

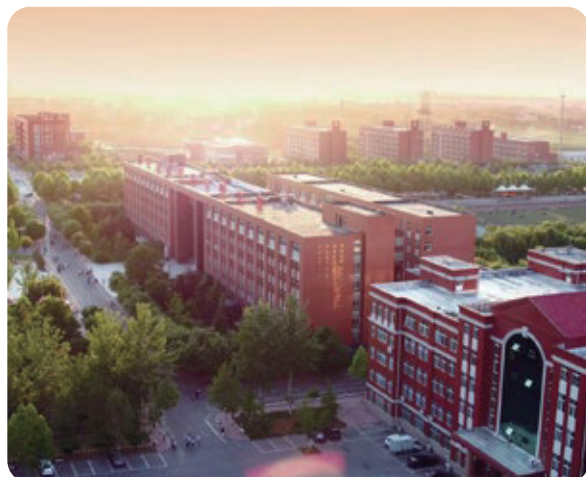


中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Interim Report

2024



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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
(*resigned with effect from 30 April 2024*)
Mr. Zhang Zhixue
Ms. Fan Nannan
(*appointed with effect from 30 April 2024*)

AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)
Mr. Xia Zuoquan
(*resigned with effect from 30 April 2024*)
Mr. Zhang Zhixue
Ms. Fan Nannan
(*appointed with effect from 30 April 2024*)

REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)
Ms. Li Hua
Mr. Xia Zuoquan
(*resigned with effect from 30 April 2024*)
Ms. Fan Nannan
(*appointed with effect from 30 April 2024*)

NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)
Mr. Xia Zuoquan
(*resigned with effect from 30 April 2024*)
Mr. Zhang Zhixue
Ms. Fan Nannan
(*appointed with effect from 30 April 2024*)

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
10/F, China Pacific Insurance Plaza
28 Fengsheng Lane, Xicheng District
Beijing 100032
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

STOCK CODE

6169

HIGHLIGHTS

RMB'000	Six months ended		Change
	29 February 2024 (Unaudited)	28 February 2023 (Unaudited)	
Revenue	1,253,307	1,188,765	+5.4%
Gross Profit	431,432	557,921	-22.7%
Adjusted Gross Profit ¹	452,603	579,075	-21.8%
Adjusted Net Profit attributable to owners of the Company ²	229,584	483,523	-52.5%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 29 February 2024 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 29 February 2024 is calculated as the net profit attributable to the owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period and (iv) fair value change on convertible bond recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2023, please refer to the Company’s interim results announcement for the six months ended 28 February 2023.

NON-IFRS MEASURES

To supplement the Group’s consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (“**IFRS**”), the Company also uses Adjusted Gross Profit, Adjusted Operating Profit, Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group’s operating performance. The Company believes that these measures provide useful information to shareholders and potential investors in understanding and evaluating the Group’s consolidated results of operations in the same manner as they help the Group’s management. However, the Company’s presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Company’s results of operations or financial condition as reported under IFRS.

HIGHLIGHTS (Continued)

Calculation of the Adjusted Gross Profit

	Six months ended	
	29 February 2024 (RMB'000)	28 February 2023 (RMB'000)
Gross Profit	431,432	557,921
Share-based compensation expenses in Cost of revenue	2,739	2,739
Additional depreciation and amortization due to the fair value adjustments to the acquired identifiable assets		
– HIEU Schools	5,019	5,039
– Bowang High School	771	771
– Shandong Yingcai University	10,498	10,461
– Stamford International University	2,144	2,144
Adjusted Gross Profit	452,603	579,075

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

	Six months ended	
	29 February 2024 (RMB'000)	28 February 2023 (RMB'000)
Net profit attributable to the owners of the Company	193,255	586,749
Share-based compensation expenses in Cost of revenue	2,739	2,739
Share-based compensation expenses in Administrative expenses	4,631	4,631
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU Schools	5,068	5,088
– Bowang High School	595	595
– Shandong Yingcai University	10,498	10,461
– Stamford International University	2,144	2,144
Gains and losses related to convertible bonds ¹		
– Change in fair value on convertible bonds	15,208	44,276
– Net gains on repurchase of convertible bonds	–	(169,738)
– Losses arising from revising the terms of the convertible bonds	–	6,781
Government grants	(4,554)	(10,203)
Adjusted Net Profit attributable to the owners of the Company	229,584	483,523

Note:

1. Details are set out in Note 6: Other (losses)/gains – 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.

On 30 May 2023, Zhengzhou Software Vocational and Technical College (“**Zhengzhou Software College**”) was incorporated in the PRC as a wholly owned subsidiary of Henan Gaowen Education Consulting Co., Ltd (“**Henan Gaowen**”), which was established by Mr. Li Guangyu and Ms. Li Hua in the PRC. Henan Gaowen and Zhengzhou Software College are controlled by Xizang Yuanpei through contractual arrangements among Xizang Yuanpei, Henan Gaowen, Mr. Li Guangyu and Ms. Li Hua, and had been consolidated by the Group since 30 May 2023.

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 29 February 2024.

The Group's Schools and Student Enrolment

As at 29 February 2024, the Group had 9 schools in China and 1 school in Thailand.

The following table sets out a summary of the Group's schools by category as at the end of February 2024 and 2023:

	As at 29 February 2024	As at 28 February 2023
The Group's schools in the PRC		
Universities and vocational college	4 ^(Note 1)	3
High schools	5	5
The Group's school overseas		
University	1 ^(Note 2)	1 ^(Note 2)
Total	10	9

Note:

1. Please refer to Business Review for further details of Zhengzhou Software College, which is the newly added vocational college.
2. This represents Stamford International University that the Group operates in Thailand.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there has been no other significant events that might affect the Group after 29 February 2024 and up to the date of this interim report.

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 29 February 2024, the Group recorded revenue of RMB1,253.3 million, an Adjusted Gross Profit of RMB452.6 million and a gross profit of RMB431.4 million. The Adjusted Gross Profit Margin¹ of the Group was 36.1% for the six months ended 29 February 2024 as compared with 48.7% for the corresponding period in 2023. The gross profit margin was 34.4% for the six months ended 29 February 2024 as compared with 46.9% for the corresponding period in 2023.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2024 was RMB229.6 million, representing a decrease of RMB253.9 million or a 52.5% decrease from the corresponding period in 2023. The Adjusted Net Profit Margin² attributable to owners of the Company was 18.3% and 40.7% for the six months ended 29 February 2024 and 28 February 2023, respectively.

The net profit attributable to owners of the Company amounted to RMB193.3 million and RMB586.7 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The net profit margin attributable to owners of the Company amounted to 15.4% and 49.4% for the six months ended 29 February 2024 and 28 February 2023, respectively.

2. Revenue

For the six months ended 29 February 2024, the revenue of the Group amounted to RMB1,253.3 million, representing an increase of RMB64.5 million or 5.4% as compared with RMB1,188.8 million for the corresponding period in 2023. The increase was primarily due to the result of the increase in student enrolment and tuition fees for several schools.

3. Cost of Revenue

For the six months ended 29 February 2024, the Adjusted Cost of Revenue³ of the Group amounted to RMB800.7 million, representing an increase of RMB191.0 million or 31.3% as compared with RMB609.7 million for the corresponding period in 2023. The cost of revenue of the Group amounted to RMB821.9 million and RMB630.8 million for the six months ended 29 February 2024 and 28 February 2023, respectively.

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

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

³ The Adjusted Cost of Revenue is calculated as cost of revenue for the period, excluding the impact from the non-cash expenses of share-based compensations and additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of (i) LEI Lie Ying Limited; (ii) Yubohui Education and its subsidiaries; (iii) TEDCO and its subsidiaries; and (iv) Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Gross Profit and Gross Profit Margin

For the six months ended 29 February 2024, the Adjusted Gross Profit of the Group amounted to RMB452.6 million, representing a decrease of RMB126.5 million or 21.8% as compared with RMB579.1 million for the corresponding period in 2023. The Adjusted Gross Profit Margin of the Group for the six months ended 29 February 2024 was 36.1%, compared with 48.7% for the corresponding period in 2023.

The Group's gross profit amounted to RMB431.4 million and RMB557.9 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The Group's gross profit margin amounted to 34.4% and 46.9% for the six months ended 29 February 2024 and 28 February 2023, 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 29 February 2024, the selling expenses of the Group amounted to RMB22.0 million, representing an increase of RMB7.4 million or 50.2% from RMB14.7 million during the corresponding period in 2023. The increase was primarily the result of expanded marketing campaigns.

6. Administrative Expenses

For the six months ended 29 February 2024, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB157.7 million, representing an increase of RMB67.7 million as compared with RMB90.0 million for the corresponding period in 2023. The administrative expenses of the Group amounted to RMB162.4 million and RMB94.6 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The increase is primarily due to higher personnel costs and increased depreciation and amortisation expenses on long-term assets, resulting from expanded investments in facilities.

7. Other Income

For the six months ended 29 February 2024, the other income of the Group amounted to RMB8.6 million, representing a decrease of RMB5.3 million or 38.2% as compared with RMB14.0 million for the corresponding period in 2023. This decrease was primarily due to a decrease in government grants and subsidies obtained.

8. Other Gains and Losses

For the six months ended 29 February 2024, the other gains and losses of the Group amounted to a net loss of RMB47.2 million as compared with a net gain of RMB116.4 million for the corresponding period in 2023. The net loss was primarily due to fair value changes on convertible bonds.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

9. Operating Profit

The operating profit of the Group amounted to RMB205.4 million and RMB576.1 million for the six months ended 29 February 2024 and 28 February 2023, respectively. The decrease was primarily due to increased costs and expenses and fair value changes on convertible bonds. The Operating Profit Margin amounted to 16.4% and 48.5% for the six months ended 29 February 2024 and 28 February 2023, respectively.

10. Finance Income

Finance income decreased by 51.7% from RMB29.6 million for the six months ended 28 February 2023 to RMB14.3 million for the corresponding period in 2024 due to a decrease in cash and cash equivalents.

11. Finance Expenses

Finance expenses increased by 39.9% from RMB20.7 million for the six months ended 28 February 2023 to RMB29.0 million for the corresponding period in 2024 due to an increase in interest expenses from borrowings.

12. Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company amounted to RMB229.6 million and RMB483.5 million for the six months ended 29 February 2024 and 28 February 2023, respectively. Moreover, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 18.3% and 40.7% for the six months ended 29 February 2024 and 28 February 2023, respectively.

The decrease in the Adjusted Net Profit attributable to owners of the Company was mainly due to increased costs and expenses 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 29 February 2024 and 28 February 2023 were RMB193.3 million and RMB586.7 million, respectively, representing a decrease of RMB393.4 million. The decrease in net profit was primarily due to (i) increased costs and expenses; and (ii) changes in fair value on convertible bonds. The net profit margin attributable to owners of the Company for the six months ended 29 February 2024 was 15.4%, compared to 49.4% for the corresponding period in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

13. Liquidity and Source of Funding and Borrowing

As at 29 February 2024, the Group's cash and cash equivalents decreased by 42.7% from RMB2,371.0 million as at 31 August 2023 to RMB1,357.8 million. The decrease was primarily due to the investment in long-term assets.

As at 29 February 2024, the current assets of the Group amounted to RMB1,427.5 million, including RMB1,358.4 million in cash and restricted cash and RMB69.1 million in trade and other receivables. The current liabilities of the Group amounted to RMB4,194.7 million, of which RMB1,048.3 million was accruals and other payables, RMB1,103.3 million was borrowings, RMB1,218.7 million was contract liabilities, RMB818.1 million was financial liabilities at fair value through profit or loss, and RMB6.3 million was lease liabilities. As at 29 February 2024, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.34 (31 August 2023: 0.77).

14. Gearing Ratio

As at 29 February 2024, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 17.4% (31 August 2023: 20.8%).

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 29 February 2024) during the six months ended 29 February 2024.

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 29 February 2024.

17. Pledge of Assets

As at 29 February 2024, the bank borrowings of the Group amounting to RMB270.0 million were secured by related party.

18. Contingent Liabilities

The Group had no contingent liabilities as at 29 February 2024.

19. Foreign Exchange Exposure

During the six months ended 29 February 2024, the Group mainly operated in China and the majority of the transactions were settled in Renminbi ("**RMB**"), the Company's primary consolidated affiliated entities' functional currency. The Group's acquisition of a university in Thailand exposes the Group to foreign exchange risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. As at 29 February 2024, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

20. Employee and Remuneration Policy

As at 29 February 2024 and 28 February 2023, we had 8,125 and 8,876 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 six months ended 29 February 2024, 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 — Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V to the prospectus of the Company dated 16 February 2017 (the "**Prospectus**") for further details.

The total remuneration cost incurred by the Group for the six months ended 29 February 2024 was RMB380.3 million (for the six months ended 28 February 2023: RMB312.1 million).

21. Future Plans for Material Investments and Capital Assets

As of 29 February 2024, 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 29 February 2024, the Company has complied with all applicable code provisions set out in Part 2 of the CG Code in Appendix C1 to the Listing Rules.

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 as set out in Appendix C3 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 29 February 2024.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 29 February 2024 (2023: Nil).

AUDIT COMMITTEE

The Company has established the 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 (resigned with effect from 30 April 2024 and replaced by Ms. Fan Nannan as set out below) 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 29 February 2024 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 (the “**Nomination Committee**”) and a remuneration committee (the “**Remuneration Committee**”).

CHANGES TO DIRECTORS’ INFORMATION

Changes to Director’s information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of Change
Mr. Xia Zuoquan	Resigned as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 30 April 2024.
Ms. Fan Nannan	Appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 30 April 2024.

Save as disclosed above, the Company is not aware of changes in the Directors’ information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 29 February 2024.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 29 February 2024. 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 29 February 2024.

BUILDING CERTIFICATES AND PERMITS

As at 29 February 2024, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

As at 29 February 2024, 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

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.

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

As at 29 February 2024, 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 (%) ⁽¹⁾	Long position/ Short position/ Lending pool
Mr. Li	Beneficial owner/Founder of a discretionary trust/Other	1,937,249,000 ⁽²⁾	53.71%	Long position
Ms. Li	Beneficiary of a discretionary trust/ Beneficial owner/Other	1,941,826,000 ⁽²⁾	53.84%	Long position
Ms. Qiu Hongjun	Beneficial owner	3,261,000 ⁽³⁾	0.09%	Long position

Notes:

- (1) The calculation is based on the total number of 3,606,787,883 Shares in issue as at 29 February 2024.
- (2) The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikal 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 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
	Henan Gaowen Education Consulting 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
	Henan Gaowen Education Consulting Co., Ltd	Beneficial owner	RMB600,000	60%	Long position

Save as disclosed above, as at 29 February 2024, 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 29 February 2024, 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 (%) ⁽¹⁾	Long position/ Short position/ Lending pool
Mr. Li ⁽²⁾	Beneficial owner/Founder of a discretionary trust/Other	1,937,249,000	53.71%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Other	1,941,826,000	53.84%	Long position
Baikal Lake Investment ⁽²⁾	Interest in controlled corporation/Other	1,917,500,000	53.16%	Long position
GuangYu Investment ⁽²⁾	Beneficial owner/Other	1,917,500,000	53.16%	Long position
TMF (Cayman) Ltd. ⁽³⁾	Trustee/Other	1,917,500,000	53.16%	Long position
Bank of America Corporation	Interest in controlled corporation	626,903,345	17.38%	Long position
Fischer Seth Hillel	Interest in controlled corporation	627,237,307	17.39%	Short position
Oasis Investments II Master Fund Ltd.	Beneficial owner	215,660,449	5.98%	Long position
Oasis Investments II Offshore Feeder Ltd.	Beneficial owner	46,002,000	1.28%	Short position
Oasis Management Company Ltd.	Investment manager	215,660,449	5.98%	Long position
		46,002,000	1.28%	Short position

Notes:

- (1) The calculation is based on the total number of 3,606,787,883 Shares in issue as at 29 February 2024.
- (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.

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 29 February 2024 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

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.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 180,000,000 Shares. However, no further options have been granted under the Pre-IPO Share Option Scheme after the Listing.

Given that no further options would be granted under the Pre-IPO Share Option Scheme, the outstanding number of options would be equivalent to the maximum number of new Shares available for issue under the Pre-IPO Share Option Scheme. As of the date of this interim report, outstanding options representing 105,043,690 underlying Shares, being approximately 2.91% of the issued shares of the Company, were granted to eligible participants pursuant to the Pre-IPO Share Option Scheme.

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 29 February 2024. 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 ⁽¹⁾	Outstanding as at 1 September 2023	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 29 February 2024	Exercise price per Share	Weighted average closing price of the Company's shares immediately before the exercise date during the Reporting Period
Directors, chief executive, substantial shareholders and associates										
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	–
Subtotal:				2,934,900	–	–	–	2,934,900		
Other grantees in category										
325 Employee Participants		1 September 2016	Up to 20 years from the date of grant	102,108,790	–	–	–	102,108,790	HK\$0.00001	–
Subtotal:				102,108,790	–	–	–	102,108,790		
TOTAL				105,043,690	–	–	–	105,043,690		

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 Awards available for grant and number of new 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 September 1, 2023, 250,177,900 new Shares underlying Awards to be made (representing approximately 6.94% 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.

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 24 to 63, which comprises the interim condensed consolidated balance sheet of China Yuhua Education Corporation Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 29 February 2024 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 selected explanatory notes. 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”.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (CONTINUED)



羅兵咸永道

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the interim condensed consolidated financial information, which indicates that as at 29 February 2024, the Group's current liabilities exceeded its current assets by RMB2,767,223,000. On the same date, the Group had current borrowings of RMB1,103,340,000 and convertible bonds issued in Hong Kong and classified under financial liabilities at fair value through profit or loss of RMB818,072,000, with a remaining outstanding aggregate principal amount of HK\$974,000,000 (equivalent to approximately RMB883,905,000) fully repayable on 27 December 2024. As at 29 February 2024, although the Group had cash and cash equivalents of RMB1,357,840,000, the cash and cash equivalents available outside of mainland China were not sufficient for the full repayment of the Convertible Bonds on 27 December 2024, if the mandatory conversion (Note 17(b)(ii)(3)) will not take place prior to the maturity date. These conditions, along with other events and conditions as set forth in Note 2.1 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Revenue	6	1,253,307	1,188,765
Cost of revenue	7	(821,875)	(630,844)
Gross profit		431,432	557,921
Selling expenses	7	(22,027)	(14,664)
Administrative expenses	7	(162,365)	(94,613)
Net impairment losses on financial assets		(3,072)	(2,888)
Other income		8,634	13,969
Other (losses)/gains — net	8	(47,192)	116,380
Operating profit		205,410	576,105
Finance income		14,280	29,570
Finance expenses		(28,957)	(20,696)
Finance expenses — net		(14,677)	8,874
Profit before income tax		190,733	584,979
Income taxation	9	4,605	4,709
Profit for the period		195,338	589,688
Profit attributable to:			
— Owners of the Company		193,255	586,749
— Non-controlling interests		2,083	2,939
		195,338	589,688
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	10	0.05	0.16
Diluted earnings per share	10	0.05	0.12

The notes on pages 32 to 63 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Profit for the period	195,338	589,688
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(11,365)	(8,264)
<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	1,213	15,444
Transfer of changes in fair value related to the changes in the credit risk of the Convertible Bonds due to the termination of the Convertible Bonds	—	(156,582)
Currency translation differences	(395)	(741)
Other comprehensive income for the period, net of tax	(10,547)	(150,143)
Total comprehensive income for the period	184,791	439,545
Total comprehensive income for the period attributable to:		
— Owners of the Company	182,708	436,606
— Non-controlling interests	2,083	2,939
	184,791	439,545

The notes on pages 32 to 63 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	7,241,986	5,862,436
Intangible assets	11	1,641,363	1,609,202
Right-of-use assets	11	1,849,259	1,847,953
Other non-current assets		19,404	120,518
Total non-current assets		10,752,012	9,440,109
Current assets			
Trade and other receivables	12	69,092	174,745
Restricted cash		544	552
Cash and cash equivalents		1,357,840	2,370,966
Total current assets		1,427,476	2,546,263
Total assets		12,179,488	11,986,372
Equity			
Equity attributable to owners of the Company			
Share capital	13	30	30
Share premium	13	1,762,405	1,762,405
Reserves		1,226,793	1,229,970
Retained earnings		4,154,523	3,961,268
Capital and reserves attributable to owners of the Company		7,143,751	6,953,673
Non-controlling interests		41,982	39,899
Total equity		7,185,733	6,993,572

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	11	5,007	8,102
Deferred income		166,839	168,769
Deferred income tax liabilities	19	480,550	485,155
Borrowings	16	146,660	220,000
Financial liabilities at fair value through profit or loss	17	—	811,117
Total non-current liabilities		799,056	1,693,143
Current liabilities			
Accruals and other payables	15	1,048,313	1,323,739
Contract liabilities		1,218,724	729,591
Lease liabilities	11	6,250	9,427
Borrowings	16	1,103,340	1,236,900
Financial liabilities at fair value through profit or loss	17	818,072	—
Total current liabilities		4,194,699	3,299,657
Total liabilities		4,993,755	4,992,800
Total equity and liabilities		12,179,488	11,986,372

The notes on pages 32 to 63 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	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	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 August 2023		30	1,762,405	(134,067)	1,233,478	112,904	17,655	3,961,268	39,899	6,993,572
Comprehensive income										
Profit for the period		–	–	–	–	–	–	193,255	2,083	195,338
Currency translation differences		–	–	–	–	–	(11,760)	–	–	(11,760)
Changes in the fair value related to the changes in the credit risk of convertible bonds		–	–	–	–	–	1,213	–	–	1,213
Total comprehensive income for the period		–	–	–	–	–	(10,547)	193,255	2,083	184,791
Total transactions with owners										
Share-based compensation	14	–	–	–	–	7,370	–	–	–	7,370
Total transactions with owners in their capacity as owners		–	–	–	–	7,370	–	–	–	7,370
Balance at 29 February 2024		30	1,762,405	(134,067)	1,233,478	120,274	7,108	4,154,523	41,982	7,185,733

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Note	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	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 August 2022		30	1,741,528	(134,067)	1,140,439	110,540	167,067	2,762,999	34,521	5,823,057
Comprehensive income										
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	–	–
Total comprehensive income for the period		–	–	–	–	–	(150,143)	743,331	2,939	596,127
Total transactions with owners										
Share-based compensation	14	–	–	–	–	7,370	–	–	–	7,370
Total transactions with owners in their capacity as owners		–	–	–	–	7,370	–	–	–	7,370
Balance at 28 February 2023		30	1,741,528	(134,067)	1,140,439	117,910	16,924	3,506,330	37,460	6,426,554

The notes on pages 32 to 63 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,102,971	320,896
Interest received		13,442	25,181
Interest paid		(24,451)	(19,359)
		1,091,962	326,718
Net cash generated from operating activities		1,091,962	326,718
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,802,889)	(630,247)
Proceeds from disposal of property, plant and equipment		232	25,910
Purchases of intangible assets		(49,653)	(58,944)
Proceeds from disposal of intangible assets		1	326
Payments of prepaid land lease payments		(36,899)	—
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
Changes in restricted cash		8	11,045
Interest received		—	771
		(1,889,200)	(1,051,139)
Net cash used in investing activities		(1,889,200)	(1,051,139)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	Six months ended	
		29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Proceeds from borrowings	16	400,000	—
Repayments of borrowings	16	(606,900)	(160,097)
Repurchase of the Convertible Bonds	17(b)(i)	—	(388,784)
Mandatory redemption of the Convertible Bonds	17(b)(iii)	—	(433,487)
Principal elements of lease payments or finance lease payments		(6,938)	(3,982)
		(213,838)	(986,350)
Net cash used in financing activities		(213,838)	(986,350)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		(1,011,076)	(1,710,771)
Exchange (losses)/gains on cash and cash equivalents		2,370,966	4,240,783
		(2,050)	1,850
Cash and cash equivalents at end of the period		1,357,840	2,531,862

The notes on pages 32 to 63 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 29 February 2024 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 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

2 BASIS OF PREPARATION (Continued)

2.1 Going concern

As at 29 February 2024, the Group's current liabilities exceeded its current assets by RMB2,767,223,000. Included in the current liabilities as at 29 February 2024 were contract liabilities of RMB1,218,724,000 (being annual tuition and boarding fees received in advance which do not involve future cash outflows), current borrowings of RMB1,103,340,000, and convertible bonds issued in Hong Kong and classified under financial liabilities at fair value through profit or loss (the "**Convertible Bonds**") of RMB818,072,000, with a remaining outstanding aggregate principal amount of HK\$974,000,000 (equivalent to approximately RMB883,905,000) fully repayable on 27 December 2024. In addition, the Group also had non-current borrowings of RMB146,660,000, the principal of which were all repayable by instalments more than twelve months from the period end date in accordance with the borrowing agreement. As at 29 February 2024, although the Group had cash and cash equivalents of RMB1,357,840,000, the cash and cash equivalents available outside of mainland China were not sufficient for the full repayment of the Convertible Bonds on 27 December 2024, if the mandatory conversion (Note 17(b)(ii)(3)) does not take place prior to the maturity date.

The above conditions indicate the existence of a material uncertainty which casts a significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows, which include, but are not limited to, the following:

- (a) Management has a plan to negotiate with the holders of the Convertible Bonds in October 2024 and to enter into an agreement before the maturity date to modify the terms and conditions of the Convertible Bonds, including interest rate, conversion price and the maturity date of the Convertible Bonds; and
- (b) Management is proactively securing appropriate alternative financing arrangements, such as bank facilities outside mainland China to ensure the Company will have sufficient financing resources to meet the repayments of the Convertible Bonds as and when necessary.

Management has prepared cashflow projections for twelve months from 29 February 2024 in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management and are of the opinion that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due within twelve months from 29 February 2024. Accordingly, the Directors have prepared the interim condensed consolidated financial information on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

2 BASIS OF PREPARATION (Continued)

2.1 Going concern (Continued)

Notwithstanding the above, a material uncertainty exists as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) Whether the holders of the Convertible Bonds will reach an agreement with the Company to modify the terms and conditions, including the extension of maturity date of the Convertible Bonds; or
- (ii) Whether appropriate alternative financing arrangements will be successfully secured to ensure the Company will have sufficient financing resources outside mainland China for the repayment of the Convertible Bonds as and when necessary.

Should the Group be unable to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2023.

(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 2023:

- Definition of Accounting Estimates – amendments to IAS 8.

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

Certain amendments to accounting standards have been published and are not mandatory for February 29, 2024 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2023.

There have been no changes in the risk management policies since year end 31 August 2023.

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 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Trade receivables	5,556	7,917
Cash and cash equivalents	1,357,840	2,370,966

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
Unaudited						
As at 29 February 2024						
Borrowings (principal plus interests)	1,131,853	55,672	96,073	–	1,283,598	1,250,000
Convertible bonds	891,860	–	–	–	891,860	818,072
Lease liabilities	6,327	3,822	396	1,322	11,867	11,257
Accruals and other payables (excluding non-financial liabilities)	949,577	–	–	–	949,577	949,577
	2,979,617	59,494	96,469	1,322	3,136,902	3,028,906
Audited						
As at 31 August 2023						
Borrowings (principal plus interests)	1,279,573	223,636	–	–	1,503,209	1,456,900
Convertible bonds	8,024	894,274	–	–	902,298	811,117
Leases liabilities	9,545	3,719	3,860	1,454	18,578	17,529
Accruals and other payables (excluding non-financial liabilities)	1,216,632	–	–	–	1,216,632	1,216,632
	2,513,774	1,121,629	3,860	1,454	3,640,717	3,502,178

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 liabilities that are measured at fair value:

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Level 3		
Liabilities		
Financial liabilities at fair value through profit or loss	818,072	811,117

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:

	Convertible Bonds (level 3) RMB'000
Financial liabilities	
At 1 September 2023	811,117
Gains and losses recognised in profit or loss (Note 8)	15,208
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(1,213)
Exchange difference	(7,040)
At 29 February 2024	818,072
Changes in unrealised gain or loss included in profit or loss for the period	15,208

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2023:

	Convertible Bonds (level 3) RMB'000
Financial liabilities	
At 1 September 2022	1,797,105
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
At 28 February 2023	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 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.

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 2023	811,117	Dividend yield: 0.00% Volatility: 51.07% Risk free rate: 4.06% Bond yield: 10.96%	Increased dividend yield 1% would decrease FV by RMB1,128,000; Increased volatility 1% would increase FV by RMB1,878,000; Increased risk free rate 0.41% would decrease FV by RMB112,000; Increased bond yield 1% would decrease FV by RMB8,954,000.
As at 29 February 2024	818,072	Dividend yield: 0% Volatility: 40.57% Risk free rate: 3.97% Bond yield: 10.51%	FV is insensitive to dividend yield, volatility and risk free rate. Increased bond yield 0.9% would decrease FV by RMB6,005,000.

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 to 12) to university and vocational college 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 Universities and vocational college, 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 29 February 2024 and 28 February 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

6 SEGMENT INFORMATION (Continued)

The information of the reportable segments provided to the CODM is as follows:

	High school RMB'000	Universities and vocational college RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Unaudited For the six months ended 29 February 2024					
Revenue	77,115	1,176,192	473	(473)	1,253,307
Cost of revenue	(61,151)	(760,724)	—	—	(821,875)
Gross profit	15,964	415,468	473	(473)	431,432
Selling expenses	(718)	(21,309)	—	—	(22,027)
Administrative expenses	(4,569)	(147,369)	(10,900)	473	(162,365)
Net impairment losses on financial assets	—	(3,072)	—	—	(3,072)
Other income	653	7,971	10	—	8,634
Other losses — net	(6,985)	(24,994)	(15,213)	—	(47,192)
Operating profit	4,345	226,695	(25,630)	—	205,410
Finance income/(expenses) — net	2,112	(9,465)	(7,324)	—	(14,677)
Profit before income tax	6,457	217,230	(32,954)	—	190,733
Income taxation	213	4,392	—	—	4,605
Profit for the period	6,670	221,622	(32,954)	—	195,338
Unaudited As at 29 February 2024					
Total assets	1,507,199	14,131,408	3,184,234	(6,643,353)	12,179,488
Total liabilities	450,769	5,205,347	6,345,341	(7,007,702)	4,993,755
Other segment information For the six months ended 29 February 2024					
Additions to non-current assets	14,542	1,714,733	—	—	1,729,275
Depreciation and amortisation (Note 7)	(15,642)	(284,322)	(1,696)	—	(301,660)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 8)	59	7,649	5	—	7,713
Borrowings (Note 16)	—	(980,000)	(270,000)	—	(1,250,000)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

6 SEGMENT INFORMATION (Continued)

	High school RMB'000	Universities and vocational college RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Unaudited					
For the six months ended					
28 February 2023					
Revenue	90,565	1,098,200	462	(462)	1,188,765
Cost of revenue	(63,969)	(566,875)	—	—	(630,844)
Gross profit	26,596	531,325	462	(462)	557,921
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
Operating profit	21,260	445,082	109,763	—	576,105
Finance income/(expenses) — net	2,479	18,175	(11,780)	—	8,874
Profit before income tax	23,739	463,257	97,983	—	584,979
Income taxation	213	4,496	—	—	4,709
Profit for the period	23,952	467,753	97,983	—	589,688
Unaudited					
As at 28 February 2023					
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
Other segment information					
For the six months ended					
28 February 2023					
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)

Segment information by location is set out below.

	Six months ended	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Revenue from external customers		
Mainland China	1,191,796	1,119,887
Thailand	61,511	68,878
	1,253,307	1,188,765

	As at	
	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Non-current assets		
Mainland China	10,499,096	9,174,582
Thailand	252,916	265,527
	10,752,012	9,440,109

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

7 EXPENSES BY NATURE

	Six months ended	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Employee benefit expenses	380,307	312,065
– Wages, salaries, bonus and other welfare	372,937	304,695
– Share-based compensation expenses (Note 14)	7,370	7,370
Depreciation expenses		
– property, plant and equipment (Note 11)	252,219	123,577
– right-of-use assets (Note 11)	31,950	29,621
Amortisation of intangible assets (Note 11)	17,491	7,361
Students training and scholarship expenses	106,887	95,430
School consumables	40,536	38,230
Utilities expenses	25,058	17,585
Maintenance expenses	44,048	25,065
Marketing expenses	18,826	11,146
Operating lease payments	2,712	2,701
Office expenses	64,558	59,262
Auditor's remuneration	1,400	1,400
Consultancy and professional fee	1,760	2,540
Travel and entertainment expenses	8,254	6,064
Other expenses	10,261	8,074
	1,006,267	740,121

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

8 OTHER (LOSSES)/GAINS — NET

	Six months ended	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Net loss on financial liabilities at fair value through profit or loss	(15,208)	(44,276)
Provision for legal claims (a)	(17,401)	—
Losses on disposal of property, plant and equipment	(7,713)	(2,802)
Write-off of other non-current assets	(6,924)	—
Gains on disposal of financial assets at fair value through profit or loss	—	436
Donation	54	65
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)
	(47,192)	116,380

- (a) On 15 December 2023, the Intermediate People's Court of Changsha City in the Hunan Province handed down a final judgment that Hunan Lie Ying Industry Co., Ltd. ("**Hunan Lie Ying**"), a wholly owned subsidiary acquired by the Group in 2017, is liable to pay up the capital of Hunan Su Yue Sen Construction Engineering Co., Ltd. amounting to RMB17,401,000, where Hunan Lie Ying was a shareholder prior to 2013. The amount is recognized as an other loss in the income statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

9 INCOME TAXATION

	Six months ended	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Current income tax		
Current income tax on profits before income tax for the period	—	—
Deferred income tax		
Decrease/(increase) in deferred income tax assets (Note 19)	19	(89)
Decrease in deferred income tax liabilities (Note 19)	(4,624)	(4,620)
Total deferred income tax benefit	(4,605)	(4,709)
Income taxation	(4,605)	(4,709)

(a) Cayman Islands

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

(b) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not derive any assessable profits in Hong Kong (2023: Nil).

(c) Mainland China

Corporate income tax (“**CIT**”) in mainland China 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 29 February 2024 and 28 February 2023.

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 CIT exemption treatment if the sponsors of such schools do not require reasonable returns. The Group’s high schools and universities in the mainland China have been granted corporate income tax exemption for the tuition income from relevant local tax authorities. Zhengzhou Software Vocational and Technical College is subject to corporate income tax. During the period, this school did not derived any taxable profit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

9 INCOME TAXATION (Continued)

(c) Mainland China (Continued)

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

The statutory corporate income tax rate applied on the taxable profits for Thailand companies is 20% (2023: 20%). According to the relevant Thailand regulations, entities which engages in provision of higher education services are not subject to Thailand income taxes.

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	
	29 February 2024 (Unaudited)	28 February 2023 (Unaudited)
Profit attribute to owners of the Company (RMB'000)	193,255	586,749
Weighted average number of ordinary shares in issue (Thousands)	3,600,388	3,594,494
Basic earnings per share (RMB Yuan)	0.05	0.16

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

10 EARNINGS PER SHARE (Continued)

(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	
	29 February 2024 (Unaudited)	28 February 2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	193,255	586,749
Adjustments for:		
– impact of the Convertible Bonds (RMB'000)	19,203	(111,682)
Adjusted profit attributable to owners of the Company (RMB'000)	212,458	475,067
Weighted average number of ordinary shares in issue (Thousands)	3,600,388	3,594,494
Adjustments for:		
– impact of the Convertible Bonds (Thousands)	590,303	312,575
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	4,190,691	3,907,069
Diluted earnings per share (RMB Yuan)	0.05	0.12

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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

(a) Property, plant and equipment and intangible assets

	Property, plant and equipment RMB'000 (Unaudited)	Trademark RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)	Other intangible assets RMB'000 (Unaudited)
Six months ended 29 February 2024				
Opening net book amount	5,862,436	432,438	1,084,625	92,139
Additions	1,642,468	—	—	49,653
Disposals	(7,945)	—	—	(1)
Depreciation and amortisation	(252,219)	(2,144)	—	(15,347)
Exchange differences	(2,754)	—	—	—
Closing net book amount	7,241,986	430,294	1,084,625	126,444
Six months ended 28 February 2023				
Opening net book amount	3,706,284	436,726	1,084,625	10,194
Additions	661,758	—	—	58,944
Disposals	(28,712)	—	—	(326)
Depreciation and amortisation	(123,577)	(2,144)	—	(5,217)
Exchange differences	2,935	—	—	—
Closing net book amount	4,218,688	434,582	1,084,625	63,595

As at 29 February 2024, the carrying amount of buildings without building ownership certificates was RMB2,075,165,000 (31 August 2023: RMB1,862,328,000). 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 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Right-of-use assets		
– Buildings	14,583	20,975
– leasehold land	1,834,305	1,826,719
– Vehicles	371	259
	1,849,259	1,847,953
Lease liabilities		
– Current	6,250	9,427
– Non-current	5,007	8,102
	11,257	17,529

(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 29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
– Buildings	6,345	4,345
– Leasehold land	25,471	25,209
– Vehicles	134	67
	31,950	29,621
Interest expense (included in finance expense)	490	489
Expense relating to short-term leases (included in cost of revenue and administrative expenses)	2,712	2,701

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 29 February 2024, the carrying value of the land use right allocated by the government was RMB459,688,000 (31 August 2023: RMB466,822,000).

(v) As at 29 February 2024, the carrying amount of leasehold land without land use right certificates was RMB53,395,000 (31 August 2023: RMB17,167,000). 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 RMB9,030,000 as at 29 February 2024 (31 August 2023: RMB9,382,000). The buildings of Bowang High School was related to leasehold land without land use right certificates.

12 TRADE AND OTHER RECEIVABLES

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Trade receivables		
Due from students	14,700	14,679
Provision for impairment	(9,144)	(6,762)
	5,556	7,917
Other receivables		
Receivables from local government	45,555	48,339
Deposits	2,127	2,127
Staff advances	4,909	4,863
Receivable from a third party (a)	—	100,000
Others	6,321	5,788
	58,912	161,117
Provision for impairment	(1,787)	(1,097)
	57,125	160,020
Prepayments		
Prepaid expenses	6,411	6,808
	69,092	174,745

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 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Less than 1 year	6,033	10,620
Over 1 year	8,667	4,059
	14,700	14,679

- (a) The amount represented refundable prepayments relating to a contract with a supplier terminated before August 31 2023 and was fully settled on October 2023.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (unaudited)	Nominal value of ordinary shares HK\$ (unaudited)
Authorised, HK\$0.00001 each:		
As at 31 August 2023 and 29 February 2024	50,000,000,000	500,000

	Number of ordinary shares	Amount HK\$	Equivalent amount RMB'000	Share premium RMB'000	Total RMB'000
Issued and paid, HK\$0.00001 each:					
Balance at 1 September 2023 and 29 February 2024	3,606,787,883	36,068	30	1,762,405	1,762,435
Balance at 1 September 2022 and 28 February 2023	3,594,493,833	35,945	30	1,741,528	1,741,558

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 29 February 2024		Six months ended 28 February 2023	
	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	105,043,690	0.00001	109,795,440
Share options exercised	0.00001	—	0.00001	—
Closing balance	0.00001	105,043,690	0.00001	109,795,440
Exercisable at period end	0.00001	4,327,190	0.00001	9,078,940

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

	29 February 2024		28 February 2023	
	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)	Exercise price per share option HK\$ (unaudited)	Number of share options (unaudited)
Expiry date				
1 September 2036	0.00001	105,043,690	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 29 February 2024, 20,524,200 share options have been vested, and 3,278,900 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 29 February 2024, 3,131,600 share options have been vested, and 363,590 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 29 February 2024, 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 29 February 2024, 409,000 share options have been vested and 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 29 February 2024, 1,043,200 share options have been vested and 244,500 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 29 February 2024, 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 29 February 2024, 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 29 February 2024 amounted to HK\$8,560,000 (equivalent to RMB7,370,000) (2023: HK\$8,560,000 (equivalent to RMB7,370,000)).

15 ACCRUALS AND OTHER PAYABLES

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 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))	12,077	11,719
Payables for purchases of property, plant and equipment	118,363	372,974
Salary and welfare payables	55,845	70,247
Defined pension benefits	9,223	9,189
Deposits received	20,132	21,245
Miscellaneous expenses received from students	95,924	83,010
Payables for teaching materials and other operating expenditure	38,856	62,723
Government subsidies payable to students and teachers	16,517	34,864
Audit and consulting fees	2,340	3,542
Interest payables	9,096	8,195
Taxes payable	33,668	27,671
Legal claim payables (Note 8)	19,590	2,189
Others	22,652	22,141
	1,048,313	1,323,739

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

16 BORROWINGS

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Non-current		
Bank loans, secured	50,000	220,000
Bank loans, unsecured	96,660	—
	146,660	220,000
Current		
Bank loans, secured	220,000	210,000
Bank loans, unsecured	883,340	1,026,900
	1,103,340	1,236,900
Total borrowings	1,250,000	1,456,900

(a) Movements in borrowings is analysed as follows:

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
As at beginning of the period	1,456,900	640,198
Proceeds of new borrowings (i)	400,000	—
Repayment of borrowings	(606,900)	(160,097)
As at end of the period	1,250,000	480,101

(i) The interest rates are determined by the relevant loan prime rate plus 35 basis points of the respective bank loans. The average interest rate of the bank loans during the period was 3.705% (2023: 4.089%).

(b) As at 29 February 2024, there were no undrawn bank facility (31 August 2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

16 BORROWINGS (Continued)

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

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Bank borrowings		
Guaranteed by related party	270,000	430,000
	270,000	430,000

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Current		
Convertible Bonds	818,072	—
Non-current		
Convertible Bonds	—	811,117

(a) Issuance of the Convertible Bonds

On 27 December 2019, the Company issued 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.
 - (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.
- (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)

- (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 classified as non-current liability as at 31 August 2023 and it was classified as current liability as at 29 February 2024, respectively.

18 COMMITMENTS

Capital commitments

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

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Construction project of a new campus	461,962	527,500

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 29 February 2024 RMB'000 (Unaudited)	Year ended 31 August 2023 RMB'000 (Audited)
As at beginning of the period	16,867	18,065
Charged to profit or loss (Note 9)	(19)	(1,198)
As at end of the period	16,848	16,867

(b) Deferred income tax liabilities

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Year ended 31 August 2023 RMB'000 (Audited)
As at beginning of the period	(502,022)	(511,581)
Credited to profit or loss (Note 9)	4,624	9,559
As at end of the period	(497,398)	(502,022)

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

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Year ended 31 August 2023 RMB'000 (Audited)
As at beginning of the period	(485,155)	(493,516)
Credited to profit or loss (Note 9)	4,605	8,361
As at end of the period	(480,550)	(485,155)

20 DIVIDENDS

The Board did not recommend an interim dividend for the period ended 29 February 2024 (2023: 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	
	29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Purchases of office building lease services:		
– A company controlled by the Controlling Shareholder's family	192	192
– Ms. Liu Chunhua	89	89
– Ms. Li Hua	77	77
	358	358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

21 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000 (Audited)
Amounts due to related parties		
— The Affected Business upon deconsolidation	594,030	594,030
— The Controlling Shareholder	9,204	9,038
— Zhengzhou Corn Culture Communication Co., Ltd.	2,873	2,681
	606,107	605,749

As at 29 February 2024, 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 29 February 2024 RMB'000 (Unaudited)	28 February 2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	3,195	1,854
Contributions to pension plans	119	52
Welfare and other expenses	114	47
Share-based compensation	586	586
	4,014	2,539

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">(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;(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;(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;(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;

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 C1 to the Listing Rules, as amended from time to time
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“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
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, as amended from time to time

DEFINITIONS (Continued)

“Mr. Li”	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
“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
“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
“Reporting Period”	the six months ended 29 February 2024
“RMB”	Renminbi, the lawful currency of PRC
“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.*