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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 2023

### 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 2023. These interim results have been reviewed by the Company’s audit committee. The unaudited interim condensed consolidated financial information set out on pages 5 to 28 is extracted from the Interim Financial Information which has been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

	Six months ended		Change
	28 February 2023 (Unaudited)	28 February 2022 (Unaudited)	
<b>RMB’000</b>			
Revenue	<b>1,188,765</b>	1,203,707	-1.2%
Gross Profit	<b>557,921</b>	681,837	-18.2%
Adjusted Gross Profit <sup>1</sup>	<b>579,075</b>	702,736	-17.6%
Adjusted Net Profit attributable to owners of the Company <sup>2</sup>	<b>483,523</b>	575,862	-16.0%

*Notes:*

- (1) The Adjusted Gross Profit for the six months ended 28 February 2023 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 2023 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) gains and losses related to convertible bonds recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2022, please refer to the Company’s interim results announcement for the six months ended 28 February 2022.

### **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 2023 RMB'000	28 February 2022 RMB'000
<b>Gross Profit</b>	<b>557,921</b>	681,837
Share-based compensation expenses (in cost of revenue)	<b>2,739</b>	3,187
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU	<b>5,039</b>	4,693
— Bowang High School	<b>771</b>	771
— Shandong Yingcai University	<b>10,461</b>	10,104
— Stamford International University	<b>2,144</b>	2,144
<b>Adjusted Gross Profit</b>	<b>579,075</b>	702,736

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

	Six months ended	
	28 February 2023 RMB'000	28 February 2022 RMB'000
<b>Net profit attributable to the owners of the Company</b>	<b>586,749</b>	542,331
Share-based compensation expenses (in cost of revenue)	2,739	3,187
Share-based compensation expense (in administrative expenses)	4,631	5,463
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU	5,088	4,739
— Bowang High School	595	595
— Shandong Yingcai University	10,461	10,104
— Stamford International University	2,144	2,144
Gains and losses related to convertible bonds <sup>Note</sup>		
— Losses arising from revising the terms of the convertible bonds	6,781	—
— Net gains on repurchase of convertible bonds	(169,738)	—
— Changes in the fair value of convertible bonds	44,276	10,381
Government Grants	(10,203)	(3,082)
<b>Adjusted Net Profit attributable to the owners of the Company</b>	<b>483,523</b>	575,862

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
<b>Revenue</b>	4	<b>1,188,765</b>	1,203,707
Cost of revenue	5	<b>(630,844)</b>	(521,870)
<b>Gross profit</b>		<b>557,921</b>	681,837
Selling expenses	5	<b>(14,664)</b>	(19,271)
Administrative expenses	5	<b>(94,613)</b>	(102,924)
Net impairment losses on financial assets		<b>(2,888)</b>	(862)
Other income		<b>13,969</b>	7,031
Other gains/(losses) — net	6	<b>116,380</b>	(12,977)
<b>Operating profit</b>		<b>576,105</b>	552,834
Finance income		<b>29,570</b>	18,609
Finance expenses		<b>(20,696)</b>	(27,116)
Finance expenses — net		<b>8,874</b>	(8,507)
<b>Profit before income tax</b>		<b>584,979</b>	544,327
Income taxation	7	<b>4,709</b>	3,492
<b>Profit for the period</b>		<b>589,688</b>	547,819
<b>Profit attributable to:</b>			
— Owners of the Company		<b>586,749</b>	542,331
— Non-controlling interests		<b>2,939</b>	5,488
		<b>589,688</b>	547,819
<b>Earnings per share attributable to owners of the Company (RMB Yuan)</b>			
Basic earnings per share	8	<b>0.16</b>	0.16
Diluted earnings per share	8	<b>0.12</b>	0.15

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>28 February 2023 RMB'000 (Unaudited)</b>	<b>28 February 2022 RMB'000 (Unaudited)</b>
<b>Profit for the period</b>	<u>589,688</u>	<u>547,819</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(8,264)	5,374
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair value related to the changes in the credit risk of the Convertible Bonds	15,444	21,066
Transfer of changes in fair value related to the changes in the credit risk of the Convertible Bonds due to the termination of the Convertible Bonds	(156,582)	—
Currency translation differences	<u>(741)</u>	<u>(8,889)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>(150,143)</u>	<u>17,551</u>
<b>Total comprehensive income for the period</b>	<u>439,545</u>	<u>565,370</u>
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	436,606	559,882
— Non-controlling interests	<u>2,939</u>	<u>5,488</u>
	<u><u>439,545</u></u>	<u><u>565,370</u></u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,218,688	3,706,284
Intangible assets		1,582,802	1,531,545
Right-of-use assets		1,875,074	1,892,066
Other non-current assets		17,409	34,277
<b>Total non-current assets</b>		<b>7,693,973</b>	7,164,172
<b>Current assets</b>			
Trade and other receivables	9	83,289	76,272
Restricted cash		531	11,576
Financial assets at fair value through profit or loss		400,000	—
Cash and cash equivalents		2,531,862	4,240,783
<b>Total current assets</b>		<b>3,015,682</b>	4,328,631
<b>Total assets</b>		<b>10,709,655</b>	11,492,803
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	10	30	30
Share premium	10	1,741,528	1,741,528
Other reserves		1,141,206	1,283,979
Retained earnings		3,506,330	2,762,999
<b>Capital and reserves attributable to owners of the Company</b>		<b>6,389,094</b>	5,788,536
<b>Non-controlling interests</b>		<b>37,460</b>	34,521
<b>Total equity</b>		<b>6,426,554</b>	5,823,057

		As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		8,734	12,564
Deferred income		170,699	172,628
Deferred income tax liabilities	14	488,807	493,516
Borrowings	12	270,000	430,000
Financial liabilities at fair value through profit or loss	13	869,205	—
		<u>1,807,445</u>	<u>1,108,708</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Accruals and other payables	11	1,099,061	1,077,602
Contract liabilities		1,157,352	1,471,401
Lease liabilities		9,142	4,732
Borrowings	12	210,101	210,198
Financial liabilities at fair value through profit or loss	13	—	1,797,105
		<u>2,475,656</u>	<u>4,561,038</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>4,283,101</u>	<u>5,669,746</u>
<b>Total equity and liabilities</b>			
		<u><u>10,709,655</u></u>	<u><u>11,492,803</u></u>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>28 February</b>	<b>28 February</b>
	<b>2023</b>	<b>2022</b>
<b>Note</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>320,896</b>	998,887
Interest received	<b>25,181</b>	16,484
Interest paid	<b>(19,359)</b>	(26,378)
	<u><b>326,718</b></u>	<u>988,993</u>
 Net cash generated from operating activities	 <u><b>326,718</b></u>	 <u>988,993</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(630,247)</b>	(148,617)
Proceeds from disposal of property, plant and equipment	<b>25,910</b>	638
Purchases of intangible assets	<b>(58,944)</b>	(3,593)
Proceeds from disposal of intangible assets	<b>326</b>	15
Purchases of financial assets at fair value through profit or loss	<b>(600,000)</b>	—
Disposals of financial assets at fair value through profit or loss	<b>200,000</b>	—
Payments of prepaid land lease payments	<b>—</b>	(133,301)
Changes in restricted cash	<b>11,045</b>	(49,477)
Interest received	<b>771</b>	397
	<u><b>(1,051,139)</b></u>	<u>(333,938)</u>

	Note	Six months ended	
		28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Net cash used in investing activities		<u>(1,051,139)</u>	<u>(333,938)</u>
<b>Cash flows from financing activities</b>			
Repurchase of the Convertible Bonds	13(b)(i)	(388,784)	—
Mandatory redemption of the Convertible Bonds	13(b)(iii)	(433,487)	—
Proceeds from borrowings	12	—	9,000
Repayments of borrowings	12	(160,097)	(160,079)
Proceeds from disposal of treasury shares		—	106,824
Principal elements of lease payments or finance lease payments		(3,982)	(4,450)
Net proceeds from issue of ordinary shares	10	<u>—</u>	<u>752,743</u>
		<u>(986,350)</u>	<u>704,038</u>
Net cash (used in)/generated from financing activities		<u>(986,350)</u>	<u>704,038</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,710,771)</b>	<b>1,359,093</b>
Cash and cash equivalents at beginning of the period		<b>4,240,783</b>	<b>1,655,884</b>
Exchange gains/(losses) on cash and cash equivalents		<u>1,850</u>	<u>(16,667)</u>
<b>Cash and cash equivalents at end of the period</b>		<b><u>2,531,862</u></b>	<b><u>2,998,310</u></b>

# 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**”) is principally engaged in the provision of private formal education services from high school to university in mainland China 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, Umland 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 of the Board of Directors of the Company (the “**Controlling Shareholder**”).

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**”).

## 2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 28 February 2023 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 2022, 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 2022.

#### (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 2022:

- Reference to the Conceptual Framework — Amendments to IFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to IFRS 16 (March 2021) (the “**IFRS 16 Amendment (March 2021)**”)
- Amendments Improvement to IFRS standards 2018-2020

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 (deferred from 1 January 2021)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
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
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	N/A

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 (Grade 10-12) to university education services in mainland China 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. During the period, 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 High School and University, respectively.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the 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, no single customer accounted for more than 10% of the Group's total revenue for the six months ended 28 February 2023 and 28 February 2022.

The information of the reportable segments provided to the CODM for the six months ended 28 February 2023 and 28 February 2022 is as follows:

	High school <i>RMB'000</i>	University <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Unaudited</b>					
<b>For the six months ended</b>					
<b>28 February 2023</b>					
Revenue	90,565	1,098,200	462	(462)	1,188,765
Cost of revenue	(63,969)	(566,875)	—	—	(630,844)
<b>Gross profit</b>	<b>26,596</b>	<b>531,325</b>	<b>462</b>	<b>(462)</b>	<b>557,921</b>
Selling expenses	(493)	(14,171)	—	—	(14,664)
Administrative expenses	(3,377)	(81,940)	(9,758)	462	(94,613)
Net impairment losses on financial assets	—	(2,888)	—	—	(2,888)
Other income	357	13,231	381	—	13,969
Other (losses)/gains — net	(1,823)	(475)	118,678	—	116,380
<b>Operating profit</b>	<b>21,260</b>	<b>445,082</b>	<b>109,763</b>	<b>—</b>	<b>576,105</b>
Finance income/(expenses) — net	2,479	18,175	(11,780)	—	8,874
<b>Profit before income tax</b>	<b>23,739</b>	<b>463,257</b>	<b>97,983</b>	<b>—</b>	<b>584,979</b>
Income taxation	213	4,496	—	—	4,709
<b>Profit for the period</b>	<b>23,952</b>	<b>467,753</b>	<b>97,983</b>	<b>—</b>	<b>589,688</b>
<b>Unaudited</b>					
<b>As at 28 February 2023</b>					
Total assets	1,478,605	12,033,392	2,955,784	(5,758,126)	10,709,655
Total liabilities	457,158	3,812,383	6,191,383	(6,177,823)	4,283,101
<b>Other segment information</b>					
<b>For the six months ended</b>					
<b>28 February 2023</b>					
Additions to non-current assets	14,518	720,084	—	—	734,602
Depreciation and amortisation (Note 5)	(16,791)	(142,119)	(1,649)	—	(160,559)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 6)	1,823	977	2	—	2,802

	High school <i>RMB'000</i>	University <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Unaudited</b>					
<b>For the six months ended</b>					
<b>28 February 2022</b>					
Revenue	110,842	1,092,865	513	(513)	1,203,707
Cost of revenue	(72,125)	(449,745)	—	—	(521,870)
<b>Gross profit</b>	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)
<b>Operating profit</b>	36,781	552,364	(36,311)	—	552,834
Finance income/(expenses) — net	2,237	13,503	(31,769)	7,522	(8,507)
<b>Profit before income tax</b>	39,018	565,867	(68,080)	7,522	544,327
Income taxation	213	3,279	—	—	3,492
<b>Profit for the period</b>	<u>39,231</u>	<u>569,146</u>	<u>(68,080)</u>	<u>7,522</u>	<u>547,819</u>
<b>Unaudited</b>					
<b>As at 28 February 2022</b>					
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
<b>Other segment information</b>					
<b>For the six months ended</b>					
<b>28 February 2022</b>					
Additions to non-current assets	11,967	260,720	2	—	272,689
Depreciation and amortisation (Note 5)	(15,546)	(105,830)	(1,954)	—	(123,330)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 6)	59	123	(82)	—	100

Segment information by location is set out below:

	<b>Six months ended</b>	
	<b>28 February 2023</b>	28 February 2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue from external customers</b>		
Mainland China	1,119,887	1,131,730
Thailand	68,878	71,977
	<u>1,188,765</u>	<u>1,203,707</u>
	<b><u>1,188,765</u></b>	<b><u>1,203,707</u></b>
	<b>As at</b>	<b>As at</b>
	<b>28 February 2023</b>	31 August 2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>		
Mainland China	7,429,901	6,900,981
Thailand	264,072	263,191
	<u>7,693,973</u>	<u>7,164,172</u>
	<b><u>7,693,973</u></b>	<b><u>7,164,172</u></b>



## 5 Expenses by nature

	Six months ended	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Employee benefit expenses	312,065	294,446
— Wages, salaries, bonus and other welfare	304,695	268,890
— Share Award Scheme expenses	—	16,906
— Share-based compensation expenses	7,370	8,650
Depreciation expenses		
— property, plant and equipment	123,577	90,193
— right-of-use assets	29,621	27,236
Amortisation of intangible assets	7,361	5,901
Students training and scholarship expenses	95,430	75,560
School consumables	38,230	27,005
Utilities expenses	17,585	12,828
Maintenance expenses	25,065	23,658
Marketing expenses	11,146	14,946
Operating lease payments	2,701	2,326
Office expenses	59,262	48,870
Consultancy and professional fee	3,940	5,102
Travel and entertainment expenses	6,064	4,002
Other expenses	8,074	11,992
	<u>740,121</u>	<u>644,065</u>

## 6 Other gains/(losses) — net

	Six months ended	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Net loss on financial liabilities at fair value through profit or loss	(44,276)	(10,381)
Losses on disposal of property, plant and equipment	(2,802)	(100)
Gains on disposal of financial assets at fair value through profit or loss	436	—
Donation	65	(2,496)
Net gains on repurchase of the Convertible Bonds (Note 13 (b)(i))	169,738	—
Losses arising from revising the terms of the Convertible Bonds	(6,781)	—
	<u>116,380</u>	<u>(12,977)</u>

## 7 Income taxation

	Six months ended	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Current income tax		
Current income tax on profits before income tax for the period	—	—
Deferred income tax		
Decrease in deferred income tax assets (Note 14)	(89)	(89)
Decrease in deferred income tax liabilities (Note 14)	(4,620)	(3,403)
Total deferred income tax benefit	(4,709)	(3,492)
Income taxation	<u>(4,709)</u>	<u>(3,492)</u>

### (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) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not derive any assessable profits in Hong Kong (2022: Nil).

### (c) Mainland China corporate income tax (“CIT”)

Corporate income tax (“CIT”) is provided on estimated taxable profits of entities incorporated in mainland China. Pursuant to the Corporate Income Tax Law of the PRC (the “CIT Law”), which was effective from January 2008, the CIT rate applicable to the Group’s subsidiaries incorporated in mainland China was 25% during the six months ended 28 February 2023 and 28 February 2022.

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.

**(d) Thailand income tax**

The statutory corporate income tax rate applied on the taxable profits for Thailand companies is 20% (2022: 20%). According to the relevant Thailand regulations, entities which engages in provision of higher education services are not subject to Thailand income taxes.

**8 Earnings per share**

**(a) Basic**

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

	<b>Six months ended</b>	
	<b>28 February 2023</b>	28 February 2022
	<b>(Unaudited)</b>	(Unaudited)
Profit attribute to owners of the Company (RMB'000)	<b>586,749</b>	542,331
Weighted average number of ordinary shares in issue (Thousands)	<b><u>3,594,494</u></b>	<u>3,398,429</u>
Basic earnings per share (RMB Yuan)	<b><u>0.16</u></b>	<u>0.16</u>

**(b) Diluted**

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	<b>Six months ended</b>	
	<b>28 February 2023</b>	28 February 2022
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>586,749</b>	542,331
Adjustments for:		
— impact of the Convertible Bonds (RMB'000)	<b>(111,682)</b>	18,154
Adjusted profit attributable to owners of the Company (RMB'000)	<b>475,067</b>	560,485
Weighted average number of ordinary shares in issue (Thousands)	<b>3,594,494</b>	3,398,429
Adjustments for:		
— Pre-IPO share options (Thousands)	—	55,574
— impact of the Convertible Bonds (Thousands)	<b>312,575</b>	312,575
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	<b>3,907,069</b>	3,766,578
Diluted earnings per share (RMB Yuan)	<b>0.12</b>	0.15

## 9 Trade and other receivables

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Trade receivables		
Due from students	16,866	15,837
Provision for impairment	<u>(6,125)</u>	<u>(4,933)</u>
	<u>10,741</u>	<u>10,904</u>
Other receivables		
Receivables from local government	51,729	51,729
Deposits	2,185	2,187
Staff advances	2,923	4,059
Interest receivables	901	200
Others	3,282	3,550
Provision for impairment	<u>(551)</u>	<u>(151)</u>
	<u>60,469</u>	<u>61,574</u>
Prepayments		
Prepaid expenses	<u>12,079</u>	<u>3,794</u>
	<u><b>83,289</b></u>	<u><b>76,272</b></u>

The aging analysis of the trade receivables based on the invoice date is set as followings:

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Less than 1 year	11,470	12,188
Over 1 year	<u>5,396</u>	<u>3,649</u>
	<u><b>16,866</b></u>	<u><b>15,837</b></u>

## 10 Share capital and share premium

	Number of ordinary shares  (unaudited)	Nominal value of ordinary shares <i>HK\$</i> (unaudited)			
<b>Authorised, HK\$0.00001 each:</b>					
As at 31 August 2022 and 28 February 2023	<b>50,000,000,000</b>	<b>500,000</b>			
	Number of ordinary shares	Amount <i>HK\$</i>	Equivalent amount <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Issued and paid, HK\$0.00001 each:</b>					
Balance at 1 September 2022 and 28 February 2023	<b>3,594,493,833</b>	<b>35,945</b>	<b>30</b>	<b>1,741,528</b>	<b>1,741,558</b>
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	220,000,000	2,200	2	752,741	752,743
Disposal of treasury shares	—	—	—	(27,897)	(27,897)
Balance at 28 February 2022	<b>3,594,493,833</b>	<b>35,945</b>	<b>30</b>	<b>1,741,528</b>	<b>1,741,558</b>

## 11 Accruals and other payables

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Net payables to the Affected Business upon deconsolidation	594,030	594,030
Amounts due to related parties	11,361	11,003
Payables for purchases of property, plant and equipment	114,278	99,635
Salary and welfare payables	69,450	76,434
Defined pension benefits	8,663	7,772
Deposits received	16,004	18,683
Miscellaneous expenses received from students	103,822	102,125
Payables for teaching materials and other operating expenditure	69,988	58,819
Government subsidies payable to students and teachers	51,483	46,146
Audit and consulting fees	3,694	3,796
Interest payables	5,091	6,526
Taxes payable	28,540	27,812
Legal claim payables	2,189	6,589
Others	20,468	18,232
	<u>1,099,061</u>	<u>1,077,602</u>

## 12 Borrowings

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
<b>Non-current</b>		
Bank loans, secured	270,000	430,000
<b>Current</b>		
Bank loans, secured	210,101	210,198
<b>Total borrowings</b>	<u>480,101</u>	<u>640,198</u>

(a) Movements in borrowings is analysed as follows:

	<b>Six months ended 28 February 2023 RMB'000 (Unaudited)</b>	Six months ended 28 February 2022 RMB'000 (Unaudited)
<b>As at beginning of the period</b>	<b>640,198</b>	850,351
Proceeds of new borrowings (i)	—	9,000
Repayment of borrowings	<u>(160,097)</u>	<u>(160,079)</u>
<b>As at end of the period</b>	<b><u>480,101</u></b>	<b><u>699,272</u></b>

(i) The interest rates are determined by the relevant loan prime rate plus 35 basic points of the respective bank loans. The average interest rate of the bank loans during the period was 4.089% (2022: 3.900%).

(b) As at 28 February 2023, there were no undrawn bank facility (31 August 2022: Nil).

(c) The carrying amounts of bank loans are analysed as below:

	<b>As at 28 February 2023 RMB'000 (Unaudited)</b>	As at 31 August 2022 RMB'000 (Audited)
<b>Bank borrowings</b>		
Guaranteed by related party	<b>480,000</b>	640,000
Secured by equity interests of a subsidiary	<u>101</u>	<u>198</u>
	<b><u>480,101</u></b>	<b><u>640,198</u></b>

### 13 Financial liabilities at fair value through profit or loss

	<b>As at 28 February 2023 RMB'000 (Unaudited)</b>	As at 31 August 2022 RMB'000 (Audited)
<b>Current</b>		
Convertible Bonds	<u>—</u>	<u>1,797,105</u>
<b>Non-current</b>		
Convertible Bonds	<b><u>869,205</u></b>	<u>—</u>



(a) **Issuance of the Convertible Bonds**

On 27 December 2019, the Company issued convertible bonds (the “**Convertible Bonds**”) with an aggregate principal amount of HK\$2,088,000,000 (approximately RMB1,876,402,000). The issuance cost of approximately RMB18,756,000 was charged as finance expenses. The Convertible Bonds were recognised and measured as financial liabilities at fair value through profit or loss pursuant to the terms of the trust deed (the “**Trust Deed**”) constituting the Convertible Bonds.

The Convertible Bonds 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 Trust Deed, 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 holders of the Convertible Bonds (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\$7.1303 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the Trust Deed. As at 31 August 2022, the conversion price of the Convertible Bonds was HK\$6.68 per share and no conversion related to the Convertible Bonds was exercised by the Bondholders.

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

The Convertible Bonds may be redeemed at the option of the Company or the Bondholders pursuant to the respective terms and conditions under the Trust Deed. 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 Trust Deed. According to the terms of the Trust Deed, the Bondholders had rights to require the Company to redeem all or part of the Convertible Bonds at the nominal value together with the accrued interest on 27 December 2022 (the “**Early Redemption Date**”). As at 31 August 2022, the Convertible Bonds was reclassified as current liability due to the relevant redemption option of the Bondholders.

**(b) Repurchase of and amendments to the Convertible Bonds**

- (i) On 25 October 2022, the Company repurchased and cancelled a portion of the Convertible Bonds with principal amounts of HK\$614,000,000 from certain Bondholders at a total consideration of HK\$428,100,000 (equivalent to RMB388,784,000), resulted in an other gain of approximately HK\$186,000,000 (equivalent to RMB169,738,000). After such repurchase, the outstanding principal amount of the Convertible Bonds was reduced to HK\$1,474,000,000. On 25 November 2022, all of the remaining Bondholders confirmed to exercise of their early redemption rights under the Convertible Bonds. Although the Group had cash and cash equivalents of HK\$4,344,000,000 on the Early Redemption Date, the cash and cash equivalents available outside of mainland China were not sufficient to redeem all of the Convertible Bonds. The Group was also not able to arrange financing facilities outside mainland China before the Early Redemption Date. As a result, the outstanding principal of HK\$1,474,000,000 and the accrued interest of HK\$6,633,000 were not paid by the Company on the Early Redemption Date (the “**Events of Default**”). The following actions have been taken to mitigate the above conditions:
- (ii) On 12 January 2023, the Company issued a notice to request the remaining Bondholders to approve an extraordinary resolution in accordance with the Trust Deed (the “**Extraordinary Resolution**”) which sets out certain revised terms and waivers in relation to the Convertible Bonds. The Extraordinary Resolution was approved by the requisite Bondholders on 18 January 2023 with the revised terms and waivers signed under a supplemental trust deed (“**Supplemental Trust Deed**”) effective and became irrevocable on 19 January 2023, details of which are set out below:
- (1) A mandatory redemption by the Company totaling HK\$500,000,000 to all the remaining Bondholders on a pro-rata basis on 30 January 2023. The remaining outstanding aggregate principal amount of HK\$974,000,000 will be fully repayable on 27 December 2024, with interest payable remains at 0.9% per annum payable semi-annually on 27 June and 27 December in each year, provided conversion under (c) below is not triggered.
  - (2) The conversion price to the shares of the Company under terms of the Convertible Bonds was amended to HK\$1.65 per share (the “**Amended Conversion Price**”) from the conversion price of HK\$6.68 per share immediately before the amendment.
  - (3) A right of mandatory conversion of the Convertible Bonds when the volume-weighted average price of the Company’s shares for at least 20 trading days (whether or not consecutive) out of any 30 consecutive trading days is at least 130% of the Amended Conversion Price, at any time after 1 March 2023 and prior to the maturity date of 27 December 2024.
  - (4) Waivers were granted with respect to the consequences of the Events of Default as stipulated in the Trust Deed, including immediate repayment of the principal and interest amounts and payment of default interests.

- (iii) On 30 January 2023, the Company mandatorily redeemed the Convertible Bonds with principal amounts of HK\$500,000,000 at a total consideration of HK\$501,200,000 (equivalent to RMB433,487,000) with the Group's funding held outside mainland China as mentioned above.
- (iv) As mentioned above, certain terms and conditions of the remaining Convertible Bonds were amended pursuant to a Supplemental Trust Deed signed between the Company and the remaining Bondholders on 19 January 2023, such amendments constitute substantial modifications based on the relevant requirements under IFRS. Accordingly, the original financial liabilities related to the Convertible Bonds before the amendments are distinguished whereas the new financial liabilities under the revised terms and conditions are recognised at fair value, with the difference recognised in the profit or loss, resulted in an other loss of approximately RMB6,781,000. The accumulated changes in the fair value of the original Convertible Bonds attributable to changes in own credit risks included in other comprehensive income is transferred to the retained earnings. As the Convertible Bonds with a remaining outstanding aggregate principal amount of HK\$974,000,000 will be fully repayable on 27 December 2024, it was reclassified as non-current liability as at 28 February 2023.

## 14 Deferred income tax assets and liabilities

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

### (a) Deferred income tax assets

	<b>Six months ended 28 February 2023</b>	Six months ended 31 August 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
As at beginning of the period	18,065	18,901
Credited/(charged) to profit or loss (Note 7)	<u>89</u>	<u>(836)</u>
As at end of the period	<u><u>18,154</u></u>	<u><u>18,065</u></u>

(b) **Deferred income tax liabilities**

	<b>Six months ended 28 February 2023 RMB'000 (Unaudited)</b>	Six months ended 31 August 2022 RMB'000 (Audited)
<b>As at beginning of the period</b>	<b>(511,581)</b>	<b>(521,071)</b>
Credited to profit or loss (Note 7)	<u>4,620</u>	<u>9,490</u>
<b>As at end of the period</b>	<b><u>(506,961)</u></b>	<b><u>(511,581)</u></b>

(c) Deferred tax assets and liabilities after offset are listed as below:

	<b>Six months ended 28 February 2023 RMB'000 (Unaudited)</b>	Six months ended 31 August 2022 RMB'000 (Audited)
<b>As at beginning of the period</b>	<b>(493,516)</b>	<b>(502,170)</b>
Charged to profit or loss (Note 7)	<u>4,709</u>	<u>8,654</u>
<b>As at end of the period</b>	<b><u>(488,807)</u></b>	<b><u>(493,516)</u></b>

## 15 Dividends

The Board did not recommend an interim dividend for the period ended 28 February 2023 (2022: Nil).

## 16 Subsequent events

On 9 March 2023, the Group awarded 7,542,300 award shares to 102 selected participants who are unconnected grantees under the Share Award Scheme. All the award shares were vested and exercised on the same date. The closing price of the shares on the grant date was HK\$1.27 per share.

The fair value of the award shares of approximately HK\$ 9,579,000 (equivalent to RMB 8,501,000) is determined by the total number of shares awarded and exercised multiplied by the closing price of the shares on the grant date and is charged to the consolidated statement of profit or loss.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

With over 20 years of operating private schools in 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 of the students.

For the six months ended 28 February 2023, 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 2022.

### *The Group's Schools*

As at 28 February 2023, 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 2023 and 2022:

	<b>As at 28 February 2023</b>	As at 28 February 2022
<b>The Group's schools in the PRC</b>		
Universities	<b>3</b>	3
High schools	<b>5</b>	5
<b>The Group's school overseas</b>		
University	<u>1<sup>(Note 1)</sup></u>	<u>1<sup>(Note 1)</sup></u>
<b>Total</b>	<b><u>9</u></b>	<b><u>9</u></b>

*Note:*

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

## **Event after the Reporting Period**

On 9 March 2023, the Group awarded 7,542,300 award shares to 102 selected participants who are unconnected grantees under the share award scheme adopted by the Company on 8 February 2017. All the award shares were vested and exercised on the same day. The closing price of the shares on the date of grant was HK\$1.27 per share.

The fair value of the award shares of HK\$9,579,000 (equivalent to RMB8,501,000) is determined by the total number of shares awarded and exercised multiplied by the closing price of the shares on the date of grant, and is charged to the consolidated statement of profit or loss immediately.

## ***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 2023, the Group recorded revenue of RMB1,188.8 million, an Adjusted Gross Profit of RMB579.1 million and a gross profit of RMB557.9 million. The Adjusted Gross Profit Margin<sup>1</sup> of the Group was 48.7% for the six months ended 28 February 2023 as compared with 58.4% for the corresponding period in 2022. The gross profit margin was 46.9% for the six months ended 28 February 2023 as compared with 56.6% for the corresponding period in 2022.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2023 was RMB483.5 million, representing a decrease of RMB92.3 million or a 16.0% decrease from the corresponding period in 2022. The Adjusted Net Profit Margin<sup>2</sup> attributable to owners of the Company was 40.7% and 47.8% for the six months ended 28 February 2023 and 28 February 2022, respectively.

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<sup>1</sup> The Adjusted Gross Profit Margin is calculated based on the Adjusted Gross Profit.

<sup>2</sup> 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.

The net profit attributable to owners of the Company amounted to RMB586.7 million and RMB542.3 million for the six months ended 28 February 2023 and 28 February 2022, respectively. The net profit margin attributable to owners of the Company amounted to 49.4% and 45.1% for the six months ended 28 February 2023 and 28 February 2022, respectively.

## **2. Revenue**

For the six months ended 28 February 2023, the revenue of the Group amounted to RMB1,188.8 million, representing a decrease of RMB14.9 million or 1.2% as compared with RMB1,203.7 million for the corresponding period in 2022. The slight decrease was primarily due to the decline in student enrolment at high schools resulting from strategic adjustment made during the period.

## **3. Cost of Revenue**

For the six months ended 28 February 2023, the Adjusted Cost of Revenue<sup>3</sup> of the Group amounted to RMB609.7 million, representing an increase of RMB108.7 million or 21.7% as compared with RMB501.0 million for the corresponding period in 2022. The cost of revenue of the Group amounted to RMB630.8 million and RMB521.9 million for the six months ended 28 February 2023 and 28 February 2022, respectively.

## **4. Gross Profit and Gross Profit Margin**

For the six months ended 28 February 2023, the Adjusted Gross Profit of the Group amounted to RMB579.1 million, representing a decrease of RMB123.6 million or 17.6% as compared with RMB702.7 million for the corresponding period in 2022. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2023 was 48.7%, compared with 58.4% for the corresponding period in 2022.

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<sup>3</sup> 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).



The Group's gross profit amounted to RMB557.9 million and RMB681.8 million for the six months ended 28 February 2023 and 28 February 2022, respectively. The Group's gross margin amounted to 46.9% and 56.6% for the six months ended 28 February 2023 and 28 February 2022, respectively. The decline in the gross profit margin was mainly due to the Group's expanded investment in teaching personnel, campus expansion and renovation, curriculum development, student activities, etc. to further improve the quality of education we provide and enhance students' learning experience.

## **5. *Selling Expenses***

For the six months ended 28 February 2023, the selling expenses of the Group amounted to RMB14.7 million, representing a decrease of RMB4.6 million or 23.9% from RMB19.3 million during the corresponding period in 2022. The decrease was primarily as a result of implementing various cost control measures.

## **6. *Administrative Expenses***

For the six months ended 28 February 2023, the Adjusted Administrative Expenses<sup>4</sup> of the Group amounted to RMB90.0 million, representing a decrease of RMB7.5 million as compared with RMB97.5 million for the corresponding period in 2022. The administrative expenses of the Group amounted to RMB94.6 million and RMB102.9 million for the six months ended 28 February 2023 and 28 February 2022, respectively. The decrease was mainly as a result of implementing various cost control measures.

## **7. *Other Income***

For the six months ended 28 February 2023, the other income of the Group amounted to RMB14.0 million, representing an increase of RMB7.0 million or 98.7% as compared with RMB7.0 million for the corresponding period in 2022. 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 2023, the other gains and losses of the Group amounted to a gain of RMB116.4 million as compared with a loss of RMB13.0 million for the corresponding period in 2022. The net gain was primarily from gains and losses related to convertible bonds.

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<sup>4</sup> 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 RMB576.1 million and RMB552.8 million for the six months ended 28 February 2023 and 28 February 2022, respectively. The increase was mainly the combined result of a decrease in gross profit and expenses, and the net gains arising from convertible bonds.

## **10. *Finance Income***

Finance income increased by 58.9% from RMB18.6 million for the six months ended 28 February 2022 to RMB29.6 million for the corresponding period in 2023 due to an increase in interest income earned on cash and cash equivalents.

## **11. *Finance Expenses***

Finance expenses decreased by 23.7% from RMB27.1 million for the six months ended 28 February 2022 to RMB20.7 million for the corresponding period in 2023 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 2023 and 28 February 2022 were RMB589.7 million and RMB547.8 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB483.5 million and RMB575.9 million for the six months ended 28 February 2023 and 28 February 2022, 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 2023 and 28 February 2022 were RMB586.7 million and RMB542.3 million, respectively, representing an increase of RMB44.4 million. The increase in net profit was primarily due to the net gains arising from convertible bonds.

### **13. *Liquidity and Source of Funding and Borrowing***

As at 28 February 2023, the Group's cash and cash equivalents decreased by 40.3% from RMB4,240.8 million as at 31 August 2022 to RMB2,531.9 million. Including restricted cash, the Group's total cash decreased from RMB4,252.4 million as at 31 August 2022 to RMB2,532.4 million as at 28 February 2023. The decrease primarily due to the investment in fixed assets and the repayment of convertible bonds.

As at 28 February 2023, the current assets of the Group amounted to RMB3,015.7 million, including RMB2,532.4 million in cash and restricted cash and RMB483.3 million in other current assets. The current liabilities of the Group amounted to RMB2,475.7 million, of which RMB1,099.1 million was accruals and other payables, RMB210.1 million was borrowings and RMB1,157.4 million was contract liabilities. As at 28 February 2023, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 1.22 (31 August 2022: 0.95).

### **14. *Gearing Ratio***

As at 28 February 2023, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 7.5% (31 August 2022: 11.0%).

### **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 2023) during the six months ended 28 February 2023.

### **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 2023.

### **17. *Pledge of Assets***

As at 28 February 2023, the bank borrowings of the Group amounting to RMB480.1 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 2023.

## **19. *Foreign Exchange Exposure***

During the six months ended 28 February 2023, the Group mainly operated in China and the majority of the transactions were settled in 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 2023, 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 2023 and 28 February 2022, we had 8,876 and 6,846 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.

The Group believes in the importance of attracting, recruiting and retaining of quality employees (in particular teachers) in achieving the Group's success. The Group provides training for teachers to equip them with teaching skills and techniques and stay abreast of the changes in student demands and teaching methodologies, changing testing and admission standards and other trends. During each school year, the Group monitors the teaching quality of its teachers and evaluates the performance of its teachers from time to time. During the reporting period ended 28 February 2023, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and recommends to the Board the executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a Pre-IPO share option scheme and a share award scheme. Please refer to the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme” in Appendix V to the prospectus of the Company dated 16 February 2017 (the “**Prospectus**”) for further details.

The total remuneration cost incurred by the Group for the six months ended 28 February 2023 was RMB312.1 million (for the six months ended 28 February 2022: RMB294.4 million).

The following table sets forth the total number of employees by function as at 28 February 2023:

<b>Function</b>	<b>Number of employees</b>	<b>% of total</b>
Teachers	7,205	81.1%
Administrative staff	299	3.4%
Other staff	1,372	15.5%
<b>Total</b>	<b>8,876</b>	<b>100.0%</b>

## **21. *Future Plans for Material Investments and Capital Assets***

As of 28 February 2023, 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 2023 (2022: Nil).

## **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 2023, 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**”).

In light of the amendments to the CG Code which came into effect on 1 January 2022 and imposed additional requirements applicable to corporate governance reports for the financial year commencing on or after 1 January 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the CG Code, and maintain high corporate governance standards.

### **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 2023.

### **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 2023 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**

Save for the repurchase of 2024 Convertible Bonds with an aggregate principal amount of HK\$614,000,000 and redemption of 2024 Convertible Bonds with the aggregate principal amount of HK\$500,000,000 disclosed in this announcement, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2023.

### **6. Material Litigation**

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2023. 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 2023.

## 7. Building Certificates and Permits

As at 28 February 2023, 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 2023, 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

### *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 2023, approximately HK\$914 million of the net proceeds of the completion of the 2021 Placing and Subscription were fully utilised.

As of 28 February 2023, the Group had utilised the net proceeds as set out in the table below:

	Net proceeds from 2021 Placing and Subscription (HK\$ million)	Unutilised amount as of 31 August 2022 (HK\$ million)	Utilisation during the Reporting Period (HK\$ million)	Unutilised amount as of 28 February 2023 (HK\$ million)
Transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future)	360	170	170	—
Opening a new campus for Hunan International Economics University (湖南涉外經濟學院)	454	248	248	—
Increasing investment in launching vocational undergraduate education at the existing three universities	100	—	—	—
<b>Total</b>	<b>914</b>	<b>418</b>	<b>418</b>	<b>—</b>

## **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](http://www.hkexnews.hk) and the website of the Company at [www.yuhuachina.com](http://www.yuhuachina.com). The interim report of the Group for the six months ended 28 February 2023 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, 28 April 2023

*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.*