB1,050.1 million was accruals and other payables, RMB219.3 million was borrowings, RMB1,130.7 million was contract liabilities, RMB1,614.1 million was financial liabilities at fair value through profit or loss and RMB4.7 million was other current liabilities. As at 28 February 2022, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.82 (31 August 2021: 0.87).

14. Gearing Ratio

As at 28 February 2022, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 13.4% (31 August 2021: 22.5%).

15. Material Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group’s total assets as of 28 February 2022) during the six months ended 28 February 2022.

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 2022.

17. Pledge of Assets

As at 28 February 2022, the bank borrowings of the Group amounting to RMB699.3 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 2022.

19. Foreign Exchange Exposure

During the six months ended 28 February 2022, the Group mainly operated in China and the majority of the transactions were settled in Renminbi (“**RMB**”), the Company’s primary consolidated affiliated entities’ functional currency. The Group’s acquisition of a university in Thailand exposes the Group to foreign exchange risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. As at 28 February 2022, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

20. Employee and Remuneration Policy

As at 28 February 2022 and 28 February 2021, we had 6,846 and 6,965 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 2022 was RMB294.4 million (for the six months ended 28 February 2021: RMB253.6 million).

The following table sets forth the total number of employees by function as at 28 February 2022:

Function	Number of employees	% of total
Teachers	4,834	70.6%
Administrative staff	325	4.7%
Other staff	1,687	24.7%
Total	6,846	100.0%

21. Future Plans for Material Investments and Capital Assets

As of 28 February 2022, the Group did not have other plans for material investments and capital assets.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 28 February 2022 (2021: HK\$0.123).

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 2022 the Company has complied with all applicable code provisions set out in the Corporate Governance Code (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**”).

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 2022.

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 2022 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 2022.

6. Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2022. 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 2022.

7. Building Certificates and Permits

As at 28 February 2022, 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 2022, 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 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 and 4 February 2020.

As of 28 February 2022, the Company had drawn US\$75 million from the loan facility and had not utilized any amount drawn from the loan facility. US\$50 million of the total principal amount had been repaid to International Finance Corporation, 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.

(b) Use of Net Proceeds from the 2021 Placing and Subscription

The 2021 Placing and Subscription was completed on 3 November 2021. An aggregate of 220,000,000 placing shares had been successfully placed to not fewer than six places and accordingly 220,000,000 subscription shares were allotted and issued by the Company to GuangYu Investment Holdings Limited.

The net proceeds received by the Company from the 2021 Placing and Subscription were approximately HK\$914 million. The Company intends to use the estimated net proceeds for (a) transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future); (b) opening a new campus for Hunan International Economics University (湖南涉外經濟學院); and (c) increasing investment in launching vocational undergraduate education at the existing three universities. As of 28 February 2022, approximately HK\$336 million of the net proceeds of the completion of the 2021 Placing and Subscription had been utilised and HK\$578 million remained unutilised. There has been no change in the intended use of net proceeds as previously disclosed and the Company expects to fully utilised the residual amount of the net proceed in accordance with such intended purpose by 31 December 2023. For further details, please refer to the announcements dated 27 October 2021 and 3 November 2021.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuhua.com. The interim report of the Group for the six months ended 28 February 2022 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, 29 April 2022

As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive Directors; and Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue as independent non-executive Directors.