

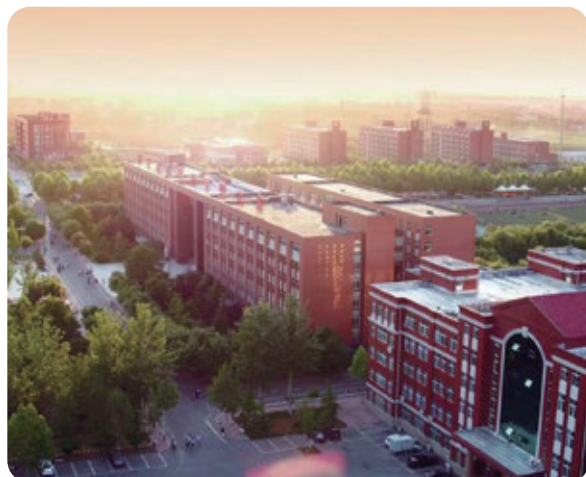


# 中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Interim Report

# 2023



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Guangyu (*Chairman*)  
Ms. Li Hua (*Vice Chairman*)  
Ms. Qiu Hongjun

### Independent Non-Executive Directors

Mr. Chen Lei  
Mr. Xia Zuoquan  
Mr. Zhang Zhixue

## AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)  
Mr. Xia Zuoquan  
Mr. Zhang Zhixue

## REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)  
Ms. Li Hua  
Mr. Xia Zuoquan

## NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)  
Mr. Xia Zuoquan  
Mr. Zhang Zhixue

## JOINT COMPANY SECRETARIES

Mr. Xu Bin  
Ms. Ng Ka Man

## AUTHORISED REPRESENTATIVES

Ms. Li Hua  
Mr. Xu Bin

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central  
Hong Kong

## LEGAL ADVISERS

*As to Hong Kong and U.S. laws:*  
Skadden, Arps, Slate, Meagher & Flom  
42/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*  
Tian Yuan Law Firm  
Suite 509, Tower A  
Corporate Square  
35 Financial Street  
Xicheng District  
Beijing  
PRC

*As to Cayman Islands law:*  
Maples and Calder (Hong Kong) LLP  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

The offices of Maples Corporate Services Limited  
PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

## CORPORATE INFORMATION (Continued)

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 21, 4/F, Block 10  
3 Mazhuang Street  
Zhengdong New District  
Zhengzhou, PRC

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services  
Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKER

China Construction Bank Corporation  
Jinshui Road Branch of Zhengzhou  
No. 29, Jinshui Road  
Zhengzhou, Henan Province  
PRC

### COMPANY WEBSITE

[www.yuhuachina.com](http://www.yuhuachina.com)

### STOCK CODE

6169

# HIGHLIGHTS

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

## Notes:

- (1) The Adjusted Gross Profit for the six months ended 28 February 2023 and 2022 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.

## HIGHLIGHTS (Continued)

### 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)	<b>2,739</b>	3,187
Share-based compensation expense (in administrative expenses)	<b>4,631</b>	5,463
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU	<b>5,088</b>	4,739
– Bowang High School	<b>595</b>	595
– Shandong Yingcai University	<b>10,461</b>	10,104
– Stamford International University	<b>2,144</b>	2,144
Gains and losses related to convertible bonds <sup>Note</sup>		
– Losses arising from revising the terms of the convertible bonds	<b>6,781</b>	—
– Net gains on repurchase of convertible bonds	<b>(169,738)</b>	—
– Changes in the fair value of convertible bonds	<b>44,276</b>	10,381
Government Grants	<b>(10,203)</b>	(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 8: Other gains/(losses) – net.

# 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 28 February 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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:

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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.

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.

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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.

<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).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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.

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.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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:

Function	Number of employees	% of total
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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 Part 2 of 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.

## INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 28 February 2023 (2022: Nil).

## 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### OTHER BOARD COMMITTEES

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

### CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### 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 interim report, 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.

According to the terms and conditions of the 2024 Convertible Bonds issued in December 2019 (the "**Original Terms and Conditions**"), the holders of the 2024 Convertible Bonds have an option to require the Company to redeem all or some only of such holder's Bonds on 27 December 2022 at their principal amount together with interest accrued up to but excluding such date.

As of 27 December 2022, holders of an aggregate principal amount of HK\$1,474,000,000 of the 2024 Convertible Bonds had exercised such option. The outstanding amounts that the Company would have had to pay in connection with such redemption amounted to HK\$1,480,633,000 (equivalent to approximately RMB1,356,852,000), consisting of an aggregate principal amount of HK\$1,474,000,000 and accrued interest up to 27 December 2022 of HK\$6,633,000.

On 18 January 2023, the Company issued and disseminated to bondholders a notice of extraordinary resolution (the "**Notice**") to request bondholders to consider and, if thought fit, approve and pass the Extraordinary Resolution (as defined in the Notice), via electronic consent, which provided for certain amendments and waivers in relation to the 2024 Convertible Bonds.

On 19 January 2023, the Company issued the results of the solicitation of electronic consents and announced that it has received the requisite consent of not less than 90% to approve and implement the extraordinary resolution and to give effect to the Proposed Waivers and the Proposed Amendments (as defined in the Notice). Pursuant to the amended terms and conditions of the 2024 Convertible Bonds, the Company was required to redeem (on a pro rata basis amongst all bondholders in proportion to the aggregate principal amount of convertible bonds held by each bondholder) HK\$500,000,000 in aggregate principal amount of the convertible bonds, at their principal amount together with interest on all outstanding bonds accrued up to but excluding 30 January 2023 (the "**Mandatory Redemption Date**"). The Company completed such redemption on the Mandatory Redemption Date. Following such redemption, the principal amount related to the 2024 Convertible Bonds outstanding was HK\$974,000,000 as of the Mandatory Redemption Date.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

On 20 January 2023, the Company issued an announcement in relation to the amended terms and conditions of the 2024 Convertible Bonds. Amongst other things, it was announced that in case of conversion of the Convertible Bonds, they will be convertible into 590,303,031 Shares under the general mandate (the “**General Mandate**”) granted at the annual general meeting of the Company held on 24 January 2022, representing approximately 16.42% of the issued share capital of the Company as at 20 January 2023 and approximately 14.11% of the issued share capital of the Company as enlarged by the issue of the Shares which may fall to be issued by the Company upon conversion of the 2024 Convertible Bonds.

For more details of the Convertible Bonds, please refer to the Company’s announcements published on 28 December 2022, 12 January 2023, 19 January 2023 and 20 January 2023.

Save as disclosed in this interim report, 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.

### 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.

### 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### 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 placees and accordingly 220,000,000 subscription shares were allotted and issued by the Company to GuangYu Investment.

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>

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### REGULATORY FRAMEWORK RELATING TO FOREIGN OWNERSHIP IN THE EDUCATION INDUSTRY IN THE PRC

Foreign investment activities in the PRC are subject to the restrictions as set out in the Administrative Measures of Foreign Investment Admission (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which is promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC and Ministry of Commerce of the PRC. The latest version of the Negative List was released on 27 December 2021 and became effective on 1 January 2022. Foreign investments in industries falling within the Negative List are subjected to special administrative measures as set forth therein.

According to the Negative List, operation of kindergartens, high schools and higher education institutions (the “**Relevant Business**”) shall be restricted to Sino-foreign cooperation, which means that foreign investors may only operate kindergartens, high schools and higher education institutions through joint ventures with PRC incorporated entities that are in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools of the People’s Republic of China (《中華人民共和國中外合作辦學條例》), promulgated by the State Council in 2003 and amended on 2 March 2019 (the “**Sino-Foreign Cooperation Regulation**”). The Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Pursuant to the *Implementation Opinions on Encouraging and Guiding Private Fund’s Entry into the Education Sector and Promoting Healthy Development of Private Education* (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the Ministry of Education of the PRC on 18 June 2012 (the “**Implementation Opinions**”), foreign-invested companies that engage in educational activities in the PRC should comply with the Negative List.

Pursuant to the Sino-Foreign Cooperation Regulation, the foreign investor in a Sino-foreign joint venture school for PRC students at a kindergarten, high school and higher education institution (a “Sino-Foreign Joint Venture Private School”) must be a foreign education institution with relevant qualification and high quality of education (the “**Qualification Requirement**”).

Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company’s PRC Legal Adviser has also advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Further details of the regulatory framework are set out in the section headed “Contractual Arrangements” in the Prospectus.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

#### Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%) <sup>(1)</sup>	Long position/ Short position/ Lending pool
Mr. Li <sup>(2)</sup>	Beneficial owner/Founder of a discretionary trust/Other	1,937,249,000 <sup>(3)</sup>	53.89%	Long position
Ms. Li <sup>(2)</sup>	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/Other	1,941,826,000 <sup>(4)</sup>	54.02%	Long position
Ms. Qiu Hongjun	Beneficial owner	3,261,000 <sup>(5)</sup>	0.09%	Long position

Notes:

- (1) The calculation is based on the total number of 3,594,493,833 Shares in issue as at 28 February 2023.
- (2) The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikai Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 1,917,500,000 Shares held by GuangYu Investment.
- (3) Includes Mr. Li's entitlement to receive up to 3,949,800 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (4) Includes Ms. Li's entitlement to receive up to 4,865,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Includes Ms. Qiu Hongjun's entitlement to receive up to 2,934,900 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### Interest in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity/Nature of Interest	Amount of Registered Capital	% of Interest in the Corporation	Long Position/ Short Position/ Lending Pool
Mr. Li	YuHua Investment Management	Beneficial owner	RMB40,000,000	80%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB18,000,000	36%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB30,000,000	60%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
Ms. Li	YuHua Investment Management	Beneficial owner	RMB10,000,000	20%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB32,000,000	64%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB20,000,000	40%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position

Save as disclosed above, as at 28 February 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2023, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%) <sup>(1)</sup>	Long position/ Short position/ Lending pool
Mr. Li <sup>(2)</sup>	Beneficial owner/Founder of a discretionary trust/Other	1,937,249,000 <sup>(4)</sup>	53.89%	Long position
Ms. Li <sup>(2)</sup>	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,941,826,000 <sup>(5)</sup>	54.02%	Long position
Baikal Lake Investment <sup>(2)</sup>	Interest in controlled corporation/Other	1,917,500,000	53.35%	Long position
GuangYu Investment <sup>(2)</sup>	Beneficial owner/Other	1,917,500,000	53.35%	Long position
TMF (Cayman) Ltd. <sup>(3)</sup>	Trustee/Other	1,917,500,000	53.35%	Long position
Bank of America Corporation	Interest in controlled corporation	577,717,442 578,074,404	16.07% 16.08%	Long position Short position

Notes:

- (1) The calculation is based on the total number of 3,594,493,833 Shares in issue as at 28 February 2023.
- (2) The entire share capital of GuangYu Investment Holdings Limited is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.
- (3) TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.
- (4) Includes Mr. Li's entitlement to receive up to 3,949,800 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Includes Ms. Li's entitlement to receive up to 4,865,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 28 February 2023 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### SHARE SCHEMES

The Company has one expired share scheme with options outstanding and one existing share scheme, namely the Pre-IPO Share Option Scheme and the Share Award Scheme, respectively. From 1 January 2023, the Company will rely on the transitional arrangements provided for the share schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023).

#### 1. Pre-IPO Share Option Scheme

In order to incentivise the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 1 September 2016.

The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of 28 February 2023. The Company has not granted further share options under the Pre-IPO Share Option Scheme since 28 February 2017 and up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 14 to the financial information.

Grantee	Position Held	Date of grant	Vesting Period <sup>(1)</sup>	Outstanding as at 1 September 2022	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 28 February 2023	Exercise price per Share	Weighted average closing price of the Company's shares immediately before the exercise date during the Reporting Period
<b>Directors, chief executive, substantial shareholders and associates</b>										
Ms. Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	1 September 2016	15 years from the date of grant	2,934,900	–	–	–	2,934,900	HK\$0.00001	–
<b>Subtotal:</b>				2,934,900	–	–	–	2,934,900		
<b>Other grantees in category</b>										
325 Employee Participants		1 September 2016	Up to 20 years from the date of grant	106,860,540	–	–	–	106,860,540	HK\$0.00001	–
<b>Subtotal:</b>				106,860,540	–	–	–	106,860,540		
<b>TOTAL</b>				109,795,440	–	–	–	109,795,440		

Note:

- (1) The exercise period the options granted shall end in any event not later than 20 years from the date of grant of the options subject to the provisions for early termination under the Pre-IPO Share Option Scheme.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### 2. Share Award Scheme

The Company adopted the Share Award Scheme by the resolutions in writing of the then sole shareholder of the Company on 8 February 2017.

There were no outstanding share awards at the beginning of the Reporting Period and no share awards were granted during the Reporting Period. Therefore, no new Shares may be issued in respect of awards granted during the Reporting Period to eligible participants pursuant to the Share Award Scheme.

#### *Number of Shares Available for issue under the Share Award Scheme*

The aggregate number of Shares underlying all grants made (which also represents the number of Shares available for issue) pursuant to the Share Award Scheme (excluding share which have been forfeited in accordance with the Share Award Scheme) will not exceed 270,000,000 Shares (representing 9% of the aggregate nominal amount of the issued share capital of the Company (excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme) as of the Listing Date without further Shareholders' approval) (the "**Share Award Scheme Limit**").

As of 1 September 2022, 257,720,200 new Shares (representing approximately 7.1% of the issued share capital of the Company as of the date of this interim report) were available for issue under the Share Award Scheme Limit. During the Reporting Period, no new Shares were issued pursuant to the Share Award Scheme. It follows that, as of 28 February 2023 and the date of this interim report, 257,720,200 new Shares and 250,177,900 new Shares were available for issue under the Share Award Scheme Limit, respectively.

#### *Directors' Rights to Acquire Shares or Debentures*

Save as disclosed in this interim report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**REPORT ON REVIEW  
OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF  
CHINA YUHUA EDUCATION CORPORATION LIMITED**  
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 65, which comprises the interim condensed consolidated balance sheet of China Yuhua Education Corporation Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 28 February 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 April 2023

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*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Revenue</b>	6	<b>1,188,765</b>	1,203,707
Cost of revenue	7	<b>(630,844)</b>	(521,870)
<b>Gross profit</b>		<b>557,921</b>	681,837
Selling expenses	7	<b>(14,664)</b>	(19,271)
Administrative expenses	7	<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	8	<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	9	<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	10	<b>0.16</b>	0.16
Diluted earnings per share	10	<b>0.12</b>	0.15

The notes on pages 34 to 65 form an integral part of this interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Profit for the period</b>	<b>589,688</b>	547,819
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>(8,264)</b>	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	<b>15,444</b>	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	<b>(156,582)</b>	—
Currency translation differences	<b>(741)</b>	(8,889)
<b>Other comprehensive income for the period, net of tax</b>	<b>(150,143)</b>	17,551
<b>Total comprehensive income for the period</b>	<b>439,545</b>	565,370
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	<b>436,606</b>	559,882
— Non-controlling interests	<b>2,939</b>	5,488
	<b>439,545</b>	565,370

The notes on pages 34 to 65 form an integral part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	4,218,688	3,706,284
Intangible assets	11	1,582,802	1,531,545
Right-of-use assets	11	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	12	83,289	76,272
Restricted cash		531	11,576
Financial assets at fair value through profit or loss	5.3	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	13	30	30
Share premium	13	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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	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	11	8,734	12,564
Deferred income		170,699	172,628
Deferred income tax liabilities	19	488,807	493,516
Borrowings	16	270,000	430,000
Financial liabilities at fair value through profit or loss	17	869,205	—
<b>Total non-current liabilities</b>		<b>1,807,445</b>	1,108,708
<b>Current liabilities</b>			
Accruals and other payables	15	1,099,061	1,077,602
Contract liabilities		1,157,352	1,471,401
Lease liabilities	11	9,142	4,732
Borrowings	16	210,101	210,198
Financial liabilities at fair value through profit or loss	17	—	1,797,105
<b>Total current liabilities</b>		<b>2,475,656</b>	4,561,038
<b>Total liabilities</b>		<b>4,283,101</b>	5,669,746
<b>Total equity and liabilities</b>		<b>10,709,655</b>	11,492,803

The notes on pages 34 to 65 form an integral part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company									
	Share capital (Note 13) RMB'000	Share premium (Note 13) RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payments reserve RMB'000	Treasury shares reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
<b>Balance at 31 August 2022</b>	30	1,741,528	(134,067)	1,140,439	110,540	–	167,067	2,762,999	34,521	5,823,057
<b>Comprehensive income</b>										
Profit for the period	–	–	–	–	–	–	–	586,749	2,939	589,688
Currency translation differences	–	–	–	–	–	–	(9,005)	–	–	(9,005)
Changes in the fair value related to the changes in the credit risk of convertible bonds	–	–	–	–	–	–	15,444	–	–	15,444
Transfer of changes in fair value related to the changes in the credit risk of convertible bonds due to the termination of convertible bonds	–	–	–	–	–	–	(156,582)	156,582	–	–
<b>Total comprehensive income for the period</b>	–	–	–	–	–	–	(150,143)	743,331	2,939	596,127
<b>Total transactions with owners</b>										
Share-based compensation	14	–	–	–	7,370	–	–	–	–	7,370
<b>Total transactions with owners in their capacity as owners</b>	–	–	–	–	7,370	–	–	–	–	7,370
<b>Balance at 28 February 2023</b>	30	1,741,528	(134,067)	1,140,439	117,910	–	16,924	3,506,330	37,460	6,426,554

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Note	Attributable to owners of the Company									Total RMB'000
		Share capital (Note 13) RMB'000	Share premium (Note 13) RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payments reserve RMB'000	Treasury shares reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non- controlling interests RMB'000	
<b>Balance at 31 August 2021</b>		28	966,087	(134,067)	1,018,909	126,932	(134,721)	155,311	1,758,824	25,273	3,782,576
<b>Comprehensive income</b>											
Profit for the period		–	–	–	–	–	–	–	542,331	5,488	547,819
Currency translation differences		–	–	–	–	–	–	(3,515)	–	–	(3,515)
Changes in the fair value related to the changes in the credit risk of convertible bonds		–	–	–	–	–	–	21,066	–	–	21,066
<b>Total comprehensive income for the period</b>		–	–	–	–	–	–	17,551	542,331	5,488	565,370
<b>Total transactions with owners</b>											
Issue of ordinary shares	13	2	752,741	–	–	–	–	–	–	–	752,743
Share-based compensation	14	–	–	–	–	8,650	–	–	–	–	8,650
Disposal of treasury shares	13	–	(27,897)	–	–	–	134,721	–	–	–	106,824
Issuance for share award scheme	13	–	16,906	–	–	–	–	–	–	–	16,906
Exercise of share options	13	–	33,691	–	–	(33,691)	–	–	–	–	–
<b>Total transactions with owners in their capacity as owners</b>		2	775,441	–	–	(25,041)	134,721	–	–	–	885,123
<b>Balance at 28 February 2022</b>		30	1,741,528	(134,067)	1,018,909	101,891	–	172,862	2,301,155	30,761	5,233,069

The notes on pages 34 to 65 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		320,896	998,887
Interest received		25,181	16,484
Interest paid		(19,359)	(26,378)
		<b>326,718</b>	988,993
Net cash generated from operating activities		<b>326,718</b>	988,993
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(630,247)	(148,617)
Proceeds from disposal of property, plant and equipment		25,910	638
Purchases of intangible assets		(58,944)	(3,593)
Proceeds from disposal of intangible assets		326	15
Purchases of financial assets at fair value through profit or loss	5.3	(600,000)	—
Disposals of financial assets at fair value through profit or loss	5.3	200,000	—
Payments of prepaid land lease payments		—	(133,301)
Changes in restricted cash		11,045	(49,477)
Interest received		771	397
		<b>(1,051,139)</b>	(333,938)
Net cash used in investing activities		<b>(1,051,139)</b>	(333,938)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	Six months ended	
		28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Repurchase of the Convertible Bonds	17(b)(i)	(388,784)	—
Mandatory redemption of the Convertible Bonds	17(b)(iii)	(433,487)	—
Proceeds from borrowings	16	—	9,000
Repayments of borrowings	16	(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	13	—	752,743
		<b>(986,350)</b>	704,038
Net cash (used in)/generated from financing activities		<b>(986,350)</b>	704,038
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(1,710,771)</b>	1,359,093
Cash and cash equivalents at beginning of the period		<b>4,240,783</b>	1,655,884
Exchange gains/(losses) on cash and cash equivalents		<b>1,850</b>	(16,667)
<b>Cash and cash equivalents at end of the period</b>		<b>2,531,862</b>	2,998,310

The notes on pages 34 to 65 form an integral part of this interim condensed consolidated financial information.

# 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, Uglund 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**”).

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**”).

## 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**”).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 4 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements.

Estimation of the fair value of certain financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are set out in Note 5.3.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2022.

There have been no changes in the risk management policies since year end.

#### 5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The Group has cash and cash equivalents and trade receivables that are expected to readily generate cash inflows for managing liquidity risk.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.2 Liquidity risk (Continued)

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
Trade receivables	10,741	10,904
Cash and cash equivalents	2,531,862	4,240,783

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying Amount at period/ year end RMB'000
<b>Unaudited</b>						
<b>As at 28 February 2023</b>						
Borrowings (principal plus interests)	218,926	229,240	52,100	—	500,266	480,101
Convertible bonds	7,823	869,522	—	—	877,345	869,205
Lease Liabilities	9,222	4,580	3,860	1,454	19,116	17,876
Accruals and other payables (excluding non-financial liabilities)	992,408	—	—	—	992,408	922,408
	<b>1,228,379</b>	<b>1,103,342</b>	<b>55,960</b>	<b>1,454</b>	<b>2,389,135</b>	<b>2,289,590</b>
<b>Audited</b>						
<b>As at 31 August 2022</b>						
Borrowings (principal plus interests)	232,546	224,627	226,740	—	683,913	640,198
Convertible bonds	1,841,304	—	—	—	1,841,304	1,797,105
Leases liabilities	4,819	5,141	7,324	1,586	18,870	17,296
Accruals and other payables (excluding non-financial liabilities)	965,584	—	—	—	965,584	965,584
	<b>3,044,253</b>	<b>229,768</b>	<b>234,064</b>	<b>1,586</b>	<b>3,509,671</b>	<b>3,420,183</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at the balance sheet date by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value:

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
<b>Level 3</b>		
<b>Assets</b>		
Financial instruments at fair value through profit or loss	400,000	—
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	869,205	1,797,105

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation (Continued)

The following table presents the movement in level 3 financial assets and financial liabilities:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
<b>Financial assets</b>	
<b>At 1 September 2022</b>	—
Additions	600,000
Settlements	(200,436)
Gains and losses recognised in profit or loss	436
<b>At 28 February 2023</b>	400,000
	Convertible Bonds (level 3) RMB'000
<b>Financial liabilities</b>	
<b>At 1 September 2022</b>	<b>1,797,105</b>
Additions	1,290,517
Settlements	(1,283,736)
Repurchase of Convertible Bonds (Note 17 (b)(i))	(558,522)
Mandatory redemption of Convertible Bonds (Note 17 (b)(iii))	(433,487)
Gains and losses recognised in profit or loss (Note 8)	44,276
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(15,444)
Exchange difference	28,496
<b>At 28 February 2023</b>	869,205
Changes in unrealised gain or loss included in profit or loss for the period	44,276



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation (Continued)

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2022:

	Convertible Bonds (level 3) RMB'000
<b>At beginning of the period</b>	<b>1,667,555</b>
Gains and losses recognised in profit or loss (Note 8)	10,381
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(21,066)
Exchange difference	(42,818)
<b>At end of the period</b>	<b>1,614,052</b>
Changes in unrealised gain or loss included in profit or loss for the period	10,381

The carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash and trade and other receivables, and financial liabilities, including accruals and other payables, approximated their fair values due to the short maturities.

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

The fair value of the financial liabilities at fair value through profit or loss is determined by reference to the valuation performed by an independent valuer engaged by management of the company using the Binomial Method.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Convertible bonds	Fair value RMB'000	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 August 2022	1,797,105	Dividend yield: 2.00% Volatility: 43.00% Risk free rate: 1.03% Bond yield: 7.87%	Increased bond yield 1% would decrease FV by RMB5,169,000; FV is insensitive to dividend yield, volatility and risk free rate.
As at 28 February 2023	869,205	Dividend yield: 0% Volatility: 56.96% Risk free rate: 4.08% Bond yield: 11.21%	Increased dividend yield 1% would decrease FV by RMB2,895,000; Increased risk free rate 0.41% would decrease FV by RMB213,000; Increased volatility 1% would increase FV by RMB3,012,000; Increased bond yield 1% would decrease FV by RMB7,061,000.

#### *The Group's valuation processes*

For the financial assets, including level 3 fair values, the Group's Finance Department performs the valuations. The Finance Department reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and Finance Department semi-annually, in line with the Group's semi-annual reporting dates.

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6 SEGMENT INFORMATION (Continued)

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 RMB'000	University RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<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 7)	(16,791)	(142,119)	(1,649)	—	(160,559)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 8)	1,823	977	2	—	2,802

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6 SEGMENT INFORMATION (Continued)

	High school RMB'000	University RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<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>	39,231	569,146	(68,080)	7,522	547,819
<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 7)	(15,546)	(105,830)	(1,954)	—	(123,330)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 8)	59	123	(82)	—	100

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6 SEGMENT INFORMATION (Continued)

Segment information by location is set out below.

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Revenue from external customers</b>		
Mainland China	1,119,887	1,131,730
Thailand	68,878	71,977
	<b>1,188,765</b>	<b>1,203,707</b>

	As at	
	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
<b>Non-current assets</b>		
Mainland China	7,429,901	6,900,981
Thailand	264,072	263,191
	<b>7,693,973</b>	<b>7,164,172</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 7 EXPENSES BY NATURE

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 8 OTHER GAINS/(LOSSES) — NET

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (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 17 (b)(i))	169,738	—
Losses arising from revising the terms of the Convertible Bonds	(6,781)	—
	<b>116,380</b>	<b>(12,977)</b>

### 9 INCOME TAXATION

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (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 19)	(89)	(89)
Decrease in deferred income tax liabilities (Note 19)	(4,620)	(3,403)
Total deferred income tax benefit	(4,709)	(3,492)
Income taxation	<b>(4,709)</b>	<b>(3,492)</b>

#### (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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 9 INCOME TAXATION (Continued)

#### (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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 10 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.

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

#### (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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND LEASES

	Property, plant and equipment RMB'000 (Unaudited)	Trademark RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)	Other intangible assets RMB'000 (Unaudited)
<b>Six months ended 28 February 2023</b>				
Opening net book amount	3,706,284	436,726	1,084,625	10,194
Additions	725,941	—	—	58,944
Disposals	(28,712)	—	—	(326)
Transfer upon completion	(64,183)	—	—	—
Depreciation and amortisation	(123,577)	(2,144)	—	(5,217)
Exchange differences	2,935	—	—	—
<b>Closing net book amount</b>	<b>4,218,688</b>	<b>434,582</b>	<b>1,084,625</b>	<b>63,595</b>
<b>Six months ended 28 February 2022</b>				
Opening net book amount	3,624,140	441,014	1,084,625	12,712
Additions	138,150	—	—	3,593
Disposals	(738)	—	—	(15)
Transfer upon completion	(24,659)	—	—	—
Depreciation and amortisation	(90,193)	(2,144)	—	(3,757)
Exchange differences	(1,829)	—	—	(18)
<b>Closing net book amount</b>	<b>3,644,871</b>	<b>438,870</b>	<b>1,084,625</b>	<b>12,515</b>

- (a) As at 28 February 2023, the carrying amount of buildings without building ownership certificates was RMB1,884,352,000 (31 August 2022: RMB1,929,769,000). The Group is in the process to obtain the certificates.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND LEASES (Continued)

#### (b) Leases

##### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
Right-of-use assets		
— Buildings	26,002	21,444
— leasehold land	1,848,756	1,870,256
— Vehicles	316	366
	<b>1,875,074</b>	1,892,066
Lease liabilities		
— Current	9,142	4,732
— Non-current	8,734	12,564
	<b>17,876</b>	17,296

##### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended 28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
— Buildings	4,345	2,879
— Leasehold land	25,209	24,231
— Vehicles	67	126
	<b>29,621</b>	27,236
Interest expense (included in finance expense)	489	393
Expense relating to short-term leases (included in cost of revenue and administrative expenses)	2,701	2,326

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND LEASES (Continued)

#### (b) Leases (Continued)

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

The Group leases various offices, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iv) As at 28 February 2023, the carrying value of the land use right allocated by the government was RMB474,441,000 (31 August 2022: RMB481,498,000).

(v) As at 28 February 2023, the carrying amount of leasehold land without land use right certificates was RMB17,655,000 (31 August 2022: RMB18,142,000). The Group is in the process of applying for the certificates other than the leasehold land of Bowang High School with a carrying amount of RMB9,734,000 as at 28 February 2023 (31 August 2022: RMB10,085,000). The buildings of Bowang High School was related to leasehold land without land use right certificates.

### 12 TRADE AND OTHER RECEIVABLES

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
Trade receivables		
Due from students	16,866	15,837
Provision for impairment	(6,125)	(4,933)
	<b>10,741</b>	10,904
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	(551)	(151)
	<b>60,469</b>	61,574
Prepayments		
Prepaid expenses	12,079	3,794
	<b>83,289</b>	76,272

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 12 TRADE AND OTHER RECEIVABLES (Continued)

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

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

### 13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares  (unaudited)	Nominal value of ordinary shares HK\$  (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 HK\$	Equivalent amount RMB'000	Share premium RMB'000	Total RMB'000
<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	<b>3,355,139,983</b>	<b>33,551</b>	<b>28</b>	<b>966,087</b>	<b>966,115</b>
Share issued upon exercise of share-based compensation	<b>13,758,850</b>	<b>138</b>	<b>—</b>	<b>33,691</b>	<b>33,691</b>
Share Award Scheme	<b>5,595,000</b>	<b>56</b>	<b>—</b>	<b>16,906</b>	<b>16,906</b>
Issue of ordinary shares	<b>220,000,000</b>	<b>2,200</b>	<b>2</b>	<b>752,741</b>	<b>752,743</b>
Disposal of treasury shares	<b>—</b>	<b>—</b>	<b>—</b>	<b>(27,897)</b>	<b>(27,897)</b>
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>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 14 SHARE-BASED PAYMENTS

#### Pre-IPO Share Option Scheme

Movements in the number of share options outstanding under the Pre-IPO Share Option Scheme and their weighted average exercise prices are as follows:

	Six months ended 28 February 2023		Six months ended 28 February 2022	
	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)
Share options outstanding under the Pre-IPO Share Option Scheme:				
Opening balance	0.00001	109,795,440	0.00001	123,554,290
Share options exercised	0.00001	—	0.00001	(13,758,850)
Closing balance	0.00001	109,795,440	0.00001	109,795,440
Exercisable at period end	0.00001	9,078,940	0.00001	2,169,990

Share options outstanding have the following expiry date and exercise prices:

	28 February 2023		28 February 2022	
	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)
<b>Expiry date</b>				
1 September 2036	0.00001	109,795,440	0.00001	109,795,440

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2023, 20,524,200 share options have been vested, and 7,271,750 share options have not yet exercised.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 14 SHARE-BASED PAYMENTS (Continued)

#### Pre-IPO Share Option Scheme (Continued)

15,658,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2023, 3,131,600 share options have been vested, and 812,190 share options have not yet exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2023, 1,100,500 share options have been vested and 440,200 share options have not yet exercised.

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2023, 409,000 share options have been vested and 163,600 share options have not yet exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 28 February 2023, 1,043,200 share options have been vested and 391,200 share options have not yet exercised.

44,075,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 28 February 2023, 44,075,000 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2023, 9,000,000 share options have been vested and exercised.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 14 SHARE-BASED PAYMENTS (Continued)

#### Pre-IPO Share Option Scheme (Continued)

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binominal model was HK\$464,583,000. Significant inputs into the model were as follows:

Spot price (HK\$)	2.58
Exercise price (HK\$)	0.00001
Expected volatility	62.0%
Time to maturity	Based on the terms of the options
Weighted average annual risk free interest rate	1.1%
Expected dividend yield	0.0%

The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of profit or loss over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2023 amounted to HK\$8,560,000 (equivalent to RMB7,370,000) (2022: HK\$10,046,000 (equivalent to RMB8,650,000)).

### 15 ACCRUALS AND OTHER PAYABLES

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
Net payables to the Affected Business upon deconsolidation (Note 21(b))	594,030	594,030
Amounts due to related parties (Note 21(b))	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
	<b>1,099,061</b>	<b>1,077,602</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 16 BORROWINGS

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (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>	<b>480,101</b>	<b>640,198</b>

(a) Movements in borrowings is analysed as follows:

	Six months ended 28 February 2023 RMB'000 (Unaudited)	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	<b>(160,097)</b>	(160,079)
<b>As at end of the period</b>	<b>480,101</b>	699,272

(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).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 16 BORROWINGS (Continued)

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

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

### 17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### (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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### (a) Issuance of the Convertible Bonds (Continued)

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### (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:
  - (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.
- (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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### (b) Repurchase of and amendments to the Convertible Bonds (Continued)

##### (ii) (Continued)

- (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 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.

### 18 COMMITMENTS

#### Capital commitments

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
Construction project of a new campus	401,538	633,392
	401,538	633,392

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 19 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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Year ended 31 August 2022 RMB'000 (Audited)
<b>As at beginning of the period</b>	18,065	18,901
Credited/(charged) to profit or loss (Note 9)	89	(836)
<b>As at end of the period</b>	<b>18,154</b>	18,065

(b) Deferred income tax liabilities

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

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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Year ended 31 August 2022 RMB'000 (Audited)
<b>As at beginning of the period</b>	(493,516)	(502,170)
Charged to profit or loss (Note 9)	4,709	8,654
<b>As at end of the period</b>	<b>(488,807)</b>	(493,516)

### 20 DIVIDENDS

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control.

The Controlling Shareholder, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

Names of the related parties	Nature of relationship
Mr. Li Guangyu	The Controlling Shareholder
Ms. Li Hua	The daughter of the Controlling Shareholder and Chief Executive Officer of the Company
Zhengzhou Corn Culture Communication Co., Ltd.	A company controlled by Ms. Li Hua
Ms. Liu Chunhua	The spouse of Mr. Li Guangyu

#### (a) Transactions with related parties

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Purchases of office building lease services:</b>		
— A company controlled by the Controlling Shareholder's family	192	192
— Ms. Liu Chunhua	89	89
— Ms. Li Hua	77	77
	<b>358</b>	<b>358</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 21 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

	As at 28 February 2023 RMB'000 (Unaudited)	As at 31 August 2022 RMB'000 (Audited)
<b>Amounts due to related parties</b>		
– The Affected Business upon deconsolidation	594,030	594,030
– The Controlling Shareholder	8,870	8,704
– Zhengzhou Corn Culture Communication Co., Ltd.	2,491	2,299
	<b>605,391</b>	605,033

As at 28 February 2023, all balances with the Controlling Shareholder and the related companies are non-interest bearing. All balances with the Controlling Shareholder and related parties are unsecured.

#### (c) Key management compensation

Key management includes executive directors and senior managements who have important role in making operational and financial decisions.

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,854	1,618
Contributions to pension plans	52	58
Welfare and other expenses	47	49
Share-based compensation	586	1,413
	<b>2,539</b>	3,138

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 22 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 at the same day. The closing price of the shares on this grant date was HK\$1.27 per share.

The fair value of the award shares of approximately 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 grant date and is charged to the consolidated statement of profit or loss.

# DEFINITIONS

“2024 Convertible Bonds”	the 0.90% convertible bonds issued by the Company in an aggregate principal amount of HK\$2,088 million due in 2024, which are listed on the Stock Exchange (stock code: 40109)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baikal Lake Investment”	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2016 and the sole shareholder of GuangYu Investment and one of the Company’s Controlling Shareholders
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Change of Control”	the occurrence of one or more of the following events: <ul style="list-style-type: none"><li>(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders or any of the Company’s subsidiaries;</li><li>(ii) the merger, amalgamation or consolidation of the Company with or into another person or the merger or amalgamation of another person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;</li><li>(iii) the Permitted Holders are the beneficial owners within the meaning of Rule 13d-3 under the Exchange Act of less than 40% of the total voting power of the Voting Stock of the Company;</li><li>(iv) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;</li></ul>

## DEFINITIONS (Continued)

	<p>(v) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or</p> <p>(vi) the adoption of a plan relating to the liquidation or dissolution of the Company.</p>
“China” or “PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this interim report, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“Closing Date”	27 December 2019, being the date on which the issuance of the 2024 Convertible Bonds was completed
“Company”	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016
“Conditions”	the terms and conditions in relation to the 2024 Convertible Bonds
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Exchange Act”	U.S. Securities Exchange Act of 1934, as amended
“Firm Bonds”	convertible bonds with an initial aggregate principal amount of HK\$2,024 million due 2024 to be issued by the Company, convertible into the conversion Shares

## DEFINITIONS (Continued)

“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“GuangYu Investment”	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
“HIEU Schools”	Hunan International Economics University, Hunan Lie Ying Mechanic School and Hunan International Economics University Vocational Skills Training Centre
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares on 16 February 2017
“Issue Date”	27 December 2019, being the date the 2024 Convertible Bonds are constituted
“K-12”	kindergarten to grade 12
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maturity Date”	27 December 2024, being the date on which the 2024 Convertible Bonds mature
“Mr. Li”	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company

## DEFINITIONS (Continued)

“Ms. Li”	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Option Bonds”	the additional convertible bonds of up to an aggregate principal amount of HK\$324 million due 2024 to be issued by the Company upon exercise of an option by the Manager to subscribe for the same, convertible into the conversion Shares
“PRC Holdcos”	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
“Pre-IPO Share Option Scheme”	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended 28 February 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the Company
“Share Award Scheme”	the share award scheme approved and adopted by the then sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)

## DEFINITIONS (Continued)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trustee”	The Bank of New York Mellon, London Branch
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“YuHua Investment Management”	YuHua Investment Management Co., Ltd. (宇華投資管理有限公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos
“Zhengzhou YuHua Education Investments”	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos
“Zhengzhou Zhongmei Education Investments”	Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos
“%”	percent

\* *The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this interim report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*