

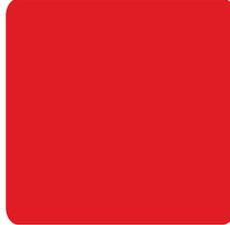


中国宇华教育集团有限公司

China YuHua Education Corporation Limited

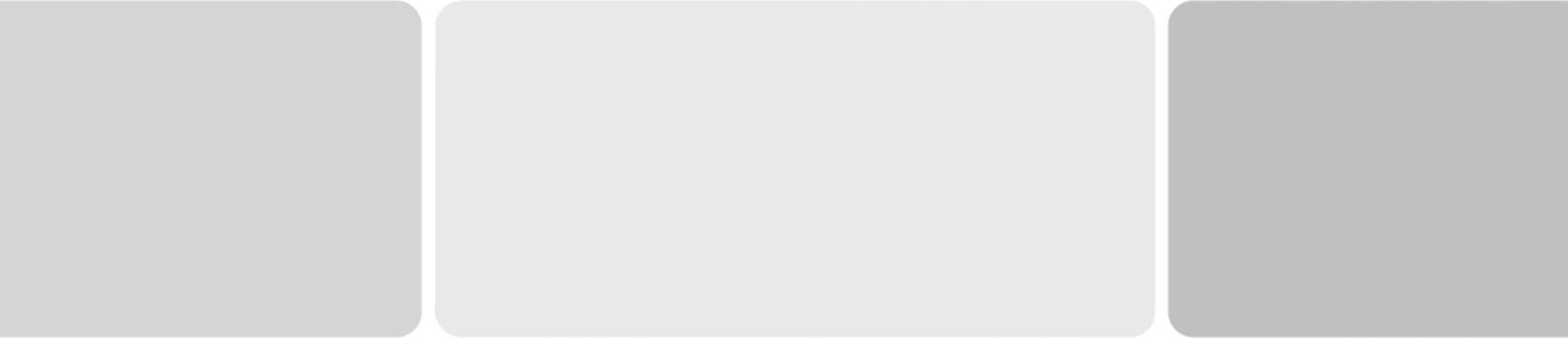
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Interim Report

2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Guangyu (*Chairman*)

Ms. Li Hua (*Vice Chairman*)

Ms. Qiu Hongjun

Independent Non-Executive Directors

Mr. Chen Lei

Mr. Xia Zuoquan

Mr. Zhang Zhixue

AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)

Ms. Li Hua

Mr. Xia Zuoquan

NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

JOINT COMPANY SECRETARIES

Mr. Xu Bin

Ms. Leung Suet Wing

AUTHORISED REPRESENTATIVES

Ms. Li Hua

Mr. Xu Bin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

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

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Hong Kong

REGISTERED OFFICE

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Grand Cayman, KY1-1104

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street, Causeway Bay

Hong Kong

CORPORATE INFORMATION (CONTINUED)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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
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Zhengzhou, Henan Province
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COMPANY WEBSITE

www.yuhuachina.com

STOCK CODE

6169

HIGHLIGHTS

(RMB'000)	Six months ended		Change
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)	
Revenue	1,260,408	801,013	+57.4%
Gross Profit	732,476	456,572	+60.4%
Adjusted Gross Profit ¹	762,609	480,163	+58.8%
Adjusted Net Profit attributable to owners of the Company ²	494,765	340,402	+45.3%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 29 February 2020 is calculated as gross profit for the period, excluding (i) the impact from share-based expense (in cost of revenue) and (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), Kaifeng City Yubohui Education Information Consulting Co., Ltd. (“**Yubohui Education**”) and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), Thai Education Holdings Co., Ltd. (“**TEDCO**”) and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University). For the calculation of the Adjusted Gross Profit for the six months ended 28 February 2019, please refer to the Company’s interim results announcement for the six months ended 28 February 2019.
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2020 is calculated as the net profit attributable to the owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; (iv) accrued, but not paid interest expenses associated with the convertible bonds issued; and (v) fair value losses on convertible bonds and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 28 February 2019, please refer to the Company’s interim results announcement for the six months ended 28 February 2019.

NON-IFRS MEASURES

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

HIGHLIGHTS (CONTINUED)

Calculation of the Adjusted Gross Profit			Six months ended	
			29 February 2020 (RMB'000)	28 February 2019 (RMB'000)
Gross Profit			732,476	456,572
Add 100%	Share-based compensation expenses (in cost of revenue)		6,203	6,203
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets			
Add 100%	– HIEU		4,457	9,602
Add 100%	– Bowang High School		7,156	7,786
Add 100%	– Shandong Yingcai University		10,173	–
Add 100%	– Stamford International University		2,144	–
Adjusted Gross Profit			762,609	480,163

Calculation of the Adjusted Net Profit attributable to owners of the Company			Six months ended	
			29 February 2020 (RMB'000)	28 February 2019 (RMB'000)
Net profit attributable to the owners of the Company			17,233	330,391
Add 100%	Share-based compensation expenses (in cost of revenue)		6,203	6,203
Add 100%	Share-based compensation expenses (in administrative expenses)		8,293	13,857
	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets			
Add 70%	– HIEU		4,457	9,602
Add 70%	– Bowang High School		7,156	7,786
Add 90%	– Shandong Yingcai University		10,173	–
Add 100%	– Stamford International University		2,144	–
Add 100%	Change in fair value on convertible bonds and convertible loan		453,534	–
Less 100%	Government Grants		(9,927)	(22,221)
Adjusted Net Profit attributable to the owners of the Company			494,765	340,402

Note: When calculating the Adjusted Net Profit attributable to the owner of the Company, the numbers in the adjusted items were multiplied by the respective shareholdings held by the Company in the related entities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 19 years of operating private schools in China, the Group is one of the leading private school operators in central China in terms of student enrolment.

The Group's fundamental educational objectives are to foster modern talent with leadership and lifelong learning capabilities and nurture great minds to contribute to the future development of the Chinese nation (“培養具有領導才能和自主學習能力的現代化人才，為中華民族的偉大復興貢獻力量”). As an educational service provider, the Group believes it is entrusted to nurture the future of society, and aims to provide educational services in a manner consistent with the values and attitudes of the Group. The curriculums for the Group's university and K-12 schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

In December 2019, the Company issued the 2024 Convertible Bonds, being the 0.90% convertible bonds in an aggregate principal amount of HK\$2,088 million due in 2024, which are listed on the Stock Exchange (stock code: 40109). Of the amount raised, RMB1,388.8 million was used to repurchase the January 2020 Convertible Bonds. The repurchase was completed on 27 December 2019 and the listing of the January 2020 Convertible Bonds was withdrawn with effect upon the close of business on 14 January 2020.

Further details of the issue of the 2024 Convertible Bonds and the repurchase of the January 2020 Convertible Bonds are set out under the section headed “Corporate Governance and Other Information — Purchase, Sale or Redemption of Listed Securities of the Company” in this interim report and in the announcements of the Company dated 4 December 2019, 10 December 2019, 27 December 2019, 29 December 2019 and 6 January 2020.

The business of the Group remained relatively stable for the six months ended 29 February 2020, notwithstanding the impact of the novel coronavirus COVID-19. As previously disclosed, the Group collects 100% of its tuition fees prior to the commencement of the school year, and therefore the COVID-19 has not had a material adverse effect on the revenue and operating results of the Group for the six months ended 29 February 2020. The Group will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 29 February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's Schools

As at 29 February 2020, the Group had 28 schools in China and 1 school in Thailand.

The following table shows a summary of the Group's schools by category as at the end of February 2020 and 2019:

	As at 29 February 2020	As at 28 February 2019
The Group's schools in the PRC		
Universities	3 ^(note 1)	2
High schools	5	5
Middle schools	7	7
Primary schools	6	6
Kindergartens	7	8
The Group's schools overseas		
University	1 ^(note 2)	1
Total	29	29

Notes:

- (1) The Group owns 90% equity interests in Jinan Shuangsheng Education Consulting Co., Ltd. which holds the entire sponsorship interest in Shandong Yingcai University. The financial results of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries were consolidated into the Group's accounts on 2 August 2019.
- (2) This represents Stamford International University that the Group operates in Thailand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Events after the Reporting Period

- (a) Details of the interim dividend proposed are given in Note 21 to the unaudited interim condensed consolidated financial information.
- (b) The outbreak of COVID-19 started in January 2020. After the outbreak, a series of precautionary and control measures have been continuing to be implemented in the PRC and Thailand where the main operations of the Group are located, including postponement of work and school resumption, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in campus and workplaces and encouraged social distancing, etc.

Up to the date of this interim report, the impacts of the COVID-19 outbreak on both national and global macroeconomic conditions as a whole are still uncertain, and the Group is unable to quantify the related financial effects. The Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including provision of education services by implementing online courses, postponement of the resumption of school classroom education based on local government's guidance and implementation of prevention and control policies released by the relevant local government authorities. The Group will pay close attention to the development of the COVID-19 outbreak and is evaluating its impact on the financial position and operating results of the Group.

OUTLOOK

The Group will continue to explore other potential acquisition targets or cooperation opportunities in China and overseas to supplement our school network.

FINANCIAL REVIEW

Overview

For the six months ended 29 February 2020, the Group recorded revenue of RMB1,260.4 million, an Adjusted Gross Profit of RMB762.6 million and a gross profit of RMB732.5 million. The Adjusted Gross Profit Margin¹ of the Group was 60.5% for the six months ended 29 February 2020 as compared with 60.0% for the corresponding period in 2019. The gross profit margin was 58.1% for the six months ended 29 February 2020 as compared with 57.0% for the corresponding period in 2019.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 29 February 2020 was RMB494.8 million, representing an increase of RMB154.4 million or a 45.3% increase from the corresponding period in 2019. The Adjusted Net Profit Margin² attributable to owners of the Company was 39.3% and 42.5% for the six months ended 29 February 2020 and 28 February 2019, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The net profit attributable to owners of the Company amounted to RMB17.2 million and RMB330.4 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The net profit margin attributable to owners of the Company amounted to 1.4% and 41.2% for the six months period ended 29 February 2020 and 28 February 2019, respectively. The decrease in net profit was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

Revenue

For the six months ended 29 February 2020, revenue of the Group amounted to RMB1,260.4 million, representing an increase of RMB459.4 million or 57.4% as compared with RMB801.0 million for the corresponding period in 2019. The increase was primarily due to the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisition of TEDCO and its subsidiaries (including Stamford International University), the financial results of which have been consolidated into the Group's upon completion of the acquisition in February 2019; and (iii) the acquisition of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University), the financial results of which have been consolidated into the Group's upon completion of the acquisition in August 2019.

Cost of Revenue

For the six months ended 29 February 2020, the Adjusted Cost of Revenue³ of the Group amounted to RMB497.8 million, representing an increase of RMB176.9 million or 55.1% as compared with RMB320.9 million for the corresponding period in 2019. The cost of revenue of the Group amounted to RMB527.9 million and RMB344.4 million for the six months ended 29 February 2020 and 28 February 2019, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 29 February 2020, the Adjusted Gross Profit of the Group amounted to RMB762.6 million, representing an increase of RMB282.4 million or 58.8% as compared with RMB480.2 million for the corresponding period in 2019. The Adjusted Gross Profit Margin of the Group for the six months ended 29 February 2020 was 60.5% and 60.0% for the corresponding period in 2019.

The Group's gross profit amounted to RMB732.5 million and RMB456.6 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The Group's gross margin amounted to 58.1% and 57.0% for the six months ended 29 February 2020 and 28 February 2019, respectively. The improvement in the gross profit margin was mainly due to implementation of cost control measures.

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)

Selling Expenses

For the six months ended 29 February 2020, the selling expenses of the Group amounted to RMB35.6 million, representing an increase of RMB25.6 million or 256.0% from RMB10.0 million during the corresponding period in 2019. The increase was primarily the result of an increase in marketing activities expense in student recruitment.

Administrative Expenses

For the six months ended 29 February 2020, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB114.3 million, representing an increase of RMB36.3 million as compared with RMB78.0 million for the corresponding period in 2019. The administrative expenses of the Group amounted to RMB122.6 million and RMB92.0 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The increase was in line with the expansion of the business scale of the Group.

Other Income

For the six months ended 29 February 2020, the other income of the Group amounted to RMB13.6 million, representing a decrease of RMB3.0 million or 18.1% as compared with RMB16.6 million for the corresponding period in 2019. This decrease was primarily due to a decrease in government grants and subsidies obtained.

Other Gains and Losses

For the six months ended 29 February 2020, the other gains and losses of the Group amounted to a loss of RMB453.9 million as compared with a gain of RMB4.7 million for the corresponding period in 2019. The loss was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

Operating Profit

The operating profit of the Group amounted to RMB130.4 million and RMB376.0 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The decrease was primarily due to the mark-to-market valuation net loss of the convertible bonds and convertible loan.

Finance Income

Finance income increased by 15.2% from RMB16.4 million for the six months ended 28 February 2019 to RMB18.9 million for the corresponding period in 2020 due to an increase in cash and cash equivalents and term deposits with initial term of over three months.

Finance Expenses

Finance expenses increased by 106.6% from RMB33.3 million for the six months ended 28 February 2019 to RMB68.8 million for the corresponding period in 2020 due to (i) an increase in borrowings and convertible bonds; and (ii) the premium paid to International Finance Corporation for early repayment of the loan provided by International Finance Corporation to the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit for the Reporting Period

As a result of the above factors, the profit for the period for the six months ended 29 February 2020 and 28 February 2019 amounted to RMB85.0 million and RMB363.9 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB494.8 million and RMB340.4 million for the six months ended 29 February 2020 and 28 February 2019, respectively.

The increase in the Adjusted Net Profit was mainly due to (i) an increase in student enrolment and tuition fees for several schools; (ii) the financial results of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University) having been consolidated into the Group's upon completion of the acquisition in August 2019.

The net profit attributable to owners of the Company for the six months ended 29 February 2020 and 28 February 2019 were RMB17.2 million and RMB330.4 million, respectively. As discussed in the section headed "Management Discussion and Analysis – Financial Review – Overview" in this interim report, the decrease in net profit was primarily due to the mark-to-market valuation net loss of the Company's convertible bonds and convertible loan of approximately RMB453.5 million.

Liquidity and Source of Funding and Borrowing

As at 29 February 2020, the Group's cash and cash equivalents decreased by 25.8% from RMB2,125.7 million as at 31 August 2019 to RMB1,577.6 million. Including restricted cash, the Group's total cash decreased from RMB2,417.4 million as at 31 August 2019 to RMB1,867.7 million as at 29 February 2020. The decrease primarily resulted from payments associated with the repurchase of the January 2020 Convertible Bonds and repayment of borrowings.

As at 29 February 2020, the current assets of the Group amounted to RMB1,919.5 million, including RMB1,867.7 million in cash and restricted cash and RMB51.8 million in other current assets. The current liabilities of the Group amounted to RMB2,243.4 million, of which RMB781.5 million were accruals and other payables, RMB269.3 million were borrowings, and RMB1,192.6 million were other current liabilities. As at 29 February 2020, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.86 (31 August 2019: 0.64).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing Ratio

As at 29 February 2020, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 7.2% (31 August 2019: 26.4%).

Material Investments

The Group did not make any material investments during the six months ended 29 February 2020.

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 2020.

Pledge of Assets

As at 29 February 2020, the bank borrowings of the Group amounting to RMB301.2 million were secured by certain land use right, buildings and right over the tuition fee and accommodation fee.

Contingent Liabilities

The Group had no contingent liabilities as at 29 February 2020.

Foreign Exchange Exposure

During the six months ended 29 February 2020, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities functional currency. As at 29 February 2020, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Employees and Remuneration Policies

As at 29 February 2020 and 28 February 2019, we had 7,542 and 6,269 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 laws and regulations of the PRC and the Kingdom of Thailand, the Company participates in various employee social security plans for its employees that are administered by local governments, including but not limited to (as applicable), housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

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

The Company also has a Pre-IPO Share Option Scheme and a Share Award Scheme. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V to the Prospectus for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The total remuneration cost incurred by the Group for the six months ended 29 February 2020 was RMB342.3 million (for the six months ended 28 February 2019: RMB245.2 million).

The following table sets forth the total number of employees by function as at 29 February 2020:

Function	Number of employees	% of total
Teachers	4,963	65.8%
Administrative staff	443	5.9%
Other staff	2,136	28.3%
Total	7,542	100.0%

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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.

During the six months ended 29 February 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2020.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 29 February 2020.

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 29 February 2020 of HK\$0.082 (2019: HK\$0.061) per share to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2020. The interim dividend will be distributed to shareholders of the Company on 26 June 2020.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 4 June 2020 to 8 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 3 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue. Mr. Chen Lei is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 29 February 2020 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim 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.

OTHER BOARD COMMITTEES

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

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 3 December 2019, the Company and Merrill Lynch (Asia Pacific) Limited (the “**Manager**”) entered into a subscription agreement with respect to the 2024 Convertible Bonds (the “**Subscription Agreement**”), pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds in an aggregate principal amount of HK\$2,024 million, on the terms and subject to the conditions set out therein. In addition, the Company has granted to the Manager an option to require the Company to issue the Option Bonds up to a further aggregate principal amount of HK\$324 million, exercisable on one occasion, in whole or in part, at any time on or before the 30th day after the Closing Date. The Manager has subsequently exercised its option with respect to HK\$64 million in aggregate principal amount of Option Bonds.

The principal terms of the 2024 Convertible Bonds are set out below:

Issuer:	The Company
Form and Denomination:	The convertible bonds are in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof. Upon issue, the convertible bonds will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Issue Price:	100% of the principal amount of the 2024 Convertible Bonds.
Issue Size:	The aggregate principal amount of the Firm Bonds will be HK\$2,024 million. In addition, the Company has granted to the Manager an option to require the Company to issue the Option Bonds up to a further aggregate principal amount of HK\$324 million, exercisable on one occasion, in whole or in part, at any time up to and including the 30th day after the Closing Date.
Maturity Date:	27 December 2024
Interest:	0.90% per annum, payable semi-annually in arrear on 27 June and 27 December in each year.
Conversion Right:	Subject as provided in the Conditions, each convertible bond shall entitle the holder to convert such convertible bond into conversion Shares credited as fully paid at any time during the conversion period referred to below. The number of Shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the convertible bonds to be converted by the conversion price in effect on the relevant conversion date.
Initial Conversion Price:	<p>The initial conversion price at which conversion Shares will be issued will initially be HK\$7.1303 per Share, calculated at a 34.0% premium to the reference share price of HK\$5.3237, being the number representing the higher of (i) HK\$5.16, being the closing share price of the Shares on the Stock Exchange on 3 December 2019 or (ii) the arithmetic average of the volume weighted average prices of the Shares on the Stock Exchange on each of the five consecutive trading days commencing on (and including) 4 December 2019 (i.e. HK\$5.3237).</p> <p>The conversion price will be subject to adjustment for, among other things, upon the occurrence of consolidation, subdivision, redesignation or reclassification, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares at less than 95% of the current market price per Share, rights issues of other securities, issues at less than 95% of the current market price per Share, other issues at less than 95% of the current market price per Share, modification of rights of conversion at less than 95% of the current market price per Share and other offers to Shareholders (collectively, the “Adjustment Events”). Notwithstanding any of the Adjustment Events, no adjustment to the conversion price shall be made for any issuance of new Shares (a) pursuant to the Pre-IPO Share Option Scheme and (b) pursuant to the IFC Loan.</p>

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Adjustment upon Change of Control: If a Change of Control shall occur, the Company shall give notice of that fact to the bondholders (the “**Change of Control Notice**”) within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of conversion rights such that the relevant conversion date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to bondholders (such period, the “**Change of Control Conversion Period**”), the conversion price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times \text{c}/\text{t})}$$

Where:

“**NCP**” means the conversion price after such adjustment

“**OCP**” means the conversion price before such adjustment. For the avoidance of doubt, OCP shall be the conversion price in effect on the relevant conversion date

“**CP**” means conversion premium of 34.0% expressed as a fraction

“**c**” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date

“**t**” means the number of days from and including the Issue Date to but excluding the Maturity Date

Initial Conversion Ratio: 292,834,803 Shares per HK\$2,088,000,000 principal amount of the 2024 Convertible Bonds at the initial conversion price of HK\$7.1303 per Share.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Conversion Period:	At the option of the bondholder, at any time (a) on or after the date which is 41 days after the Issue Date (both dates inclusive) to the close of business (at the place where the certificate evidencing the convertible bonds are deposited for conversion) on the date falling seven days prior to the Maturity Date (both days inclusive), (b) if the convertible bonds shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the bondholders, up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice.
Ranking of the Conversion Shares:	The conversion Shares will be fully paid and will in all respects rank <i>pari passu</i> with the fully paid shares of the Company then in issue on the relevant date the holder is registered as such in the Company's register of members (the " Registration Date "), except for any right excluded by mandatory provisions of applicable law and except that such conversion Shares will not rank for any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.
Redemption at Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at 100% of its principal amount together with accrued and unpaid interest thereon on the Maturity Date.
Reference Share Price:	HK\$5.3237 per Share, being the higher of (i) HK\$5.16, being the closing share price of the Shares on the Stock Exchange on 3 December 2019 or (ii) the arithmetic average of the volume weighted average prices of the Shares on the Stock Exchange on each of the five consecutive trading days commencing on (and including) 4 December 2019 (i.e. HK\$5.3237).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Redemption at the Option of the Company:

On giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing and to the bondholders in accordance with the Conditions, at any time after 1 March 2023 and prior to the Maturity Date, the convertible bonds may be redeemed by the Company in whole, but not in part, at their principal amount together with any interest accrued up to but excluding the date specified in the relevant optional redemption notice for redemption (the "**Optional Redemption Date**"), provided that the closing price of the Shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which the relevant optional redemption notice is published was at least 130 per cent. of the conversion price then in effect immediately prior to the date upon which the relevant optional redemption notice is given.

On giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing, and to the bondholders in accordance with the Conditions, the convertible bonds may be redeemed by the Company in whole, but not in part, on the date specified in the redemption notice at their principal amount together with interest accrued up to but excluding such date (if any), at any time if, prior to the date the relevant redemption notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in principal amount of the convertible bonds originally issued.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Redemption for Taxation Reasons: The convertible bonds may be redeemed, at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the principal agent in writing and to the bondholders in accordance with the Conditions, on the date specified in the relevant redemption notice for redemption at their principal amount as at such date together with interest accrued up to but excluding such date (if any), if the Company satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay additional tax amounts as provided or referred in the Conditions as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 December 2019, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no tax redemption notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the convertible bonds then due.

On the redemption date, the Company shall redeem the convertible bonds at their principal amount, together with interest accrued up to but excluding the redemption date.

If the Company issues the relevant redemption notice, each bondholder will have the right to elect that their convertible bonds shall not be redeemed as provided in the Conditions, whereupon no additional tax amounts shall be payable pursuant to the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted.

Redemption at the Option of the Bondholders:

Following the occurrence of a Relevant Event (as defined below), each bondholder will have the right at such holder's option to require the Company to redeem all or some only of such bondholder's convertible bonds on the relevant date at their principal amount together with interest accrued up to but excluding such date.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

A “**Relevant Event**” occurs when:

- (i) the conversion Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive trading days on the Stock Exchange or an alternative stock exchange;
- (ii) less than 25% of the Company’s total numbers of issued shares are held by public; or
- (iii) when there is a Change of Control.

The holder of each convertible bond will have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s convertible bonds on 27 December 2022 (the “**Optional Put Date**”) at their principal amount together with interest accrued up to but excluding such date. To exercise such right, the bondholder must deposit during normal business hours at the specified office of any paying agent under the agency agreement a duly completed and signed exercise notice, in the form for the time being current, obtainable from the specified office of any paying agent under the agency agreement (an “**Optional Put Exercise Notice**”), together with the certificate evidencing the convertible bonds to be redeemed by not more than 60 nor less than 30 days prior to the Optional Put Date. An Optional Put Exercise Notice, once delivered, shall be irrevocable without the Company’s consent. The Company shall redeem the Convertible Bonds the subject of the relevant Optional Put Exercise Notice (subject to delivery of the relevant certificate as aforesaid) on the Optional Put Date.

Negative Pledge:	Applicable to the Company and its subsidiaries on the Relevant Indebtedness (as defined in the Conditions).
Transferability:	The convertible bonds are freely transferable subject to Conditions.
Status:	The 2024 Convertible Bonds constitute direct, unconditional, unsubordinated and (subject to the Conditions) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without preference or priority among themselves.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Assuming full conversion of the 2024 Convertible Bonds at the initial conversion price of HK\$7.1303 per Share, the 2024 Convertible Bonds will be convertible into 292,834,803 Shares, with an aggregate nominal value of HK\$2,928.35 and a market value of HK\$1,511,027,583.48 (based on the closing price of HK\$5.16 on 3 December 2019, the date of the Subscription Agreement). The net price of each conversion Share for the Company based on the estimated net proceeds of approximately HK\$2,067 million and 292,834,803 conversion Shares resulting from the conversion of the Convertible Bonds, is estimated to be approximately HK\$7.06.

On 24 February 2020, the conversion price of the 2024 Convertible Bonds was adjusted from the initial conversion price of HK\$7.1303 per Share to HK\$7.0190 per Share. The maximum number of conversion Shares that will be issued upon conversion of all the outstanding 2024 Convertible Bonds at the adjusted conversion price is 297,478,273 Shares. Further details of the price adjustment are set out in the announcement of the Company dated 24 February 2020.

The Directors are of the view that the issue of the 2024 Convertible Bonds can provide the Company with additional funds at lower funding cost for acquisitions and general corporate purposes.

Further details of the issue of the 2024 Convertible Bonds are set out in the announcements of the Company dated 4 December 2019, 10 December 2019, 27 December 2019 and 29 December 2019.

Save for the repurchase of the January 2020 Convertible Bonds (former stock code: 5532) discussed in the section headed “Management Discussion and Analysis — Business Review” in this interim report and the issue of the 2024 Convertible Bonds, 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 2020.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 29 February 2020. 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 2020.

BUILDING CERTIFICATES AND PERMITS

As at 29 February 2020, 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 2020, 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.

USE OF PROCEEDS

(a) Use of Proceeds from the Global Offering

On 28 February 2017, the Shares were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK\$1,488.3 million, which are intended to be applied in the manner as set out in the Prospectus.

As of 29 February 2020, the Group had utilised the net proceeds as set out in the table below:

	% of net proceeds	Net proceeds from IPO HK\$million	Utilised as at 31 August 2019 HK\$million	Unutilised as at 31 August 2019 HK\$million	Utilisation during the six months ended 29 February 2020 HK\$million	Unutilised amount as at 29 February 2020 HK\$million
Expansion of our school network	30%	446.5	446.5	0	0	0
Acquisition of K-12 schools and universities	28%	416.7	416.7	0	0	0
Upgrade and expansion of school facilities and capacity of our existing schools	25%	372.1	202.6	169.5	0	169.5
Supplementing our working capital	10%	148.8	148.8	0	0	0
Repayment of bank loans	7%	104.2	104.2	0	0	0
Total	100%	1,488.3	1,318.8	169.5	0	169.5

The remaining balance of the net proceeds (approximately HK\$169.5 million) was placed with banks. The Group expects to gradually apply the remaining net proceeds in the manner set out in the Prospectus in accordance with actual business needs and use up the remaining proceeds within five years.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(b) Use of Proceeds from the IFC Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into the IFC Loan Agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US\$75 million, comprised of an initial US\$50 million tranche and a US\$25 million tranche which shall, at the option of International Finance Corporation, be convertible into conversion Shares at a conversion price of HK\$5.75 per Share. The conversion price was subsequently adjusted to HK\$5.53 per share. For further details, please refer to the Company's announcement dated 31 May 2018.

As of 29 February 2020, the Company had drawn US\$75 million from the loan facility; US\$50.0 million of the total principal amount had been repaid to International Finance Corporation and US\$0.1 million of the total principal amount was transferred to borrowings; and US\$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to International Finance Corporation in February 2020. For further details, please refer to the Company's announcement dated 4 February 2020.

			Utilised as at 31 August 2019 US\$million	Unutilised as at 31 August 2019 US\$million	Utilisation during the six months ended 29 February 2020 US\$million	Unutilised amount as at 29 February 2020 US\$million
% of loan facility	Amount of loan facility US\$million					
	100%	75	0	75	0	0
Total	100%	75	0	75	0	0

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

On 27 December 2019, the Company completed the issuance of the 2024 Convertible Bonds, being the 0.90% convertible bonds due 2024 in an aggregate principal amount of HK\$2,088 million, of which the net proceeds amounted to approximately HK\$2,062 million. As of 29 February 2020, the net proceeds of the issue of these convertible bonds had been utilised as set out below:

	% of net proceeds	Net proceeds from the Convertible Bonds HK\$million	Utilisation during the six months ended 29 February 2020 HK\$million	Unutilised amount as at 29 February 2020 HK\$million
Repurchase of the existing convertible bonds due January 2020	75.8%	1,564	1,564	0
General corporate purposes	4.8%	100	0	100
Potential acquisitions	19.4%	398	0	398
Total	100%	2,062	1,564	498

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) (2019 Version)* (《外商投資准入特別管理措施（負面清單）（2019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 30 June 2019 and became effective on 30 July 2019. 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 18 July 2013 (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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 29 February 2020, 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 ⁽²⁾	Beneficial owner/ Founder of a discretionary trust/ Other	2,157,249,000 ⁽³⁾	64.60%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	2,162,152,000 ^{(4)&(5)}	64.74%	Long position
Qiu Hongjun	Beneficial owner	3,261,000 ⁽⁶⁾	0.10%	Long position

Notes:

- (1) The calculation is based on the total number of 3,339,640,183 Shares in issue as at 29 February 2020.
- (2) The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikai Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 1,833,500,000 Shares held by GuangYu Investment.
- (3) Includes Mr. Li's entitlement to receive up to 7,899,600 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (4) Includes Ms. Li's entitlement to receive up to 9,730,400 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Ms. Li's spouse, Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.
- (6) Includes 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
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

Save as disclosed above, as at 29 February 2020, 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 2020, 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	2,157,249,000 ⁽⁴⁾	64.60%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	2,162,152,000 ^{(5)&(6)}	64.74%	Long position
Baikal Lake Investment ⁽²⁾	Interest in controlled corporation/ Other	2,137,500,000	64.00%	Long position
GuangYu Investment ⁽²⁾	Beneficial owner/Other	2,137,500,000	64.00%	Long position
TMF (Cayman) Ltd. ⁽³⁾	Trustee/Other	2,137,500,000	64.00%	Long position
Bank of America Corporation	Interest in controlled corporation	388,035,958	11.62%	Long position
		385,848,659	11.55%	Short position

Notes:

- (1) The calculation is based on the total number of 3,339,640,183 Shares in issue as at 29 February 2020.
- (2) The entire share capital of GuangYu Investment Holdings Limited is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.
- (3) TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.
- (4) Includes Mr. Li's entitlement to receive up to 7,899,600 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Includes Ms. Li's entitlement to receive up to 9,730,400 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.
- (6) Ms Li's spouse, Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 29 February 2020 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Share Incentive Schemes

In order to incentivize the Group's Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Group has adopted the Pre-IPO Share Option Scheme effective from 1 September 2016. The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Details on the movement of the relevant scheme for the six months ended 29 February 2020 is set out in note 15 to the financial information.

1. *Pre-IPO Share Option Scheme*

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as of 29 February 2020. No options were granted during the six months ended 29 February 2020 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 15 to the financial information.

Grantee	Position Held	Outstanding balance as at 1 September 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 29 February 2020	Option Period	Exercise Price
Directors and associates								
Mr. Li	Executive Director; chairman of the Board	13,824,300	—	5,924,700	—	7,899,600	5 years from the date of grant	HK\$0.00001 per Share
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	17,028,200	—	7,297,800	—	9,730,400	5 years from the date of grant	HK\$0.00001 per Share
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	2,934,900	—	—	—	2,934,900	15 years from the date of grant	HK\$0.00001 per Share
Ge Cong (葛聰)	Director of the universities and spouse of Ms. Li	293,400	—	—	—	293,400	20 years from the date of grant	HK\$0.00001 per Share
Subtotal		34,080,800		13,222,500		20,858,300		
Other employees								
325 employees		114,310,990	—	2,800,000	—	111,510,990	Up to 20 years from the date of grant	HK\$0.00001 per Share
Subtotal		114,310,990	—	2,800,000	—	111,510,990		
TOTAL		148,391,790	—	16,022,500	—	132,369,290		

2. Share Award Scheme

The summary of the principle terms of the Share Award Scheme, adopted on 8 February 2017, are contained 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. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As at the date of this interim report, no Shares have been granted or agreed to be granted under the Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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 34 to 77, 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 2020 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 a summary of significant accounting policies and other 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”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 April 2020

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Revenue	7	1,260,408	801,013
Cost of revenue	8	(527,932)	(344,441)
Gross profit		732,476	456,572
Selling expenses	8	(35,647)	(9,976)
Administrative expenses	8	(122,629)	(91,895)
Net impairment losses on financial assets		(3,444)	—
Other income		13,585	16,587
Other (losses)/gains — net	9	(453,949)	4,666
Operating profit		130,392	375,954
Finance income		18,947	16,351
Finance expenses		(68,775)	(33,252)
Finance expenses — net		(49,828)	(16,901)
Profit before income tax		80,564	359,053
Income tax credit	10	4,427	4,867
Profit for the period		84,991	363,920
Profit attributable to:			
— Owners of the Company		17,233	330,391
— Non-controlling interests		67,758	33,529
		84,991	363,920
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share		0.01	0.10
Diluted earnings per share		0.01	0.10

The notes on pages 40 to 77 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Profit for the period	84,991	363,920
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(16,008)	(17,667)
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	14,699	—
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	97	—
Other comprehensive loss for the period, net of tax	(1,212)	(17,667)
Total comprehensive income for the period	83,779	346,253
Total comprehensive income for the period attributable to:		
— Owners of the Company	16,021	312,724
— Non-controlling interests	67,758	33,529
	83,779	346,253

The notes on pages 40 to 77 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Prepaid land lease payments	12	—	1,651,195
Property, plant and equipment	12	3,700,428	3,705,965
Intangible assets	12	1,557,361	1,570,379
Right-of-use assets	12	1,804,933	—
Other non-current assets		73,553	20,639
Total non-current assets		7,136,275	6,948,178
Current assets			
Trade and other receivables	13	48,338	81,231
Financial instruments at fair value through other comprehensive income		3,420	3,323
Cash and cash equivalents		1,577,633	2,125,719
Restricted cash		290,092	291,716
Term deposits with initial term of over three months		—	333,131
Total current assets		1,919,483	2,835,120
Total assets		9,055,758	9,783,298
Equity			
Equity attributable to owners of the Company			
Share capital	14	28	28
Share premium	14	1,792,355	1,803,948
Reserves		760,144	776,896
Retained earnings		1,096,001	1,080,192
Capital and reserves attributable to owners of the Company		3,648,528	3,661,064
Non-controlling interests		550,269	482,511
Total equity		4,198,797	4,143,575
Liabilities			
Non-current liabilities			
Borrowings	17	32,629	506,979
Deferred income tax liabilities	20	516,638	521,065
Lease liabilities	12	33,602	—
Financial instruments at fair value through profit or loss	18	2,028,588	149,349
Deferred income		2,104	5,758
Total non-current liabilities		2,613,561	1,183,151
Current liabilities			
Accruals and other payables	16	781,545	963,014
Borrowings	17	269,278	1,065,394
Contract liabilities		1,181,728	1,301,163
Lease liabilities	12	10,849	—
Financial instruments at fair value through profit or loss	18	—	1,127,001
Total current liabilities		2,243,400	4,456,572
Total liabilities		4,856,961	5,639,723
Total equity and liabilities		9,055,758	9,783,298

The notes on pages 40 to 77 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company											
Note	Share capital (Note 14) (RMB'000)	Share premium (Note 14) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Other comprehensive income (RMB'000)	Retained earnings (RMB'000)	Capital and reserves attributable to owners (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited											
Balance at 31 August 2019	28	1,803,948	150,046	672,897	130,472	(134,721)	(41,798)	1,080,192	3,661,064	482,511	4,143,575
Change in accounting policy	4	–	–	–	–	–	–	(1,424)	(1,424)	–	(1,424)
Restated total equity at 1 September 2019	28	1,803,948	150,046	672,897	130,472	(134,721)	(41,798)	1,078,768	3,659,640	482,511	4,142,151
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	17,233	17,233	67,758	84,991
Currency translation differences	–	–	–	–	–	–	(16,008)	–	(16,008)	–	(16,008)
Changes in the fair value of assets at fair value through other comprehensive income	6	–	–	–	–	–	97	–	97	–	97
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	18	–	–	–	–	–	14,699	–	14,699	–	14,699
Total comprehensive income for the period	–	–	–	–	–	–	(1,212)	17,233	16,021	67,758	83,779
Total transactions with owners											
Conversion related to the IFC Loan	14	–	166,610	–	–	–	–	–	166,610	–	166,610
Conversion related to the Prior Convertible Bonds	14	–	10,803	–	–	–	–	–	10,803	–	10,803
Shares issued upon exercise of share-based compensation	15	–	30,036	–	(30,036)	–	–	–	–	–	–
Share-based compensation	15	–	–	–	14,496	–	–	–	14,496	–	14,496
Dividends distribution	21	–	(219,042)	–	–	–	–	–	(219,042)	–	(219,042)
Total transactions with owners in their capacity as owners	–	(11,593)	–	–	(15,540)	–	–	–	(27,133)	–	(27,133)
Balance at 29 February 2020	28	1,792,355	150,046	672,897	114,932	(134,721)	(43,010)	1,096,001	3,648,528	550,269	4,198,797

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company										
	Note	Share capital (Note 14) (RMB'000)	Share premium (Note 14) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Translation reserve (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited											
Balance at 1 September 2018		28	2,130,457	150,046	505,994	127,920	(134,721)	(66,460)	762,140	283,779	3,759,183
Comprehensive income											
Profit for the period		—	—	—	—	—	—	—	330,391	33,529	363,920
Currency translation differences		—	—	—	—	—	—	(17,667)	—	—	(17,667)
Total comprehensive income for the period		—	—	—	—	—	—	(17,667)	330,391	33,529	346,253
Total transactions with owners											
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	10,998	10,998
Shares issued upon exercise of share-based compensation	15	—	37,568	—	—	(37,568)	—	—	—	—	—
Share-based compensation	15	—	—	—	—	20,060	—	—	—	—	20,060
Dividends distribution	21	—	—	—	—	—	—	—	(180,436)	—	(180,436)
Total transactions with owners in their capacity as owners		—	37,568	—	—	(17,508)	—	—	(180,436)	10,998	(149,378)
Balance at 28 February 2019		28	2,168,025	150,046	505,994	110,412	(134,721)	(84,127)	912,095	328,306	3,956,058

The notes on pages 40 to 77 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		556,611	323,023
Interest paid		(61,501)	(10,321)
Net cash generated from operating activities		495,110	312,702
Cash flows from investing activities			
Purchases of property, plant and equipment		(125,828)	(57,049)
Payment of prepaid land lease payments		(117,508)	—
Prepayment for construction of a new campus in Henan Province		(61,419)	—
Refund of prepaid land lease payments		—	943
Purchases of intangible assets		(3,159)	(357)
Proceeds from disposal of property, plant and equipment		1,569	979
Proceeds from disposal of intangible assets		3	—
Purchases of financial instruments at fair value through profit or loss		(400,000)	(3,309,990)
Disposals of financial instruments at fair value through profit or loss		400,217	2,750,499
Acquisition of subsidiaries of prior periods		(69,612)	(137,567)
Changes in term deposits with initial term of over three months		329,395	(742,241)
Changes in restricted bank deposits		(40)	1,052
Interest received		7,111	4,516
Payments for the assignment of creditor's rights		—	(124,372)
Net cash used in investing activities		(39,271)	(1,613,587)
Cash flows from financing activities			
Issuance of convertible loans		—	167,703
Issuance of convertible bonds	18	1,876,402	810,938
Payment of convertible bonds issuance costs		(18,756)	(14,466)
Redemption of convertible bonds	18	(1,388,768)	—
Dividends paid to owners of the Company		(219,042)	—
Finance lease payments	17	(3,464)	(3,464)
Proceeds from borrowings	17	369,894	395,834
Repayments of borrowings	17	(1,608,739)	(495,735)
Net cash (used in)/generated from financing activities		(992,473)	860,810
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,125,719	1,593,177
Exchange losses on cash and cash equivalents		(11,452)	(2,930)
Cash and cash equivalents at end of the period		1,577,633	1,150,172

The notes on pages 40 to 77 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”) provide private formal full-coverage education services in the People’s Republic of China (the “PRC”) and the Kingdom of Thailand (“Thailand”) (the “Business”).

The Company was incorporated in the Cayman Islands on 25 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company’s registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Umland House, Grand Cayman, KY1-1104, the Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited. The ultimate controlling party of the Group is Mr. Li Guangyu, who is also an executive director and Chairman of the Board of Directors of the Company (the “Controlling Shareholder”).

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

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

Key events

(a) *Issuance of the Convertible Bonds due 2024*

On 27 December 2019 (the “Issue Date”), the Company completed the issuance of convertible bonds due in December 2024 with an aggregate principal amount of HK\$2,088,000,000 at 0.90% per annum (the “Convertible Bonds due 2024”). The cash proceeds related to the issuance of RMB1,876,402,000 was received by the Group on 27 December 2019.

Details were set out in Note 18.

(b) *Redemption of the Prior Convertible Bonds*

On 27 December 2019, the Company redeemed and cancelled all outstanding balance related to the convertible bonds due in January 2020 with an aggregate principal amount of HK\$928,000,000 at 3.00% per annum (the “Prior Convertible Bonds”). The cash payment related to the redemption of RMB1,388,768,000 was made by the Group on 27 December 2019.

Details were set out in Note 18.

(c) *The IFC Loan*

On 31 May 2018, the Group entered into a loan agreement with International Finance Corporation (“IFC” or the “Borrower”), pursuant to which IFC agreed to lend and the Company agreed to borrow up to the principal amount of US\$75 million, comprised of an initial US\$50 million tranche (the “Initial Tranche”) and a US\$25 million conversion tranche (the “Convertible Loan”) that can be convertible into ordinary shares of the Company at a conversion price of HK\$5.75 per share at the option of IFC (the “IFC Loan”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

Key events (Continued)

(c) The IFC Loan (Continued)

On 30 January 2020, the Borrower converted the Convertible Loan of US\$24.9 million related to the Convertible Loan pursuant to the agreement, and the remaining Convertible Loan of US\$0.1 million (equivalent to approximately RMB689,000) was transferred to borrowings.

On 10 January 2020, the Initial Tranche of US\$50 million (equivalent to approximately RMB346,750,000) was repaid by the Group.

Details were set out in Note 17 and Note 18.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 29 February 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

As at 29 February 2020, the Group’s current liabilities exceeded its current assets by RMB323,916,000. Included in the current liabilities as at 29 February 2020 were contract liabilities of RMB1,181,728,000 relating to tuition and boarding fees received in advance and borrowings of RMB269,278,000 (Note 17). In addition, as at 29 February 2020, the Group had non-current liabilities of RMB2,613,561,000, including borrowings of RMB32,629,000 (Note 17), the principals of which were all repayable more than twelve months from the period end date in accordance with the respective borrowing agreements; and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB2,028,588,000 (the “Convertible Bonds”) which will be repayable in December 2024 subject to the redemption and conversion terms and conditions as stipulated in the subscription agreement (Note 18). The Group had cash and cash equivalents of RMB1,577,633,000 as at 29 February 2020.

Management has given careful consideration to the future liquidity and performance of the Group, including the likelihood of any events triggering the redemption of the Convertible Bonds; and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and commitments and continue as a going concern. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 29 February 2020 and concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 29 February 2020.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2019, as described in those annual financial statements, except for the adoption of new and amended standard as set out below.

(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 2019:

- IFRS 16 Lease

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 16 and the impact of the adoption of this standard and the new accounting policy are disclosed in Note 4 below. The other 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

		Effective for accounting periods beginning on
Amendments to IAS 1 and IAS 8	Definition of Material, Classification of liabilities as current or non-current	1 September 2020
Amendments to IFRS 3	Definition of a Business	1 September 2020
Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 September 2020
IFRS 17	Insurance Contracts	1 January 2021

The Group has not early adopted the abovementioned new or amended standards and interpretations in this interim financial information and will apply these new or amended standards and interpretations in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group of these abovementioned standards and interpretation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(a) below.

The Group has adopted IFRS 16 retrospectively from 1 September 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 September 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 September 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 7.2%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 September 2019 RMB'000
Operating lease commitments disclosed as at 31 August 2019	52,002
Discounted using the lessee's incremental borrowing rate of at the date of initial application	34,112
Add: finance lease liabilities recognised as at 31 August 2019	21,760
(Less): short-term leases recognised on a straight-line basis as expense	(3,628)
(Less): low-value leases recognised on a straight-line basis as expense	(2,170)
<hr/>	
Lease liability recognised as at 1 September 2019	50,074
<hr/>	
Of which are:	
Current lease liabilities	8,834
Non-current lease liabilities	41,240
<hr/>	
	50,074

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	29 February 2020 RMB'000	1 September 2019 RMB'000
Properties	62,559	68,155
Prepaid land lease payments	1,741,608	1,651,195
Motor vehicles	766	963
Total right-of-use assets	1,804,933	1,720,313

The change in accounting policy affected the following items in the balance sheet on 1 September 2019:

- property, plant and equipment — decrease by RMB31,475,000
- prepaid land lease payments — decrease by RMB1,651,195,000
- right-of-use assets — increase by RMB1,720,313,000
- trade and other receivables — decrease by RMB2,450,000
- other non-current assets — decrease by RMB6,967,000
- borrowings — decrease by RMB21,760,000
- lease liabilities — increase by RMB50,074,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

The net impact on retained earnings on 1 September 2019 was a decrease of RMB1,424,000.

Segment assets and segment liabilities for February 2020 all increased as a result of the change in accounting policy. Lease liabilities and right-of use assets are now included in segment information. The following segments were affected by the change in policy:

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Total (RMB'000)
Unaudited					
As at 29 February 2020					
Total assets	4,547	13,592	6,495	—	24,634
Total liabilities	5,459	14,176	6,487	—	26,122

Earnings per share decreased by RMB0.00002 per share for the six months ended 29 February 2020 as a result of the adoption of IFRS 16.

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

Until the financial year ended 31 August 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 September 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

5 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 for the year ended 31 August 2019.

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 judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 6.3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT

6.1 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 2019.

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

6.2 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.

As at 29 February 2020, the Group had cash and cash equivalents of RMB1,577,633,000 (31 August 2019: RMB2,125,719,000) and trade receivables of RMB 9,985,000 (31 August 2019: RMB18,177,000) that are expected to readily generate cash inflows for managing liquidity risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (Continued)

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 five years RMB'000	Total RMB'000
Unaudited					
As at 29 February 2020					
Borrowings (principal plus interests, excluding finance leases)	281,913	25,320	16,899	—	324,132
Lease Liabilities	9,261	7,134	17,432	22,337	56,164
Convertible bonds	16,888	16,888	1,927,065	—	1,960,841
Accruals and other payables (excluding non-financial liabilities)	658,594	—	—	—	658,594
	966,656	49,342	1,961,396	22,337	2,999,731
Audited					
As at 31 August 2019					
Borrowings (principal plus interests, excluding finance leases)	1,119,055	217,836	280,412	73,082	1,690,385
Convertible bonds	874,575	—	—	—	874,575
Convertible loans	33,614	57,751	106,024	—	197,389
Finance Leases	3,464	3,464	10,392	6,927	24,247
Accruals and other payables (excluding non-financial liabilities)	814,297	—	—	—	814,297
	2,845,005	279,051	396,828	80,009	3,600,893

6.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 29 February 2020 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at 29 February 2020 and 31 August 2019:

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Level 3 Assets		
Financial instruments at fair value through other comprehensive income	3,420	3,323
Liabilities		
Financial instruments at fair value through profit or loss	2,028,588	1,276,350

The following table presents the movement in level 3 financial assets for the six months ended 29 February 2020:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
Balance at 1 September 2019	3,323
Additions	400,000
Settlements	(400,217)
Gains and losses recognised in profit or loss	217
Gains and losses recognised in other comprehensive income	97
Balance at 29 February 2020	3,420

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

The following table presents the movement in level 3 financial assets for the six months ended 28 February 2019:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
Balance at 1 September 2018	—
Additions	3,309,990
Settlements	(2,750,499)
Gains and losses recognised in profit or loss	10,509
Balance at 28 February 2019	570,000

The following table presents the movement in level 3 financial liabilities for the six months ended 29 February 2020:

	Convertible Bonds 2024 (level 3) RMB'000	Prior Convertible Bonds (level 3) RMB'000	Convertible Loans under IFC Loan (level 3) RMB'000	Total (level 3) RMB'000
Balance at 1 September 2019	—	1,102,110	174,240	1,276,350
Additions	1,876,402	—	—	1,876,402
Settlements	—	(1,388,768)	—	(1,388,768)
Conversion into fully paid ordinary shares	—	(10,803)	(166,610)	(177,413)
Conversion into to an ordinary loan	—	—	(689)	(689)
Gains and losses recognised in profit or loss	163,014	297,461	(6,941)	453,534
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(14,699)	—	—	(14,699)
Exchange difference	3,871	—	—	3,871
Balance at 29 February 2020	2,028,588	—	—	2,028,588
Changes in unrealized gains or losses included in profit or loss for the period	163,014	—	—	163,014

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2019:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
Balance at 1 September 2018	—
Additions	978,641
Gains and losses recognised in profit or loss	(7,784)
Balance at 28 February 2019	970,857
Changes in unrealised gains or losses included in profit or loss for the period	(7,784)

As at 29 February 2020, 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 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 due 2024	Fair value RMB'000	Unobservable inputs
As at Issue Date	1,876,402	Dividend yield: 3.00% Volatility: 42.00% Risk free rate: 1.67% Internal rate of return: 5.59% Bond yield: 5.52%
As at 29 February 2020	2,028,588	Dividend yield: 3.00% Volatility: 41.00% Risk free rate: 0.95% Internal rate of return: 4.87% Bond yield: 5.08%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

The Group's valuation processes

For the financial assets and financial liabilities, 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.

7 SEGMENT INFORMATION

The Group is principally engaged in the provision of private formal education from kindergarten to university education service in the PRC and Thailand.

The executive directors are identified as the chief operating decision-maker (the "CODM") of the Group. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group's operating segments are aggregated. In the view of CODM, the Group is principally engaged in three different segments which are subject to different business risks and different economic characteristics and the Group's operating and reportable segments for segment reporting purpose are Kindergartens, Grade 1–12 and University, respectively.

For the purposes of monitoring segment performance and allocating resources among segments, segment results represent profit for the period earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities.

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 29 February 2020 and 28 February 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

The information of the reportable segments provided to the CODM for the six months ended 29 February 2020 and 28 February 2019 is as follows:

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended						
29 February 2020						
Revenue	26,657	323,810	909,941	1,241	(1,241)	1,260,408
Cost of revenue	(14,345)	(165,572)	(348,015)	—	—	(527,932)
Gross profit	12,312	158,238	561,926	1,241	(1,241)	732,476
Selling expenses	(13)	(10,228)	(25,398)	(8)	—	(35,647)
Administrative expenses	(3,038)	(21,412)	(79,849)	(19,571)	1,241	(122,629)
Net impairment losses on financial assets	—	—	(3,444)	—	—	(3,444)
Other income	12	4,766	8,790	17	—	13,585
Other (losses)/gains — net	(24)	(656)	386	(453,655)	—	(453,949)
Operating profit	9,249	130,708	462,411	(471,976)	—	130,392
Finance expenses — net	(66)	(943)	(16,256)	(32,563)	—	(49,828)
Profit before income tax	9,183	129,765	446,155	(504,539)	—	80,564
Income tax credit	—	1,789	2,638	—	—	4,427
Profit for the period	9,183	131,554	448,793	(504,539)	—	84,991

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
As at 29 February 2020						
Total assets	185,108	2,924,955	8,197,794	3,974,259	(6,226,358)	9,055,758
Total liabilities	52,409	1,393,673	3,248,466	6,536,213	(6,373,800)	4,856,961
Other segment information						
For the six months ended						
29 February 2020						
Additions to non-current assets	1,036	6,758	232,498	16	—	240,308
Depreciation and amortisation	(819)	(29,443)	(98,509)	(1,865)	—	(130,636)
Losses on disposal of property, plant and equipment	24	606	551	21	—	1,202

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended						
28 February 2019						
Revenue	28,058	302,978	469,977	1,200	(1,200)	801,013
Cost of revenue	(13,866)	(146,791)	(183,679)	(105)	—	(344,441)
Gross profit	14,192	156,187	286,298	1,095	(1,200)	456,572
Selling expenses	—	(5,577)	(3,911)	(488)	—	(9,976)
Administrative expenses	(3,186)	(19,958)	(38,114)	(31,837)	1,200	(91,895)
Other income	—	12,161	4,426	—	—	16,587
Other gains/(losses) — net	657	3,272	2,767	(2,030)	—	4,666
Operating profit	11,663	146,085	251,466	(33,260)	—	375,954
Finance income/(expenses) — net	(4,808)	173	377	(12,643)	—	(16,901)
Profit before income tax	6,855	146,258	251,843	(45,903)	—	359,053
Income tax credit	—	1,947	2,920	—	—	4,867
Profit for the period	6,855	148,205	254,763	(45,903)	—	363,920
As at 28 February 2019						
Total assets	166,509	2,338,887	4,459,156	6,798,285	(6,355,613)	7,407,224
Total liabilities	60,772	1,116,017	1,504,386	4,962,636	(4,192,645)	3,451,166
Other segment information						
For the six months ended						
28 February 2019						
Additions to non-current assets	237	2,530	33,850	48	—	36,665
Additions to non-current assets due to the acquisition of subsidiaries	—	157,947	323,979	—	—	481,926
Depreciation and amortisation	(1,308)	(26,806)	(52,439)	(3,499)	—	(84,052)
Losses on disposal of property, plant and equipment	(160)	(239)	(2,701)	—	—	(3,100)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 SEGMENT INFORMATION (CONTINUED)

Revenue from external customers broken down by location of the customers is shown in the table below.

	Six months ended	
	29 February 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
The PRC	1,174,577	795,337
The Thailand	85,831	5,676
	1,260,408	801,013

Non-current assets excluding deferred tax assets broken down by location of the customers are show in the table below.

	As at	As at
	29 February 2020 (RMB'000) (Unaudited)	31 August 2019 (RMB'000) (Audited)
The PRC	6,797,460	6,652,896
The Thailand	338,815	295,282
	7,136,275	6,948,178

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8 EXPENSES BY NATURE

	Six months ended	
	29 February 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Employee benefit expenses	342,315	245,203
— Wages, salaries, bonus and other welfare	327,819	225,143
— Share-based compensation expenses (Note 15)	14,496	20,060
Depreciation of property, plant and equipment (Note 12)	86,433	61,547
Depreciation of right-of-use assets	28,300	—
Amortisation of prepaid land lease payments (Note 12)	—	11,518
Amortisation of intangible assets (Note 12)	15,903	10,987
Canteen expenditure	13,736	12,731
Student training and scholarship expenses	40,140	15,798
School consumables	21,015	19,491
Utilities expenses	24,272	15,954
Maintenance expenses	18,296	5,587
Marketing expense	20,595	3,244
Operating lease payments	2,444	2,548
Office expenses	42,642	13,945
Consultancy and professional fee	10,524	14,597
Travel and entertainment expense	7,932	2,706
Expense in relation to the acquisition of subsidiaries	—	3,703
Other expenses	11,661	6,753
	686,208	446,312

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 OTHER (LOSSES)/GAINS — NET

	Six months ended	
	29 February 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Net losses on financial liabilities at fair value through profit or loss as at period/year end	(163,014)	(387)
Net losses on redemption of the Prior Convertible Bonds	(297,461)	—
Net gains on conversion of the convertible loans under the IFC Loan	6,941	—
Losses on disposal of property plant and equipment	(1,202)	(3,100)
Gain on disposal of financial assets at fair value through profit or loss	217	10,509
Donation	570	(100)
Losses on debt forgiveness	—	(2,256)
	(453,949)	4,666

10 INCOME TAX CREDIT

	Six months ended	
	29 February 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	—	—
Deferred tax		
Decrease in deferred tax assets (Note 20)	(500)	—
Decrease in deferred tax liabilities (Note 20)	4,927	4,867
Deferred tax expense for the period	4,427	4,867
Income tax credit	4,427	4,867

(a) Cayman Islands profits tax

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

(b) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004, and accordingly, is exempted from British Virgin Islands income tax.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 INCOME TAX CREDIT (CONTINUED)

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 29 February 2020 and 28 February 2019.

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

CIT is provided on assessable profits of entities incorporation in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 29 February 2020 and 28 February 2019.

According to the *Implementation Rules for the Law for Promoting Private Education*, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. All schools of the Group have been granted corporate income tax exemption for the tuition income from relevant local tax authorities.

The corporate income tax rate for Xizang Yuanpei Information Technology Management Company Limited ("Xizang Yuanpei"), a wholly-owned subsidiary of the Company, is 15% based on the relevant tax regulations of Tibet Autonomous Region.

(e) Thailand corporate income tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 29 February 2020 by the weighted average number of ordinary shares in issue during the six months ended 29 February 2020.

	Six months ended	
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	17,233	330,391
Weighted average number of ordinary shares in issue (thousand)	3,292,972	3,204,396
Basic earnings per share (RMB)	0.01	0.10

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 29 February 2020 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	17,233	330,391
Adjustments for:		
— interest savings and fair value change on convertible loans	—	(10,881)
Adjusted profit attributable to owners of the Company (RMB'000)	17,233	319,510
Weighted average number of ordinary shares in issue (thousands)	3,292,972	3,204,396
Adjustments for:		
— Pre-IPO share options (thousands)	89,526	74,614
— Convertible loans	—	4,472
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	3,382,498	3,283,482
Diluted earnings per share (RMB)	0.01	0.10

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12(A) PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment (RMB'000) (Unaudited)	Trademark (RMB'000) (Unaudited)	Student base (RMB'000) (Unaudited)	Goodwill (RMB'000) (Unaudited)	Other intangible assets (RMB'000) (Unaudited)
Six months ended 29 February 2020					
Opening net book amount	3,705,965	453,130	8,828	1,084,625	23,796
Additions	119,641	—	—	—	3,159
Disposals	(2,771)	—	—	—	(3)
Depreciation and amortisation	(86,433)	(5,515)	(6,306)	—	(4,082)
Exchange differences	(4,499)	(169)	—	—	(102)
Adjustment for IFRS 16	(31,475)	—	—	—	—
Closing net book amount as at 29 February 2020	3,700,428	447,446	2,522	1,084,625	22,768
Six months ended 28 February 2019					
Opening net book amount	2,239,853	219,000	—	528,703	8,298
Acquisition of subsidiaries	162,634	42,880	22,700	122,997	3,599
Additions	36,308	—	—	—	357
Disposals	(4,079)	—	—	—	—
Depreciation and amortisation	(61,547)	(357)	(6,936)	—	(3,694)
Closing net book amount as at 28 February 2019	2,373,169	261,523	15,764	651,700	8,560

- (i) As at 29 February 2020, the buildings of the Group with a carrying amount of RMB96,105,000 (31 August 2019: RMB103,196,000) was pledged as security for bank borrowings of the Group.
- (ii) As at 29 February 2020, the carrying amount of buildings without building ownership certificates was RMB1,680,188,000 (31 August 2019: RMB1,731,536,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB21,917,000 as at 29 February 2020 (31 August 2019: RMB22,699,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12(B) LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 29 February 2020 (RMB'000) (Unaudited)	As at 1 September 2019 (RMB'000) (Unaudited)
Right-of-use assets		
— Buildings	62,559	68,155
— Prepaid land lease payments	1,741,608	1,651,195
— Vehicles	766	963
	1,804,933	1,720,313
Lease liabilities		
— Current	10,849	8,834
— Non-current	33,602	41,240
	44,451	50,074

(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 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Depreciation charge of right-of-use assets		
— Buildings	(5,596)	—
— Prepaid land lease payments	(22,507)	—
— Vehicles	(197)	—
	(28,300)	—
Interest expense (included in finance cost)	1,370	—
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	1,944	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	500	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12(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 but may have extension options as described in (ii) below. 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) The Group's land use rights are either purchased from or allocated by the government or companies.
- (v) The carrying value of the land use right allocated by the government of RMB545,123,640 (31 August 2019: RMB434,724,606) as at 29 February 2020, has no definite life of use stated in the relevant land use right certificates. The estimated useful life is 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.
- (vi) As at 29 February 2020, the land use right of the Group with a carrying amount of RMB111,111,000 (31 August 2019: RMB386,250,000) was pledged as security for bank borrowings of the Group.
- (vii) As at 29 February 2020, the carrying amount of prepaid land lease payments without land use right certificates was RMB20,578,000 (31 August 2019: RMB21,065,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB11,845,000 as at 29 February 2020 (31 August 2019: RMB12,196,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 TRADE AND OTHER RECEIVABLES

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Trade receivables		
Due from students	13,962	18,728
Provision for impairment	(3,977)	(551)
	9,985	18,177
Other receivables		
Deposits	6,301	15,226
Staff advance	9,872	13,839
Interest receivables	857	7,968
Others	6,452	6,311
Provision for impairment	(56)	(38)
	23,426	43,306
Prepayment		
Prepaid expenses	14,927	19,748
	48,338	81,231

As at 29 February 2020 and 31 August 2019, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 29 February 2020 (RMB'000) (Unaudited)	As at 31 August 2019 (RMB'000) (Audited)
Less than 1 year	11,565	18,626
Over 1 year	2,397	102
	13,962	18,728

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK\$
Unaudited		
As at 29 February 2020	50,000,000,000	500,000

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2019	3,284,758,210	HK\$32,848.00	28	1,803,948	1,803,976
Conversion related to the Prior Convertible Bonds	3,738,316	HK\$37.00	—	10,803	10,803
Share issued upon exercise of share-based compensation	16,022,500	HK\$160.00	—	30,036	30,036
Conversion related to the IFC loan	35,121,157	HK\$351.00	—	166,610	166,610
Dividends distribution	—	—	—	(219,042)	(219,042)
Balance at 29 February 2020	3,339,640,183	HK\$33,396.00	28	1,792,355	1,792,383

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK\$
Unaudited		
As at 28 February 2019	50,000,000,000	500,000

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2018	3,264,938,460	HK\$32,650	28	2,130,457	2,130,485
Share issued upon exercise of share-based compensation	19,819,750	HK\$198	—	37,568	37,568
Balance at 28 February 2019	3,284,758,210	HK\$32,848	28	2,168,025	2,168,053

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 SHARE-BASED PAYMENTS

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

	Unaudited Six months ended 29 February 2020	
	Average exercise price in HK\$ per share option	Number of share options
Opening balance	0.00001	148,391,790
Share options exercised	0.00001	(16,022,500)
Closing balance	0.00001	132,369,290
Exercisable at period end	0.00001	637,190

	Unaudited Six months ended 28 February 2019	
	Average exercise price in HK\$ per share option	Number of share options
Opening balance	0.00001	168,211,540
Share options exercised	0.00001	(19,819,750)
Closing balance	0.00001	148,391,790
Exercisable at period end	0.00001	1,637,190

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding as at 29 February 2020 have the following expiry date and exercise prices:

Expiry date	Unaudited 29 February 2020	
	Exercise price in HK\$ per share option	Number of share options
1 September 2036	0.00001	132,369,290

Share options outstanding as at 28 February 2019 have the following expiry date and exercise prices:

Expiry date	Unaudited 28 February 2019	
	Exercise price in HK\$ per share option	Number of share options
1 September 2036	0.00001	148,391,790

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 2020, 10,262,100 share options have been vested, and 607,900 share options have not yet exercised.

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 2020, 1,565,800 share options have been vested, and 29,290 share options not 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 2020, 440,200 share options have been vested, and nil share options not exercised.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 SHARE-BASED PAYMENTS (CONTINUED)

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 2020, 163,600 share options have been vested, and nil share options not 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 2020, 391,200 share options have been vested, and nil share options not 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 2020, 26,445,000 share options have been vested, and nil share options not 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 2020, 9,000,000 share options have been vested, and nil share options not exercised.

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binomial 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 2020 amounted to HK\$16,837,000 (equivalent to RMB14,496,000) (2019: HK\$23,299,000, equivalent to RMB20,060,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 ACCRUALS AND OTHER PAYABLES

	As at 29 February 2020 (RMB'000) (Unaudited)	As at 31 August 2019 (RMB'000) (Audited)
Amounts due to related parties (Note 22)	5,616	5,258
Payables in relation to the acquisition of subsidiaries	260,000	329,612
Payables for purchases of property, plant and equipment	156,552	164,191
Salary and welfare payables	93,024	121,688
Defined pension benefits	10,143	9,729
Deposits received from teachers and students	29,728	30,688
Miscellaneous expenses received from students	93,903	90,509
Payables for teaching materials and other operating expenditure	49,514	73,243
Payables for contracting canteens	1,582	514
Government subsidies payable to students and teachers	14,917	27,248
Audit and consulting fees	2,024	8,609
Interest payables	2,815	43,706
Taxes payable	19,784	17,300
Legal claim payables	6,589	6,589
Others	35,354	34,130
	781,545	963,014

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 BORROWINGS

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	32,629	362,948
Finance lease liabilities	—	18,296
Loans from other financial institutions	—	65,735
Unsecured		
Bank loans	—	60,000
	32,629	506,979
Current		
Secured		
Bank loans	268,589	650,795
Finance lease liabilities	—	3,464
Loans from other financial institutions	—	58,957
Unsecured		
Bank loans	—	20,000
Borrowings from other third parties	689	332,178
	269,278	1,065,394
Total borrowings	301,907	1,572,373

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 BORROWINGS (CONTINUED)

(a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 29 February 2020	
Opening amount as at 1 September 2019	1,572,373
Adjustments for change in accounting policy	(21,760)
Restated opening net book amount	1,550,613
Transfer from the IFC Loan(i)	689
Proceeds of new borrowings(ii)	369,894
Settlement of borrowings by repayment in cash	(1,608,739)
Settlement by offsetting deposits for the respective borrowings	(10,550)
Closing amount as at 29 February 2020	301,907
Six months ended 28 February 2019	
Opening amount as at 1 September 2018	529,452
Acquisition of subsidiaries	83,507
Proceeds of new borrowings	395,834
Settlements of borrowings	(495,735)
Finance lease payments	(3,464)
Finance charge on finance leases	394
Closing amount as at 28 February 2019	509,988

Notes:

- (i) RMB689,000 was transferred from the Loan to IFC in January 2020. The annual interest rate is determined based on LIBOR and a fixed rate of 1.7% pursuant to the loan agreement (Note 18).
- (ii) The bank loans carry respective interest rates ranging from 4.7850% to 5.0025% and will be matured within one year.

(b) As at 29 February 2020, there were no undrawn bank facility (31 August 2019: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 BORROWINGS (CONTINUED)

(c) The carrying amounts of assets pledged as security for borrowings are:

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Bank borrowings		
Guaranteed by related party	—	200,000
Pledged with land use rights and property, plant and equipment	51,218	62,968
Guaranteed and pledged by subsidiaries of the Group	—	420,775
Pledged with right over the tuition fee and accommodation fee	250,000	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	—	130,000
	301,218	1,013,743

18 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Non-current		
Convertible Bonds due 2024 (a)	2,028,588	—
The IFC Loan (c)	—	149,349
Current		
The IFC Loan (c)	—	24,891
Prior Convertible Bonds (b)	—	1,102,110
	—	1,127,001

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Issuance of the Convertible Bonds due 2024

On 27 December 2019, the Company completed the issuance of the Convertible Bonds due 2024. The cash proceeds related to the issuance of RMB1,876,402,000 were received by the Group on 27 December 2019. The issuance cost related to the Convertible Bonds due 2024 of approximately RMB18,756,000 was charged to the finance expenses.

The Convertible Bonds due 2024 were recognized and measured as financial liabilities at fair value through profit or loss pursuant to the subscription agreement. The fair value as of the Issue Date and 29 February 2020 were of RMB1,876,402,000 and RMB2,028,588,000, respectively (Note 6.3). The changes in the fair value that were attributable to the changes in the liability's credit risk of RMB14,699,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB163,014,000 were charged to other losses (Note 9).

The Convertible Bonds due 2024 bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020.

Pursuant to the subscription agreement, the convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK\$0.00001 each, at the option of the bondholders. Each convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after the Issue Date up to the close of business on the date falling seven days prior to the Maturity Date (the "Conversion Period") into fully paid ordinary shares with a par value of HK\$0.00001 each of the Company at an initial conversion price of HK\$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement.

As at 29 February 2020, no conversion related to the Convertible Bonds due 2024 was exercised by the holders.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 1 March 2023 and prior to the Maturity Date, the Convertible Bonds due 2024 may be redeemed at the option of the Company.

The Convertible Bonds due 2024 may be redeemed at the option of the Company or the holders pursuant to the respective terms and conditions under the subscription agreement. The convertible bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The convertible bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement or on 27 December 2022 as the optional put date for the holder to request the Company to redeem all or some of the convertible bonds upon giving notice in accordance with the subscription agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Redemption of the Prior Convertible Bonds

On 27 December 2019 (the “Redemption Date”), the Company completed the redemption of all outstanding balance related to the Prior Convertible Bonds. The redemption price of RMB1,388,768,000 was paid by the Group on 27 December 2019 (Note 6.3).

Upon completion of the redemption, the Prior Convertible Bonds were cancelled by the Company on 27 December 2019.

The Prior Convertible Bonds were measured as financial liabilities at fair value through profit or loss. The changes between the fair value as of beginning of the period and the Redemption Date of RMB297,461,000 (Note 9) were charged to the other losses.

(c) The IFC Loan

On 31 May 2018, the Group entered into a loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow up to the principal amount of US\$75 million, comprised of the Initial Tranche of US\$50 million and the Convertible Loan with principle amount of US\$25 million that can be convertible into ordinary shares of the Company at a conversion price of HK\$5.75 per share at the option of IFC (the “IFC Loan”). The conversion price was subsequently adjusted to HK\$5.53 per share.

On 30 January 2020, according to the loan agreement, the Borrower converted all outstanding balance of the Convertible Loan into: a) ordinary shares of the Company amounting to US\$24.9 million (equivalent to approximately RMB166,610,000) (Note 14); and b) US\$0.1 million (equivalent to approximately RMB689,000) was converted to an ordinary loan due to IFC commencing on 30 January 2020. The Convertible Loan was measured as financial liabilities at fair value through profit or loss (Note 18). The changes between the fair value as of beginning of the period and the conversion date of RMB6,941,000 were charged to the other gains (Note 9).

The Initial Tranche under the IFC Loan was accounted as borrowings of the Group in accordance with the loan agreement. (Note 18)

As of 29 February 2020, no outstanding balance in the financial liabilities related to the IFC Loan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19 COMMITMENTS

(a) Capital commitments

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

	As at 29 February 2020 (RMB'000) (Unaudited)	As at 31 August 2019 (RMB'000) (Audited)
Property, plant and equipment	122,185	105,251
Construction project of a new campus	1,218,581	—
	1,340,766	105,251

20 DEFERRED TAX ASSETS AND LIABILITIES

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

(a) Deferred tax assets

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Opening amount	20,184	—
Acquisition of subsidiaries	—	16,172
Charged to profit or loss (Note 10)	(500)	4,012
Closing amount	19,684	20,184

(b) Deferred tax liabilities

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Opening amount	(541,249)	(246,870)
Acquisition of subsidiaries	—	(303,909)
Charged to profit or loss (Note 10)	4,927	9,530
Closing amount	(536,322)	(541,249)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 DIVIDENDS

On 27 April 2020, the Board of Directors has resolved to declare an interim dividend of HK\$0.082 (2019: HK\$0.061) per share to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2020. This interim dividend, amounting to HK\$273,850,000 (2019: HK\$200,370,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company On 26 June 2020.

A dividend in respect of the year ended 31 August 2019 of HK\$0.073 per share amounting to a total dividend of RMB216,805,000 was approved at the annual general meeting held on 4 February 2020 and paid on 17 February 2020.

22 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 equity holders, 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 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Purchases of office building lease services	358	358
— A company controlled by the Controlling Shareholder's family	192	192
— Ms. Liu Chunhua	89	89
— Ms. Li Hua	77	77

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Amounts due to related parties		
– The Controlling Shareholder	4,274	4,108
– Zhengzhou Corn Culture Communication Co., Ltd.	1,342	1,150
– Others	–	–
	5,616	5,258

As at 29 February 2020, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due to the Controlling Shareholder and related parties are unsecured.

(c) Key management compensation

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

	Six months ended	
	29 February 2020 (RMB'000) (Unaudited)	28 February 2019 (RMB'000) (Unaudited)
Wages, salaries and bonuses	2,080	1,288
Contributions to pension plans	83	82
Welfare and other expenses	76	61
Share-based payments	10,496	10,812
	12,735	12,243

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 21.

(b) COVID-19 Impact

The outbreak of COVID-19 started in January 2020. After the outbreak, a series of precautionary and control measures have been continuing to be implemented in PRC and Thailand where the main operations of the Group are located, including postponement of work and school resumption, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in campus and workplaces and encouraged social distancing, etc.

Up to the date of this interim financial information, the impacts of the COVID-19 outbreak on both national and global macroeconomic conditions as a whole are still uncertain, and the Group is unable to quantify the related financial effects. The Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including provision of education services by implementing online courses, postponement of the resumption of school classroom education based on local government's guidance and implementation of prevention and control policies released by the relevant local government authorities. The Group will pay close attention to the development of the COVID-19 outbreak and is evaluating its impact on the financial position and operating results of the Group.

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
“Capital Stock”	with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all common stock and preferred stock, but excluding debt securities convertible into such equity
“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)

	(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
	(vi) the adoption of a plan relating to the liquidation or dissolution of the Company.
“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, Baikai Lake Investment and/or GuangYu Investment
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Exchange Act”	U.S. Securities Exchange Act of 1934, as amended
“Firm Bonds”	convertible bonds with an initial aggregate principal amount of HK\$2,024 million due 2024 to be issued by the Company, convertible into the conversion Shares
“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

DEFINITIONS (CONTINUED)

“GuangYu Investment”	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
“HIEU Schools”	Hunan International Economics University, Hunan Lie Ying Mechanic School and Hunan International Economics University Vocational Skills Training Centre
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFC Loan”	the loan provided by International Finance Corporation to the Company pursuant to the terms of the IFC Loan Agreement
“IFC Loan Agreement”	the loan agreement entered into between the Company, China YuHua Education Investment Limited, China HongKong YuHua Education Limited, and International Finance Corporation on 31 May 2018
“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 by the relevant trust deed
“January 2020 Convertible Bonds”	the 3.00% convertible bonds issued by the Company in an aggregate principal of HK\$940,000,000 due January 2020, which were listed on the Stock Exchange (former stock code: 5532) and the listing of which was withdrawn with effect upon the close of business on 14 January 2020
“K-12”	kindergarten to grade 12
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS (CONTINUED)

“Maturity Date”	27 December 2024, being the date on which the 2024 Convertible Bonds mature
“Mr. Li”	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
“Ms. Li”	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Option Bonds”	the additional convertible bonds of up to an aggregate principal amount of HK\$324 million due 2024 to be issued by the Company upon exercise of an option by the Manager to subscribe for the same, convertible into the conversion Shares
“Permitted Holders”	any or all of the following: <ul style="list-style-type: none">(i) Mr. Li and Ms. Li, their spouses or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members;(ii) any affiliate of the persons specified in clause (i) of this definition of Permitted Holders; and(iii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by persons specified in clauses (i) and (ii) of this definition of Permitted Holders
“PRC Holdcos”	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
“Pre-IPO Share Option Scheme”	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended 29 February 2020

DEFINITIONS (CONTINUED)

“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)
“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
“Voting Stock”	with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person
“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.*