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

Annual Report

2020

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COMPANY PROFILE

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

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

The business of the Group remained relatively stable for the year ended 31 August 2020. 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 at 23 November 2020, for the school year 2020/2021, the Group had enrollment of an aggregate number of 143,412 students. As at 31 August 2020, the Group employed an aggregate of 6,938 employees.

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

LEGAL ADVISERS

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

As to PRC law:
Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing 100032
PRC

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
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
3 Mazhuang Street
Zhengdong New District
Zhengzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

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

COMPANY WEBSITE

www.yuhuachina.com

STOCK CODE

6169

The following table sets out a comparison between key financial figures for the years ended 31 August 2020 and 2019:

	Year ended 31 August		
	2020 (RMB'000)	2019 (RMB'000)	Change
Revenue	**2,409,352**	1,714,485	+40.5%
Gross Profit	**1,468,615**	999,893	+46.9%
Adjusted Gross Profit[1]	**1,522,029**	1,048,761	+45.1%
Adjusted Net Profit attributable to owners of the Company[2]	**1,040,718**	792,538	+31.3%

Notes:

1. The Adjusted Gross Profit for the year ended 31 August 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School, 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 year ended 31 August 2019, please refer to the Company's annual results announcement for the year ended 31 August 2019.

2. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; and (iv) fair value losses on convertible bond and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the year ended 31 August 2019, please refer to the Company's annual results announcement for the year ended 31 August 2019.

FINANCIAL INFORMATION (CONTINUED)

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

Calculation of the Adjusted Gross Profit

		Year ended 31 August	
		2020 (RMB'000)	2019 (RMB'000)
Gross Profit		**1,468,615**	999,893
Add 100%	Share-based compensation expenses (in cost of revenue)	**12,406**	12,406
	Additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets		
Add 100%	— HIEU	**10,016**	16,693
Add 100%	— Bowang High School	**8,006**	15,573
Add 100%	— Shandong Yingcai University	**18,698**	1,695
Add 100%	— Stamford International University	**4,288**	2,501
Adjusted Gross Profit		**1,522,029**	1,048,761

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

		Year ended 31 August	
		2020 (RMB'000)	2019 (RMB'000)
Net profit attributable to the owners of the Company		**203,838**	484,955
Add 100%	Share-based compensation expenses (in cost of revenue)	**12,406**	12,406
Add 100%	Share-based compensation expenses (in administrative expenses)	**16,586**	27,714
	Additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets		
Add 70%	— HIEU	**10,016**	16,693
Add 70%	— Bowang High School	**8,006**	15,573
Add 90%	— Shandong Yingcai University (before acquisition of minority interests)	**17,140**	1,695
Add 100%	— Shandong Yingcai University (after acquisition of minority interests)	**1,558**	—
Add 100%	— Stamford International University	**4,288**	2,501
Add 100%	Accrued but not paid interest associated with Prior Convertible Bond	**—**	12,209
Add 100%	Change in fair value on Convertible bond and Convertible Loan[Note]	**790,125**	250,215
Less 100%	Government Grants	**(16,124)**	(21,573)
Adjusted Net Profit attributable to the owners of the Company		**1,040,718**	792,538

Note: Details are set out in Note 7: Other losses — net.

FINANCIAL SUMMARY

Results of operations	For the year ended 31 August				
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Revenue	781,331	846,222	1,195,110	1,714,485	**2,409,352**
Cost of revenue	(375,133)	(410,464)	(524,387)	(714,592)	**(940,737)**
Gross profit	406,198	435,758	670,723	999,893	**1,468,615**
Operating profit	337,686	308,730	579,365	566,855	**412,126**
Profit before tax	311,676	313,801	591,960	541,523	**310,919**
Profit for the year	311,676	313,801	588,234	555,065	**321,149**
Non-IFRS Measure:					
Adjusted Gross Profit[1]	406,198	461,415	700,349	1,048,761	**1,522,029**
Adjusted Net Profit attributable to owners of the Company[2]	316,281	408,652	609,100	792,538	**1,040,718**

Adjusted items	For the year ended 31 August				
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
One-off listing expenses	10,380	24,503	—	—	**—**
Share-based compensation expenses (in cost of revenue)	—	25,657	16,823	12,406	**12,406**
Share-based compensation expenses (in administration expenses)	—	65,921	45,715	27,714	**16,586**
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets					
— HIEU	—	—	12,803	16,693	**10,016**
— Bowang High School	—	—	—	15,573	**8,006**
— Shandong Yingcai University	—	—	—	1,695	**18,698**
— Stamford International University	—	—	—	2,501	**4,288**
Accrued but not paid interest associated with Prior Convertible Bond	—	—	—	12,209	**—**
Change in fair value on Convertible Bond and Convertible Loan	—	—	—	250,215	**790,125**
Derecognition of deferred tax assets due to the changes in applied taxation rate of LEI Lie Ying Limited from 1 January 2018	—	—	9,018	—	**—**
Government grants	(5,775)	(21,230)	(13,442)	(21,573)	**(16,124)**
Compensation for the realisation of security interests	—	—	(134,797)	—	**—**
Waiver of the payable by the selling shareholder	—	—	(108,275)	—	**—**

Financial ratio	For the year ended 31 August				
	2016	2017	2018	2019	**2020**
Gross profit margin	52.0%	51.5%	56.1%	58.3%	**61.0%**
Net profit margin attributable to owners of the Company	39.9%	37.1%	44.4%	28.3%	**8.5%**
Adjusted net profit margin attributable to owners of the Company	40.5%	48.3%	51.0%	46.2%	**43.2%**

Notes:

1. The Adjusted Gross Profit for the year ended 31 August 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School, 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 year ended 31 August 2019, please refer to the Company's annual results announcement for the year ended 31 August 2019.

2. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 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 amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; and (iv) fair value losses on convertible bond and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the year ended 31 August 2019, please refer to the Company's annual results announcement for the year ended 31 August 2019.

Assets and liabilities	As at 31 August				
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Non-current assets	1,712,098	1,733,132	3,826,136	6,948,178	**7,282,382**
Current assets	316,310	1,641,388	2,305,924	2,835,120	**2,436,780**
Current liabilities	885,862	897,424	2,034,644	4,456,572	**2,055,601**
Net current assets (liabilities)	(569,552)	743,964	271,280	(1,621,452)	**381,179**
Total assets less current liabilities	1,142,546	2,477,096	4,097,416	5,326,726	**7,663,561**
Non-current liabilities	232,898	—	338,233	1,183,151	**3,574,149**
Total equity	909,648	2,477,096	3,759,183	4,143,575	**4,089,412**
Property, plant and equipment	1,465,026	1,477,434	2,239,853	3,705,965	**3,792,348**
Cash and cash equivalents	304,986	642,506	1,593,177	2,125,719	**2,175,197**
Deferred revenue	609,193	631,711	956,541	—	**—**
Contract liabilities	—	—	—	1,301,163	**924,507**
Bank borrowings	315,000	—	505,000	1,093,743	**1,142,419**

Financial ratio	As at/for the year ended 31 August				
	2016	2017	2018	2019	**2020**
Current ratio	0.36	1.83	1.13	0.64	**1.19**
Gearing ratio[3]	34.6%	—	13.4%	26.4%	**27.9%**

Cash flows	For the year ended 31 August				
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Net cash from operating activities	420,143	515,806	749,782	1,249,592	**1,008,650**

Notes (cont'd):

3. The Gearing Ratio is calculated as total interest-bearing bank loans divided by total equity as at the end of the relevant financial year.

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 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 an aggregate principal amount of HK$2,088 million in 0.90% convertible bonds due in 2024 (the "**2024 Convertible Bonds**") that were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 40109). Of the amount raised, RMB1,388.8 million was used to repurchase the Company's previously existing 3.00% convertible bonds due January 2020 (former stock code: 5532) (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 in the announcements of the Company dated 4 December 2019, 10 December 2019, 27 December 2019, 29 December 2019 and 6 January 2020.

As at 31 August 2020, the impact of novel coronavirus ("**COVID-19**") in both China and Thailand, where the schools of the Group are located, is generally under control by local governments and the local economies have returned to normal.

As at 23 November 2020, the Group completed the refund settlements of a portion of tuition and boarding fees of an aggregate amount of RMB96.2 million to students related to the year ended 31 August 2020 due to the impact of COVID-19 and a corresponding amount was deducted from the revenue for the year ended 31 August 2020 accordingly. Despite the impact of the aforementioned refund, the Group's revenue and gross profit for the year ended 31 August 2020 still increased by 40.5% and 46.9%, respectively. In addition, the schools of the Group have already commenced the school year starting from September 2020 and finishing in August 2021 and students have returned to campus on schedule. The tuition and boarding fees for the school year starting from September 2020 to August 2021 have been duly collected as at the date of this Annual Report.

Based on the assessment above, the Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 2020, notwithstanding the impact of COVID-19. COVID-19 has not had a material adverse effect on the operation results and financial performance of the Group for the year ended 31 August 2020. The Group will continue 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 31 August 2020.

The Group's Schools and Student Enrolment

As at 31 August 2020, the Group had 26 schools in China and 1 school in Thailand.

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

	As at 31 August 2020	As at 31 August 2019
Number of the Group's schools in the PRC		
Universities	**3** (note 1)	3 (note 1)
High schools	**5**	5
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**5**	7
The Group's schools overseas		
University	**1** (note 2)	1 (note 2)
Total	**27**	29

Notes:

1. As of the date of this Annual Report, the Group, through LEI Lie Ying Limited, owns 100% of the equity interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) which in turn owns the entire sponsorship interests in Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心) (together the "**HIEU Schools**"), and the entire equity interests in Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司). Details of the Group's acquisition of the remaining 30% equity interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) on 25 September 2020 were disclosed in the Company's announcements published on 28 September 2020 and 30 September 2020.

   As of the date of this Annual Report, the Group also owns 100% equity interests in the Jinan Shuangsheng Education Consulting Co., Ltd., which holds the entire sponsorship interest in Shandong Yingcai University. The Group acquired the remaining 10% equity interests in Jinan Shuangsheng Education Consulting Co., Ltd. on 4 August 2020, as disclosed in Note 30 in notes to the consolidated financial statements for the year ended 31 August 2020.

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

For the school year 2020/2021, the Group has enrolled a total of 143,412 students at its schools and universities. The following table sets out the Group's student enrollment by category for the school year ended 2019/2020 and 2020/2021:

	2020/2021 (as at 23 November 2020)	2019/2020 (as at 15 November 2020)
K-9 schools	**18,687**	19,361
Universities and high schools	**124,725**	118,873
Total	**143,412**	138,234

EVENTS AFTER THE REPORTING PERIOD

Subsequent events

Acquisition of the remaining 30% non-controlling interests of Hunan Lie Ying Industry Co., Ltd. ("Hunan Lie Ying")

On 25 September 2020, the Group acquired the 7.2% and 22.8% non-controlling interests in Hunan Lie Ying from their respective non-controlling shareholders, for a consideration of approximately RMB143,200,000 and RMB578,000,000, respectively. Hunan Lie Ying is the holding company of the HIEU Schools of the Group. Upon completion of the two transactions, Hunan Lie Ying became a wholly-owned subsidiary of the Company.

Further details of the acquisition of the remaining interests are set out in the announcements of the Company dated 28 September 2020 and 30 September 2020.

Future Development

The Group's future development focuses on potential acquisitions and their subsequent consolidation with the Group. The Group will continue to seek acquisitions in higher education sector with high growth potential and will focus on post-acquisition consolidation to maximize shareholder value.

FINANCIAL REVIEW

Overview

For the year ended 31 August 2020, the Group recorded revenue of RMB2,409.4 million, an Adjusted Gross Profit of RMB1,522.0 million and a gross profit of RMB1,468.6 million. The Adjusted Gross Profit Margin[1] of the Group was 63.2% for the year ended 31 August 2020 as compared with 61.2% for the corresponding period in 2019. The gross profit margin was 61.0% for the year ended 31 August 2020 as compared with 58.3% for the corresponding period in 2019.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2020 was RMB1,040.7 million, representing an increase of RMB248.2 million or a 31.3% increase from the corresponding period in 2019. The Adjusted Net Profit Margin[2] attributable to owners of the Company was 43.2% and 46.2% for the years ended 31 August 2020 and 31 August 2019, respectively.

The net profit attributable to owners of the Company amounted to RMB203.8 million and RMB485.0 million for the years ended 31 August 2020 and 31 August 2019, respectively. The net profit margin attributable to owners of the Company amounted to 8.5% and 28.3% for the years ended 31 August 2020 and 31 August 2019, respectively.

Revenue

For the year ended 31 August 2020, revenue of the Group amounted to RMB2,409.4 million, representing an increase of RMB694.9 million or 40.5% as compared with RMB1,714.5 million for the corresponding period of 2019. Due to the impact of COVID-19, the Group was required to refund a portion of tuition and boarding fees of an aggregate amount of RMB96.2 million to students related to the year ended 31 August 2020. The corresponding amount has been deducted from the revenue of the Group for the year accordingly. The refund settlements have been completed as at 23 November 2020. The increase in revenue was primarily the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) 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; and (iii) 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.

Cost of Revenue

For the year ended 31 August 2020, the Adjusted Cost of Revenue[3] of the Group amounted to RMB887.3 million, representing an increase of RMB221.6 million or 33.3% as compared with RMB665.7 million for the corresponding period of 2019. The cost of revenue of the Group amounted to RMB940.7 million and RMB714.6 million for the years ended 31 August 2020 and 31 August 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.

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 amortization 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).

Gross Profit and Gross Profit Margin

For the year ended 31 August 2020, the Adjusted Gross Profit of the Group amounted to RMB1,522.0 million, representing an increase of RMB473.3 million or 45.1% as compared with RMB1,048.8 million for the corresponding period in 2019. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2020 was 63.2%, compared with 61.2% for the corresponding period in 2019.

The Group's gross profit amounted to RMB1,468.6 million and RMB999.9 million for the years ended 31 August 2020 and 31 August 2019, respectively. The Group's gross profit margin amounted to 61.0% and 58.3% for the years ended 31 August 2020 and 31 August 2019, respectively. The improvement in the gross profit margin was mainly due to (i) implementation of cost control measures; and (ii) the proportion of university business has increased.

Selling Expenses

For the year ended 31 August 2020, selling expenses of the Group amounted to RMB47.1 million, representing an increase of RMB24.8 million from RMB22.4 million during the corresponding period in 2019. The increase was primarily the result of an increase in marketing activities expenses for student recruitment.

Administrative Expenses

For the year ended 31 August 2020, the Adjusted Administrative Expenses[4] of the Group amounted to RMB222.6 million, representing an increase of RMB50.4 million as compared with RMB172.2 million for the corresponding period in 2019. The administrative expenses of the Group amounted to RMB239.2 million and RMB200.0 million for the years ended 31 August 2020 and 31 August 2019, respectively. The increase is in line with the expansion of the business scale of the Group.

Other Income

For the year ended 31 August 2020, the other income of the Group amounted to RMB29.1 million, representing an increase of RMB6.0 million as compared with RMB23.1 million for the corresponding period in 2019. This increase was primarily due to an increase in refund of service fee from government.

Other Gains and Losses

For the year ended 31 August 2020, the other gains and losses of the Group amounted to a loss of RMB792.0 million as compared with a loss of RMB233.2 million for the corresponding period in 2019. The loss was primarily due to fair value losses on convertible bond.

Operating Profit

The Adjusted Operating Profit of the Group amounted to RMB1,256.1 million for the years ended 31 August 2020, representing an increase of RMB384.0 million or 44.0% as compared with RMB872.1 million for the corresponding period in 2019. The Adjusted Operating Profit Margin amounted to 52.1% and 50.9% for the years ended 31 August 2020 and 31 August 2019, respectively.

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

Finance Income

Finance income decreased from RMB52.7 million for the year ended 31 August 2019 to RMB28.7 million for the corresponding period in 2020 due to (i) a decrease in cash and cash equivalents and term deposits with initial term of over three months; and (ii) a decrease in foreign exchange gains.

Finance Expenses

Finance expenses increased from RMB78.1 million for the year ended 31 August 2019 to RMB129.9 million for the corresponding period in 2020 due to (i) an increase in foreign exchange losses; and (ii) an increase in interest expenses.

Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB1,040.7 million for the year ended 31 August 2020, representing an increase of RMB248.2 million or 31.3% as compared with RMB792.5 million for the corresponding period in 2019. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 43.2% and 46.2% for the years ended 31 August 2020 and 31 August 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; and (ii) the financial results of Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University) having been consolidated into the Group upon completion of the acquisition in August 2019.

The Group recorded a net profit attributable to owners of the Company of RMB203.8 million for the year ended 31 August 2020, representing a decrease of RMB281.1 million or 58.0% as compared with RMB485.0 million for the corresponding period in 2019. The net profit margin attributable to owners of the Company for the year ended 31 August 2020 was 8.5%, compared to 28.3% for the corresponding period in 2019.

Liquidity and Source of Funding and Borrowing

The Group's cash and cash equivalents increased from RMB2,125.7 million as at 31 August 2019 to RMB2,175.2 million as at 31 August 2020. Including restricted cash and term deposits with initial term of over three months, the Group's total bank balances and cash decreased from RMB2,750.6 million as at 31 August 2019 to RMB2,329.6 million as at 31 August 2020. The decrease primarily resulted from payments associated with the repurchase of the January 2020 Convertible Bonds and repayment of borrowings.

As at 31 August 2020, the current assets of the Group amounted to RMB2,436.8 million, including RMB2,329.6 million in bank balances and RMB107.2 million in other current assets. The current liabilities of the Group amounted to RMB2,055.6 million, of which RMB616.2 million was accruals and other payables, RMB924.5 million was contract liabilities, and RMB509.1 million was borrowings. As at 31 August 2020, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 1.19 (31 August 2019: 0.64).

Gearing Ratio

As at 31 August 2020, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 27.9% (31 August 2019: 26.4%).

Material Investments

The Group did not make any material investments during the year ended 31 August 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 year ended 31 August 2020.

Pledge of Assets

As at 31 August 2020, the bank borrowings of the Group amounting to RMB1,142.4 million were guaranteed and pledged by certain prepaid land lease payments, buildings, right over the tuition fee and accommodation fee and equity interests of certain subsidiaries of the Group.

Contingent Liabilities

The Group had no contingent liabilities as at 31 August 2020.

Foreign Exchange Exposure

During the year ended 31 August 2020, the Group mainly operated in China and majority of the transactions were settled in Renminbi, the Company's primary consolidated affiliated entities' functional currency. As at 31 August 2020, except for the bank deposits, the Group did not have significant foreign currency exposure from its operations.

Future Plans for Material Investments or Capital Assets

Save as otherwise disclosed in this Annual Report, the Company has no other plans for material investments or purchase of capital assets.

REPORT OF DIRECTORS

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 August 2020.

DIRECTORS

The Directors who held office during the year ended 31 August 2020 and up to the date of this Annual Report are:

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

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 53 to 57 of this Annual Report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 25 April 2016 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on 28 February 2017.

PRINCIPAL ACTIVITIES

The Group is one of the largest providers of private education from kindergarten to university in China under the "YuHua" brand. The Group's university education and K-12 education are designed to serve different target groups and achieve distinct learning outcomes. The Group's university offers comprehensive tertiary level education aimed at equipping its students with the practical knowledge and skills to prosper in their careers. The Group's K-12 schools provide education from kindergarten to high school, allowing us to attract students at an early age and create a stable and sustainable student pipeline. The Group emphasises the well-rounded development of its students and has structured its curriculum to ensure the high quality of its education and inspire and encourage its students to explore their individual interests.

Analysis of the principal activities of the Group during the year ended 31 August 2020 is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business, is set out in the section headed "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events after the Reporting Period" in this report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" to be published within 3 months from the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" under "Continuing Connected Transactions" in this Annual Report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- its operations and business prospects;
- its business and operating strategies and its ability to implement such strategies;
- its ability to develop and manage its operation and business;
- its ability to maintain or increase student enrolment in its schools;
- its ability to maintain or increase tuition fees;
- its ability to control its operating costs;
- its ability to maintain or increase utilization of the Group's facilities;
- its capital expenditure programs and future capital requirements;
- its future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- competition in the education industry where the Group serves; and
- changes to regulatory and operating conditions in the education industry and geographical markets in which the Group serves.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 August 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily consist of its students and their parents. The Group did not have any single customer who accounted for more than 5% of the Group's revenue for the two years ended 31 August 2019 and 2020.

The Group's suppliers primarily comprise decoration services, meal catering companies, suppliers for text books. For the year ended 31 August 2020, purchases from the Group's five largest suppliers amounted to RMB162.3 million (2019: RMB154.8 million) which represented 46.7% (2019: 52.9%) of the Group's total purchases. During the year, purchases from the Group's largest supplier amounted to RMB86.1 million (2019: RMB104.6 million), which represented 24.8% (2019: 35.7%) of the Group's total purchases in the same year. The Group's largest supplier during the year ended 31 August 2020 is an independent third party construction service provider who provides construction services to certain of its schools.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended 31 August 2020, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 8 to 10 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 August 2020 are set out in note 13 to the consolidated financial statements.

The book value of the properties held by the Group for owner occupation at 31 August 2020 as included in the financial statements in this Annual Report was RMB3,792.3 million.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 August 2020 and details of the Shares issued during the year ended 31 August 2020 are set out in note 21 to the consolidated financial statements.

DONATION

During the year ended 31 August 2020, the Group made donations of RMB1.0 million (2019: approximately RMB0.1 million) and received donations of RMB1.6 million (2019: nil).

DEBENTURE ISSUED

Save for the 2024 Convertible Bonds, the Group did not issue any debenture during the year ended 31 August 2020.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Share Award Scheme and the Loan Agreement, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 August 2020.

DIVIDENDS

The Board has recommended that a final dividend of HK$0.092 (equivalent to approximately RMB0.082) per Share in respect of the year ended 31 August 2020, which is subject to Shareholder's approval at the forthcoming general meeting of the Company. The final dividend is expected to be paid on 22 February 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on 9 February 2021.

No Shareholder has waived or agreed to waive any dividends.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 August 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 August 2020 were RMB1,109.5 million.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2020 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and note 25 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Mr. Li has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), and shall be automatically renewed for successive periods of three (3) years until terminated in accordance with the terms and conditions of the service or by either party giving to the other not less than three (3) month's prior notice in writing.

Each of the other executive Directors (i.e. Ms. Li and Ms. Qiu Hongjun) has entered into a service contract with the Company for an initial term of three years with effect from the date of their respective appointment or until the third annual general meeting of the Company since the date of the Prospectus (whichever is sooner), and shall be automatically renewed for successive periods of three (3) years until terminated in accordance with the terms and conditions of the service or by either party giving to the other not less than three (3) month's prior notice in writing.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Such letters of appointment were renewed on similar terms and effective from 16 February 2020 for another term of three years, and will continue thereafter until terminated by either party giving to the other not less than three (3) month's prior notice in writing.

None of the Directors proposed for re-election at the annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Continuing Connected Transactions" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 August 2020.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance, including contracts of significance for the provision of services, has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 August 2020.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 August 2020.

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

As at 31 August 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	Beneficial owner/ Founder of a discretionary trust/ Other	1,937,249,000[(2)&(3)]	58.01%	Long position
Ms. Li	Beneficiary of a discretionary trust/ Beneficial owner/ Interest of spouse/Other	1,942,152,000[(2)&(4)&(5)]	58.15%	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 31 August 2020.

2. The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 1,917,500,000 Shares held by GuangYu Investment.

Notes (cont'd):

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 a further 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.

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 31 August 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.

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

As at 31 August 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	1,937,249,000[4]	58.01%	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,942,152,000[5]&[6]	58.15%	Long position
Baikal Lake Investment[2]	Interest in controlled corporation/ Other	1,917,500,000	57.42%	Long position
GuangYu Investment[2]	Beneficial owner/Other	1,917,500,000	57.42%	Long position
TMF (Cayman) Ltd.[3]	Trustee/Other	1,917,500,000	57.42%	Long position
Bank of America Corporation	Interest in controlled corporation	449,678,688	13.46%	Long position
		447,150,043	13.39%	Short position

Notes:

1. The calculation is based on the total number of 3,339,640,183 Shares in issue as at 31 August 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.

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 31 August 2020 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2020, the Group had 6,938 employees (31 August 2019: 8,094). 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 Group believes in the importance of attracting, recruiting and retaining of quality employees (in particular teachers) in achieving the Group's success. The Group provides training for teachers to equip them with teaching skills and techniques and stay abreast of the changes in student demands and teaching methodologies, changing testing and admission standards and other trends. During each school year, the Group monitors the teaching quality of its teachers and evaluates the performance of its teachers from time to time. During the year ended 31 August 2020, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company also has adopted a Pre-IPO Share Option Scheme and a Share Award Scheme to provide incentives for the Group's employees.

The total remuneration cost incurred by the Group for the year ended 31 August 2020 was RMB614.9 million (for the year ended 31 August 2019: RMB475.8 million).

PRE-IPO SHARE OPTION SCHEME

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

The purpose of the Pre-IPO Share Option Scheme is to provide the Selected Participants with the opportunity to acquire proprietary interests in the Company and to encourage the 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.

As at 31 August 2020, share options for 36,455,800 Shares were granted to the Directors and senior management under the Pre-IPO Share Option Scheme.

A summary of the principal terms of the Pre-IPO Share Option Scheme is set out below:

Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 180,000,000 Shares, representing approximately 5.39% of the total number of issued Shares of the Company as at the date of this Annual Report.

Exercise Period

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 20 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme.

Payment on Acceptance of Share Option

An amount of RMB1.00 is payable upon acceptance of the grant of an option.

Determination of Exercise Price

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme is HK$0.00001 per Share or such other price as may be determined by the Board.

Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme remained in force until 7 February 2017.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of 31 August 2020. No options were granted since 28 February 2017 and up to the date of this Annual Report. For further details on the movement of the options during the Reporting Period please see note 23 to the consolidated financial statements.

Grantee	Position Held	Outstanding balance as at 1 September 2019	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 August 2020	Option Period	Exercise price per Share
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$0.0001
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$0.0001
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$0.0001
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$0.0001
Subtotal:		34,080,800	–	13,222,500	–	20,858,300		HK$0.0001
Other Employees								
325		114,310,990	–	2,800,000	–	111,510,990	Up to 20 years from the date of grant	HK$0.0001
Employees Subtotal:		114,310,990	–	2,800,000	–	111,510,990		
TOTAL		148,391,790	–	16,022,500	–	132,369,290		

During the year ended 31 August 2020, none of the options granted referred to above had been forfeited or cancelled or had lapsed.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the resolutions in writing of the then sole shareholder of the Company on 8 February 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Award Scheme is to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividend and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long term growth and profits of the Group.

Number of Shares Available under the Share Award Scheme

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

Under the current Share Award Scheme Limit, share awards representing 270,000,000 Shares may be granted by the Company within 30 years of the Listing Date, representing approximately 8.08% of the total number of issued shares of the Company as at the date of this Annual Report.

Maximum Entitlement of Participant

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a Selected Participant under the Share Award Scheme.

Duration and Termination

The Share Award Scheme shall be valid and effective for a period of 30 years (after which no further Awards will be granted), and thereafter for so long as there are any non-vested Awards Shares granted hereunder prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme Rules, unless early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant.

Restrictions

No Award shall be made to Selected Participants with respect to a grant of an Award under the Share Award Scheme: (i) where any director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations; (ii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (iii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Vesting and Lapse

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the vesting dates of any Awards will be accelerated to an earlier date.

In the event a Selected Participant ceases to be an eligible person on or prior to the relevant vesting date and the Award in respect of the relevant vesting date shall lapse or be forfeited pursuant to the Share Award Scheme, such Award shall not vest on the relevant vesting date and the Selected Participant shall have no claims against the Company, unless the Board determines otherwise at its absolute discretion.

Share Award Grants

As at the date of this Annual Report, no Shares have been granted or agreed to be granted under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual 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.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the remuneration committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme and the senior management personnel are eligible participants of the Share Award Scheme. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 34 and note 9 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of the Controlling Shareholders in the Group, during the year ended 31 August 2020, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended 31 August 2020.

Non-exempt continuing connected transactions

Set out below is a summary of the continuing connected transactions for the Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Background to the Contractual Arrangements

The Group currently conducts its private education business through its consolidated affiliated entities in the PRC as PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of kindergartens, high schools and higher education institutions to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign ownership in the private education sector have, with very limited exception, been withheld. The Group does not hold any direct equity interest in its consolidated affiliated entities. The Contractual Arrangements, through which the Group is able to exercise control over and derive the economic benefits from its consolidated affiliated entities, have been narrowly tailored to achieve its business purpose and minimise the potential conflict with relevant PRC laws and regulations.

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) (2020 Version)* (《外商投資准入特別管理措施(負面清單)(2020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 23 June 2020 and became effective on 23 July 2020. 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 last amended on 2 March 2019 (the "**Sino-Foreign Cooperation Regulation**"). The Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

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

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

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

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

As a result of the above, the primary and middle schools operated by us in the PRC are held by Zhengzhou YuHua Education Investments, which is directly or indirectly wholly-owned by the Registered Shareholders, and controlled by us pursuant to the 2016 Contractual Arrangements.

The Company's PRC Legal Adviser has opined that all possible actions or steps necessary for it to confirm that the 2016 Contractual Arrangements with respect to the operation of primary and middle school businesses are valid, legal and binding and do not contravene PRC laws and regulations have been taken.

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

Efforts and Actions Undertaken to Comply with the Qualification Requirement

The Group has adopted a specific plan and begun to take concrete steps which the Company reasonably believe are meaningful endeavours to demonstrate compliance with the Qualification Requirement:

1. On 1 October 2013, the Group signed a letter of intent with Daejeon Girls' Middle School (大田女子中學校) of the Republic of Korea ("**DGMS**") pursuant to which DGMS expressed its intent to, among other things, cooperate with the Group's schools and collaborate in organizing exchange and teaching activities.

2. On 1 October 2013, the Group signed a letter of intent with Daejeon Middle School pursuant to which Daejeon Middle School expressed an intent to cooperate with the Group's schools and collaborate in organising exchange and teaching activities.

3. On 1 October 2013, the Group signed a letter of intent for cooperating in running schools with DGMS pursuant which:

    (a) DGMS agreed to send Korean speaking teachers to teach Sino-Korean international classes and Korean language courses at the Group's high school classes and the Group agreed to bear the related costs;

    (b) the Group agreed to send its teachers to teach Chinese culture classes and Chinese language courses at DGMS's middle school classes and DGMS agreed to bear the related costs;

    (c) the Group's middle school students may undertake DGMS's courses and receive certificates upon completion of the course; and

    (d) the Group will establish an overseas training base for certain graduates of the Zhengzhou Technology and Business University at DGMS.

4. On 21 October 2013, Zhengzhou YuHua Elite School signed a cooperation agreement with International Exchange Department of Jeju National University (國立濟州大學) of Republic of Korea pursuant to which Jeju National University agreed to, among other things, cooperate with Zhengzhou YuHua Elite School in respect of Korea language education and cultural exchange programmes and assist in the admission of graduates of Zhengzhou YuHua Elite School to Jeju National University.

5. On 12 January 2015, Zhengzhou YuHua Elite School signed an agreement with International Exchange Department of Pukyong National University (國立釜慶大學) of the Republic of Korea pursuant to which Pukyong National University agreed to provide students of Zhengzhou YuHua Elite School with language training opportunities and assist in the admission of graduates of Zhengzhou YuHua Elite School to Pukyong National University.

6. On 12 February 2019, China YuHua Education Investment Limited signed an acquisition agreement with LEI Singapore Holdings Pte. Ltd., a subsidiary of Laureate Education, the largest global network of degree-granting higher education institutions, pursuant to which China YuHua Education Investment acquired the issued and outstanding share capital of Thai Education Holdings Co., Ltd. and Fareast Stamford International Co., Ltd. The acquisition will enable the Company to leverage the leading position of Stamford International University in the private tertiary education market in Thailand, thereby offering a greater potential for profit and long-term business sustainability for the Group.

To the best of the Directors' knowledge and belief, other than the letter of intent for cooperation in running schools signed with DGMS on 1 October 2013 mentioned above, the abovementioned letters of intent and agreements are legally binding.

To further demonstrate compliance with the Qualification Requirement, the Group is also in the process of communicating or negotiating with certain experienced and reputational overseas education service providers in various forms of potential cooperation, including but not limited to expanding its school network abroad. The Company will keep the Shareholders informed should it make any substantial progress in reaching cooperation agreements with these overseas education service providers.

On top of the above, and to prepare for the potential expansion of the Group's business to the overseas, the Company has established a Hong Kong subsidiary, HongKong YuHua, which serves as the main control hub of the Group's overseas business and is responsible for:

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organizing international classes or courses;

2. investing in or acquiring overseas education businesses as and when appropriate;

3. holding the Group's overseas intellectual property rights and licensing them to the Group's international partners; and

4. recruiting overseas education business professionals and advisers, and acting as the direct employer of any personnel based outside the PRC.

The Company's PRC Legal Adviser has advised that while Sino-foreign cooperative schools are to be jointly established by both foreign and domestic educational institutions, 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 that it meets the Qualification Requirement. Based on the interviews conducted with the Education Department of Henan Province and the steps that the Group has undertaken as mentioned above, the Company's PRC Legal Adviser is of the view that the Group has taken all reasonable steps towards fulfilling the Qualification Requirement.

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of the Group's operations, on 7 September 2016, 1 September 2018 and 1 July 2019, the Company's wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, the Group's consolidated affiliated entities, under which substantially all economic benefits arising from the business of the Group's consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fee payable by the Group's consolidated affiliated entities to WFOE.

The Directors (including the independent non-executive Directors) consider that the Contractual Arrangements are fundamental to the Group's legal structure and business operations and have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the respective contractual agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Directors also believe that the Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into the Company's financial statements as if they were the Company's subsidiaries, and the flow of economic benefits of their business to the Group places the Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements.

- if the PRC government finds that the agreements that establish the structure for operating the Group's business do not comply with applicable PRC laws and regulations, it may subject us to severe penalties and the Group's business may be materially and adversely affected.

- Uncertainties exist in relation to the interpretation and implementation of Foreign Investment Law (中華人民共和國外商投資法) effective from 1 January 2020 and how it may impact the viability of our current corporate structure, corporate governance, business, financial condition and results of operations.

- the Contractual Arrangements may not be as effective in providing control over the Group's consolidated affiliated entities as direct ownership.

- the beneficial owners of the Group's consolidated affiliated entities may have conflicts of interests with us, which may materially and adversely affect the Group's business and financial situation.

- the exercise of the option to acquire the equity interest of the Group's consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs.

- any failure by the Group's consolidated affiliated entities or their respective shareholders to perform their obligations under the Group's Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the Group's part to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to the Group's primary sources of revenue.

- the Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation and value of the Shareholders' investment.

- certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- the Company relies on dividend and other payments from WFOE to pay dividends and other cash distribution to the Shareholders and any limitation on the ability of the WFOE to pay dividends to the Company would materially and adversely limit its ability to pay dividends to the Shareholders.

- the Group's consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

- if any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which would negatively impact the Group's business and materially and adversely affect its ability to generate revenue.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2020 are as follows:

The 2016 Contractual Arrangements

On 7 September 2016, WFOE, YuHua Investment Management, the Registered Shareholders, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments entered into the 2016 Contractual Arrangements, which consist of:

(a) exclusive management consultancy and business cooperation agreements dated 7 September 2016 and entered into by and between (i) WFOE, YuHua Investment Management and its subsidiary and the Registered Shareholders; (ii) WFOE, Zhengzhou YuHua Education Investments and its subsidiaries and the Registered Shareholders; and (iii) WFOE, Zhengzhou Zhongmei Education Investments and its subsidiaries and the Registered Shareholders (the "**2016 Exclusive Management Consultancy and Business Cooperation Agreements**"), pursuant to which WFOE has the exclusive right to provide, or designate any third party to provide each of the Group's consolidated affiliated entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services;

(b) exclusive call option agreements dated 7 September 2016 and entered into by and between (i) WFOE, YuHua Investment Management and the Registered Shareholders; (ii) WFOE, Zhengzhou YuHua Education Investments and the Registered Shareholders; and (iii) WFOE, Zhengzhou Zhongmei Education Investments and the Registered Shareholders (the "**2016 Exclusive Call Option Agreements**"), pursuant to which the Registered Shareholders unconditionally and irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in the PRC Holdcos, as the case may be for the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the PRC Holdcos. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall return the amount of purchase price they have received to WFOE or its designated third party;

(c) equity pledge agreements dated 7 September 2016 and entered into by and between (i) WFOE, YuHua Investment Management and the Registered Shareholders; (ii) WFOE, Zhengzhou YuHua Education Investments and the Registered Shareholders; and (iii) WFOE, Zhengzhou Zhongmei Education Investments and the Registered Shareholders (the "**2016 Equity Pledge**

Agreements"), pursuant to which the Registered Shareholders unconditionally and unequivocally pledged all of the equity interests in YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments respectively, to WFOE to guarantee (i) the performance of the obligations of YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments and their respective subsidiaries under the 2016 Exclusive Management Consultancy and Business Cooperation Agreements, (ii) performance of their and the Registered Shareholders' obligations under the 2016 Exclusive Call Option Agreements and the 2016 Powers of Attorney (as defined below); and

(d) an irrevocable power of attorney executed by each of the Registered Shareholders dated 7 September 2016 (the "**2016 Powers of Attorney**") appointing WFOE, or nominee(s) of WFOE (excluding Mr. Li, Ms. Li or other non-independent persons or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of YuHua Investment Management, Zhengzhou YuHua Education Investments or Zhengzhou Zhongmei Education Investments requiring shareholders' approval under its respective articles of association and under the relevant PRC laws and regulations.

The 2018 Contractual Arrangements

On 1 September 2018, WFOE, YuHua Investment Management, the Registered Shareholders, Zhengzhou Qinfeng Education Technology Co., Ltd., Kaifeng City Yubohui Education Information Technology Consulting Co., Ltd. and Kaifeng City Xiangfu District Bowang High School entered into the 2018 Contractual Arrangements, which consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 1 September 2018 between (i) WFOE, (ii) Zhengzhou Qinfeng Education Technology Co., Ltd. (鄭州秦風教育科技有限公司) ("**Zhengzhou Qinfeng**"), (iii) Kaifeng City Yubohui Education Information Technology Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司) ("**Yubohui Education**"), (iv) Kaifeng City Xiangfu District Bowang High School (開封市祥符區博望高中) ("**Bowang High School**") and (v) the Registered Shareholders (the "**2018 Exclusive Management Consultancy and Business Cooperation Agreement**"), pursuant to which Zhengzhou Qinfeng, Yubohui Education, Bowang High School and the Registered Shareholders agreed to engage WFOE as the exclusive service provider to provide Zhengzhou Qinfeng, Yubohui Education and Bowang High School with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 1 September 2018 between (i) WFOE, (ii) Zhengzhou Qinfeng and (iii) the Registered Shareholders (the "**2018 Exclusive Call Option Agreement**"), pursuant to which the Registered Shareholders granted WFOE an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders all or part of the equity interests in Zhengzhou Qinfeng;

(c) an equity pledge agreement dated 1 September 2018 between (i) WFOE, (ii) Zhengzhou Qinfeng and (iii) the Registered Shareholders (the "**2018 Equity Pledge Agreement**"), pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of his or her equity interest in Zhengzhou Qinfeng to WFOE;

(d) a power of attorney executed by each of the Registered Shareholders dated 1 September 2018 (the "**2018 Powers of Attorney**") appointing WFOE, or nominee(s) of WFOE (excluding Mr. Li, Ms. Li or other non-independent persons or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Zhengzhou Qinfeng requiring shareholders' approval under its respective articles of association and under the relevant PRC laws and regulations; and

(e) power of attorney executed on 17 July 2019 by Zhengzhou Qinfeng (the "**2019 Zhengzhou Qinfeng Power of Attorney**") appointing WFOE (or any person designated by WFOE) as its attorney-in-fact to appoint directors and vote on its behalf on all matters of Yubohui Education and Bowang High School requiring shareholders' or sponsors' (as applicable) approval under its articles of association and under the relevant PRC laws and regulations.

The 2019 Contractual Arrangements

On 1 July 2019 and 17 July 2019, WFOE, the Transferee, the Registered Shareholders and the Target Group entered into the 2019 Contractual Arrangements, which consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 1 July 2019 (together with the joinder agreements mentioned in item (f) below, the "**2019 Exclusive Management Consultancy and Business Cooperation Agreement**") between (i) WFOE, (ii) the Transferee and (iii) the Registered Shareholders, pursuant to which the Transferee and the Registered Shareholders agreed to engage WFOE as the exclusive service provider to provide the Transferee (and its subsidiaries from time to time) with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 1 July 2019 (the "**2019 Exclusive Call Option Agreement**") between (i) WFOE, (ii) the Transferee and (iii) the Registered Shareholders, pursuant to which the Registered Shareholders granted WFOE an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders all or part of the equity interests in the Transferee;

(c) an equity pledge agreement dated 1 July 2019 (the "**2019 Equity Pledge Agreements**") between (i) WFOE, (ii) the Transferee and (iii) the Registered Shareholders, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of his or her equity interest in the Transferee to WFOE;

(d) powers of attorney executed on 1 July 2019 by each of Mr. Li and Ms. Li (the "**2019 Powers of Attorney**") appointing WFOE (or any person designated by WFOE, excluding Mr. Li, Ms. Li or any other non-independent persons or persons who may give rise to conflicts of interests) as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of the Transferee requiring shareholders' approval under its articles of association and under the relevant PRC laws and regulations;

(e) power of attorney executed on 17 July 2019 by the Transferee (the "**2019 Transferee Power of Attorney**") appointing WFOE (or any person designated by WFOE) as its attorney-in-fact to appoint directors and vote on its behalf on all matters of the Target Group requiring shareholders' or sponsors' (as applicable) approval under its articles of association and under the relevant PRC laws and regulations; and

(f) joinder agreements executed on 17 July 2019 by each member of the Target Group (the "**2019 Target Group Joinder Agreements**"), pursuant to which each member of the Target Group agreed to join the 2019 Exclusive Management Consultancy and Business Cooperation Agreement as a party, and assume all the obligations and enjoy all the rights of the subsidiaries of the Transferee.

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended 31 August 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2020.

For the year ended 31 August 2020, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

The Company has been advised by its PRC Legal Adviser that the Contractual Arrangements do not violate the relevant PRC regulations.

Mitigation actions taken by the Company

The Company's management works closely with Mr. Li and Ms. Li and its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 137 to 143 of the Prospectus.

Revenue and Assets subject to the Contractual Arrangements

For the year ended 31 August 2020, revenue of the Group subject to the Contractual Arrangements amounted to approximately RMB1,658,594,000 (2019: RMB1,115,875,000). As at 31 August 2020, total assets of the Group subject to the Contractual Arrangements amounted to approximately RMB5,264,337,000 (2019: RMB4,907,855,000).

The annual transaction amount of continuing connected transactions for the year ended 31 August 2020 is set out below.

Continuing Connected Transactions

Transactions of Xizang Yuanpei Information Technology Management Company Limited, a subsidiary of the Company, provided to other domestic subsidiaries of the Company.

	Annual Transactions RMB'000	Annual Cap RMB'000
Service fee	2,765	Not applicable, waived

Listing Rules Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting an annual cap; and (iii) limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for each of the continuing connected transactions.

Pursuant to the conditions of the waiver (the "**Waiver Conditions**") granted to the Company at the time of the IPO as described on pages 186 to 188 of the Prospectus, and on the basis that the existing Contractual Arrangements of the Company (as described under the section headed "**Contractual Arrangements**" in the Prospectus) provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the consolidated affiliated entities, on the other hand, the Company is permitted to renew or reproduce the existing Contractual Arrangements with respect to any new wholly foreign owned enterprise or operating company engaging in the same business as that of the Group, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements.

As the terms and conditions of the 2018 Contractual Arrangements and the 2019 Contractual Arrangements are substantially the same as those of the contractual arrangements described under the section headed "Contractual Arrangements" in the Prospectus, and the underlying businesses are within the scope of the Group's principal businesses — the provision of private education services from kindergarten to university, the 2018 Contractual Arrangements and the 2019 Contractual Arrangements therefore fall within the parameters of the Waiver Conditions.

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2020, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2020, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2020:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

During the year ended 31 August 2020, no related party transactions disclosed in note 31 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

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 depositary for Euroclear Bank SA/NV and Clearstream Banking S.A.
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:

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).

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.

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:

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

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.
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 *pari passu* 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).
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.

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.

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 *pari passu* and without preference or priority among themselves.

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.

On 8 June 2020, the conversion price of the 2024 Convertible Bonds was adjusted from the initial conversion price of HK$7.0190 per Share to HK$6.92 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 301,734,104 Shares. Further details of the price adjustment are set out in the announcements of the Company dated 28 and 29 May 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 Annual 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 year ended 31 August 2020.

MATERIAL LITIGATION

The Directors are not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2020.

BUILDING CERTIFICATES AND PERMITS

As at 31 August 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.

As at 31 August 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 Net Proceeds from 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 at 31 August 2020, the Group had utilized the net proceeds as set out in the table below:

	% of net proceeds	Net proceeds from IPO HK$'million	Utilized as at 31 August 2019 HK$'million	Unutilized until 31 August 2019 HK$'million	**Utilization during the year ended 31 August 2020 HK$'million**	**Unutilized amount as at 31 August 2020 HK$'million**
Expansion of our school network	30%	446.5	446.5	0	**–**	**0**
Acquisition of K-12 schools and universities	28%	416.7	416.7	0	**–**	**0**
Upgrade and expansion of school facilities and capacity of our existing schools	25%	372.1	202.6	169.5	**169.5**	**0**
Supplementing our working capital	10%	148.8	148.8	0	**–**	**0**
Repayment of bank loans	7%	104.2	104.2	0	**–**	**0**
Total	100%	1,488.3	1,318.8	169.5	**169.5**	**0**

(b) Use of Proceeds from the International Financial Corporation Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into a loan agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of an initial US$50 million tranche and a US$25 million tranche which shall, at the option of International Finance Corporation, be convertible into conversion shares at a conversion price of HK$5.75 per share. The conversion price was subsequently adjusted to HK$5.53 per share.

For further details, please refer to the Company's announcements dated 31 May 2018 and 4 February 2020.

As of 31 August 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 IFC 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 IFC in February 2020. For further details, please refer to the Company's announcement dated 4 February 2020.

	% of loan facility	Amount of loan facility US$'million	Utilized as at 31 August 2019 US$'million	Unutilized until 31 August 2019 US$'million	**Utilization during the year ended 31 August 2020 US$'million**	**Unutilized amount as at 31 August 2020 US$'million**
	100%	75	0	75	**0**	**0**
Total	100%	75	0	75	**0**	**0**

(c) Use of Proceeds from Issue of 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 31 August 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$' million	**Utilization during the year ended 31 August 2020 HK$' million**	**Unutilized amount as at 31 August 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	**100**	**0**
Potential acquisitions	19.4%	398	**398**	**0**
Total	100%	2,062	**2,062**	**0**

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

LOAN AGREEMENT COVENANTS

As a condition to disbursement of the Loan, our chairman and ultimate controlling shareholder, Mr. Li, and our chief executive officer Ms. Li, entered into the Share Retention Agreement pursuant to which they will, among other things, be required to retain control over GuangYu Investment and, through GuangYu Investment, the Company, for so long as any indebtedness under the Loan remains outstanding. An equity pledge agreement was also entered into pursuant to which HongKong YuHua will grant the International Financial Corporation a pledge over an equity interest representing 40% of the registered capital of Xizang Yuanpei.

Please refer to the Company's announcement dated 31 May 2018 for more information about the Loan Agreement.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the annual general meeting.

By the order of the Board
Mr. Li Guangyu
Chairman

Hong Kong
23 November 2020

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Li Guangyu (李光宇), aged 57, was first appointed as a Director on 25 April 2016. He was re-designated as an executive Director and appointed as the chairman of the Board and the chairman of the nomination committee on 7 September 2016. Mr. Li also holds the following positions with other members of the Group:

- director of YuHua Investment Management (since 19 February 2000);
- director of Zhengzhou YuHua Education Investments (since 9 April 2004);
- chairman of the board of directors of Zhengzhou Technology and Business University (since 13 March 2009); and
- chairman of the board of directors of Zhengzhou Zhongmei Education Investments (since 21 July 2011).

Mr. Li has more than 17 years of experience in the education industry, and is the chairman of the board of directors of the Zhengzhou Technology and Business University and Hunan International Economics University, and all of the Group's 25 private schools for grades K-12. In 2004, he was selected as one of the ten outstanding figures in the private education industry in China (中國民辦教育十大傑出人物) by Guangming Daily (光明日報). In April 2010, Mr. Li received the National Outstanding Worker Award (全國先進工作者) from the State Council of the PRC. Mr. Li was also a member of the National People's Congress and the vice chairman of the China Association for Non-Government Education (中國民辦教育協會).

Mr. Li graduated from the Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院, currently known as Changchun University of Science and Technology (長春理工大學)) majoring in laser technology in July 1983, and his master's degree in Business Administration from the Guanghua School of Management, Peking University (北京大學光華管理學院) in June 2007.

Mr. Li is the father of Ms. Li Hua, the chief executive officer and executive Director.

Ms. Li Hua (李花), aged 33, was first appointed as an executive Director and as the vice chairman of the Board on 7 September 2016. Ms. Li is also the Company's chief executive officer and holds the following positions with other members of the Group:

- director of Zhengzhou Zhongmei Education Investments (since 21 July 2011); and
- director of Zhengzhou YuHua Education Investments (since 19 April 2016).

Ms. Li has more than 9 years of experience in the education industry, and is a member of the board of directors of the Zhengzhou Technology and Business University and Hunan International Economics University, and all of the Group's 25 private schools of grades K-12. Ms. Li worked as an officer at Zhengzhou YuHua Elite School between March to July 2009, where she was responsible for managing the daily operations and strategic planning of the school. From July 2009 to July 2010, Ms. Li was a teaching assistant and counsellor at Zhengzhou Technology and Business University, where she was responsible for lecturing and managing the counselling programme and student activities.

Ms. Li has been a committee member of the 12th Session of All-China Youth Federation (中華全國青年聯合會第十二屆) since July 2015. She was also a representative of Henan Province for the 17th Communist Youth League National Representative Conference (中國共產主義青年團第十七次全國代表大會) and a representative of Xinzheng (新鄭) for the 14th People's Congress of Zhengzhou (鄭州市第十四屆人民代表大會). In May 2012, Ms. Li received the Henan Province May Fourth Youth Prize (河南省五四青年獎章榮耀) from the Henan Communist Youth League (中國共青團河南省委) and the Henan Youth Federation (河南省青年聯合會). She also received the Henan Province Individual Honour for Innovative Women (河南省婦女創先爭優先進個人榮譽) in July 2012 from the Henan Woman Federation (河南省婦女聯合會) and the Outstanding Committee Member Honour (河南省青年聯合會優秀委員榮譽) from the Henan Youth Federation in January 2013. In November 2014, Ms. Li was awarded the Individual Award for Innovations in Henan Private Education (河南省民辦教育先進個人榮譽) by the Henan Province Education Department (河南省教育廳).

Ms. Li received her bachelor's degree in Philosophy from Peking University in July 2010.

Ms. Li is the daughter of Mr. Li Guangyu, the chairman and executive Director.

Ms. Qiu Hongjun (邱紅軍), aged 54, was first appointed as an executive Director on 7 September 2016. Ms. Qiu is also the Group's financial controller and vice president. She is responsible for overseeing the Group's financial affairs. Ms. Qiu also holds the following positions with other members of the Group:

- director of Zhengzhou Zhongmei Education Investments (since 21 July 2011);
- director of Zhengzhou YuHua Education Investments (since 19 April 2016); and
- director of Hunan International Economics University (since 27 December 2017).

Ms. Qiu has more than 14 years of experience in the education industry, and is a member of the board of directors of all the Group's 25 private schools of grades K-12. From 2002 to 2004, she was the deputy branch president of Nanjing branch of Shenzhen Development Bank (currently known as Pingan Bank). Since joining the Group, Ms. Qiu has been overseeing the Group's financial affairs and has since then accumulated substantial financial experience.

Ms. Qiu received her diploma in Finance from the Central Radio and Television University (中央廣播電視大學, currently known as the Open University of China (國家開放大學)) (distance learning) in October 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Lei (陳磊), aged 48, was appointed as an independent non-executive Director and the chairman of the audit committee effective on 16 February 2017. Mr. Chen is primarily responsible for supervising and providing independent judgement to the Board. Mr. Chen is the Director who has the appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experience listed below.

Mr. Chen has been serving as an associate professor of accounting and assistant dean at the Guanghua School of Management, Peking University since 2008. Mr. Chen served as an assistant professor of accounting at Robinson College of Business, Georgia State University in the United States from August 2004 to June 2008.

Mr. Chen currently serves as an independent non-executive director of Sugon Information Industry Co., Ltd (曙光信息產業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603019) (since May 2015), Huadian Heavy Industries Co., Ltd (華電重工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601226) (since July 2014) and Beijing Da Bei Nong Technology Holdings Co., Ltd (北京大北農科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002385) (since December 2013) and Hevol Services Group Co. Limited (和泓服務集團有限公司), a company listed on the Stock Exchange (stock code: 6093) (since June 2019).

Mr. Chen received his bachelor's degree in Economics from Tsinghua University, his master's degree in Economics from Indiana University and his doctorate degree in Accounting from the University of Texas in Dallas in July 1996, September 1999 and August 2004, respectively.

Mr. Chen has been and remains responsible for the following areas in his capacity as an associate professor of Accounting and a director listed companies, through which he has gained the financial management expertise required under Rule 3.10(2) of the Listing Rules:

- lecturing on and teaching accounting, auditing and financial management related courses as an associate professor of Accounting at Guanghua School of Management, Peking University;

- acting as the executive director of the master in Professional Accounting programme (會計碩士專業學位) at the Guanghua School of Management, Peking University; and

- acting as a specialist in audit committees of the listed companies in the preparation of their financial statements, valuation analysis, participation in pricing and negotiation of transaction terms, preparation of offer document disclosures and other related financial documents in advance of their public offerings in the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

Mr. Xia Zuoquan (夏佐全), aged 57, was appointed as an independent non-executive Director effective on 16 February 2017. Mr. Xia is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Xia is one of the founders of the BYD Group (比亞迪集團), and currently serves as a non-executive director of BYD Company Limited, a rechargeable battery, handset components and automobile manufacture listed on the Stock Exchange (stock code: 1211) (since March 2008) and the Shenzhen Stock Exchange (stock code: 002594) (since June 2002). He also currently serves as a director of Guangdong Beizhi Cepin Network Technology Co., Ltd. (廣東倍智測聘網絡科技股份有限公司) (since June 2015), a technology company listed on the PRC National Equities Exchange and Quotations (stock code: 833907). Mr. Xia is also the vice chairman (副理事長) of the BYD Charity Foundation (比亞迪慈善基金會). He also served as an independent non-executive director of China Baofeng (International) Limited (中國寶豐 (國際) 有限公司), a company formerly listed on the Stock Exchange which was subsequently delisted in September 2020 (stock code: 3966), from February 2016 to September 2020.

Mr. Xia received his bachelor's degree in Computer Science (correspondence course) from the Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院, currently known as the University of Science & Technology for Beijing (北京科技大學)) in September 1987 and his master's degree in Business Administration from the Guanghua School of Management, Peking University in 2007.

Mr. Zhang Zhixue (張志學), aged 53, was appointed as an independent non-executive Director and the chairman of the remuneration committee effective on 16 February 2017. Mr. Zhang is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Zhang has been a professor of Organisation and Strategic Management at the Guanghua School of Management, Peking University since August 2008.

Mr. Zhang currently serves as an independent non-executive director of Ever-Glory International Group, Inc. (since March 2008), a company listed on NASDAQ (stock symbol: EVK). Mr. Zhang is also currently an independent director of the Bank of Guizhou (貴州銀行) and Sunshine Insurance Group Inc. (陽光保險集團股份有限公司). He also served as an independent non-executive director of Creative Distribution Automation Co., Ltd. (北京科銳配電自動化股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002350), from March 2010 to March 2016.

Mr. Zhang received his bachelor's degree in Education from Henan University (河南大學), his master's degree in Psychology from Beijing Normal University (北京師範大學) and his doctorate degree in Philosophy from the University of Hong Kong in July 1988, July 1991 and December 1998, respectively.

SENIOR MANAGEMENT

Mr. Xu Bin (徐斌), aged 37, was appointed as the Company's chief financial officer on 1 January 2016 and joint company secretary on 7 September 2016. He is responsible for overseeing the Company's financial affairs.

Before joining the Group, Mr. Xu was the vice president and co-chief financial officer of China Maple Leaf Education Systems Limited, a company listed on the Stock Exchange (stock code: 1317), from 16 February 2013 to 16 June 2015. He also worked as an accountant at Citco Financial Group, an international financial services provider, from November 2007 to May 2010, and an investment banking associate at Essence Securities Co., Ltd., a financial and securities brokerage services provider based in China, from November 2011 to February 2013.

Mr. Xu received his bachelor's degree in Economics and Finance from the University of Toronto, Canada in November 2007 and a master's degree in Finance from the University of Cambridge, United Kingdom in May 2012.

JOINT COMPANY SECRETARIES

Mr. Xu Bin (徐斌), one of the Company's joint company secretaries, was appointed on 7 September 2016. He is also the Group's senior management.

Ms. Leung Suet Wing (梁雪穎), one of the Group's joint company secretaries, was appointed on 31 August 2018. Ms. Leung is a manager of TMF Hong Kong Limited, which is a corporate secretarial services provider. She has over 9 years of professional experience in the company secretarial field. She is a member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

Mr. Xia Zuoquan ceased to be an independent non-executive director of China Baofeng (International) Limited (中國寶豐 (國際) 有限公司), a company formerly listed on the Stock Exchange which was subsequently delisted in September 2020 (stock code: 3966), on 7 September 2020.

Save as disclosed in this Annual Report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 August 2020.

CORPORATE GOVERNANCE PRACTICES

The Company 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.

For the year ended 31 August 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except as disclosed in this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 year ended 31 August 2020.

BOARD OF DIRECTORS

The Board currently comprises three executive Directors and three independent non-executive Directors.

The composition of the Board is as followings:

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 53 to 57 of this Annual Report.

Ms. Li is the daughter of Mr. Li. Save as disclosed, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by Mr. Li and Ms. Li, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETING

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended 31 August 2020, four Board meetings and one general meeting were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meeting is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 August 2020				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors:					
Mr. Li Guangyu	4/4	2/2	1/1	1/1	1/1
Ms. Li Hua	4/4	2/2	1/1	1/1	1/1
Ms. Qiu Hongjun	4/4	2/2	1/1	1/1	1/1
Independent Non-executive Directors:					
Mr. Chen Lei	4/4	2/2	1/1	1/1	1/1
Mr. Xia Zuoquan	4/4	2/2	1/1	1/1	1/1
Mr. Zhang Zhixue	4/4	2/2	1/1	1/1	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Such letters of appointment were renewed on similar terms and effective from 16 February 2020 for another term of three years and will continue thereafter until terminated by either party giving to the other not less than three (3) month's prior notice in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting and be subject to re-election.

Pursuant to article 16.18 of the Articles of Association, Mr. Li and Ms. Li will be subject to re-election at the forthcoming annual general meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

DIVIDEND POLICY

On 27 November 2018, the Company adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code, which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders. The Dividend Policy is reproduced as follows:

DIVIDEND POLICY

1. Subject to the Cayman Islands Company Law and the Articles of Association, the Board of Directors has absolute discretion on whether to distribute dividends. In addition, the Shareholders may by ordinary resolution declare dividends, but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on the Company's future operations, cash flows, general financial condition, capital adequacy ratio, cash dividends received from the invested portfolio ecosystem partners, future business prospectus, statutory and regulatory restrictions on the payment of dividends and other factors that the Board considers relevant.

2. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from our subsidiaries. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to the Company.

3. The Company does not have a fixed dividend payout ratio. The Company currently intends to retain most, if not all, of the available funds and any future earnings to operate and expand the business.

4. If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares, or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares; and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, installments or otherwise.

5. The Dividend Policy reflects the Board's current views on the Company's financial and cash flow position. It will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. Each of these committees are established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board.

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.

For the year ended 31 August 2020, the audit committee convened two meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 59.

During the meeting(s), the audit committee:

- reviewed interim results of the Group for the six months ended 29 February 2020; and

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes).

Remuneration Committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The remuneration committee comprises one executive Director, namely Ms. Li, and two independent non-executive Directors, namely Mr. Zhang Zhixue and Mr. Xia Zuoquan. Mr. Zhang Zhixue is the chairman of the remuneration committee.

For the year ended 31 August 2020, the remuneration committee convened one meeting. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 59.

During the meeting, the remuneration committee reviewed the Company's policy and structure for the remuneration of all the Directors and senior management and the remuneration packages of the executive Directors and senior management of the Group.

Details of the remuneration payable to each Director of the Company for the year ended 31 August 2020 are set out in note 34 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended 31 August 2020 is set out below:

Remuneration bands (RMB)	Number of persons
10,000,001–20,000,000	0
1,000,001–10,000,000	3
0–1,000,000	1
Total	**4**

Nomination Committee

The Company has established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises one executive Director, namely Mr. Li, and two independent non-executive Directors, namely Mr. Zhang Zhixue and Mr. Xia Zuoquan. Mr. Li is the chairman of the nomination committee.

For the year ended 31 August 2020, the nomination committee convened one meeting. The attendance record of the Directors at meetings of the nomination committee is set out in the table on page 59.

During the meeting, the nomination committee reviewed the structure, size, composition and diversity of the Board and assessed the independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, culture and educational background, professional qualifications, skills, knowledge and industry and regional experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the nomination committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The nomination committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Nomination Policy

On 27 November 2018, the Company also adopted a nomination policy (the "**Nomination Policy**") in accordance with the Corporate Governance Code, which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations. The Nomination Policy is reproduced as follows:

NOMINATION POLICY (THE "POLICY")

1. OBJECTIVE

1.1 The nomination committee is committed to ensuring that the Board of Directors has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

1.2 The nomination committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.

1.3 The nomination committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (the "**Succession Planning**") for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

1.4 The nomination committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.5 The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

2. SELECTION CRITERIA

2.1 The factors listed below would be used as reference by the nomination committee in assessing the suitability and the potential contribution to the Board of a proposed candidate:

- reputation for integrity;

- professional qualifications and skills;

- accomplishment and experience in the internet services and new retail markets;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

2.2 The above factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person to the Board, as it considers appropriate.

3. NOMINATION PROCEDURES

3.1 The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from the Board, if any, for consideration by the nomination committee prior to its meeting.

3.2 The nomination committee shall nominate candidates for the consideration and recommendation of the board. the nomination committee may propose candidates who are not nominated by the Board. The Board shall have the final decision on all matters in relation to its nomination of any candidates to stand for election at a general meeting.

3.3 The candidate nominated by the Board to stand for election at a general meeting (the "**Board Candidate**", together with the Shareholder Candidate defined in paragraph 3.6 below, the "**Candidate**") will submit the necessary personal information, together with his/her written consent to be elected as a Director and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The nomination committee may request the Board Candidate to provide additional information and documents, if considered necessary.

3.4 A circular will be sent to the Shareholders (the "**Shareholder Circular**") as to provide information of the Board Candidate, and to invite nominations from the Shareholders. The Shareholder Circular will include (i) the period for lodgment (the "**Lodgment Period**") of nominations by the Shareholders; (ii) the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration.

3.5 Until the issue of the Shareholder Circular, the Board Candidate shall not assume that he/she has been nominated by the Board to stand for election at the general meeting.

3.6 A Shareholder can serve a notice (the "**Notice**") to the company secretary of the Company (the "**Company Secretary**") within the Lodgment Period to propose another person (the "**Shareholder Candidate**") other than the Board Candidate for election as a Director. The Notice (i) must include the personal information of the Shareholder Candidate, as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Shareholder Candidate indicating his/her consent to be elected and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The particulars of the Shareholder Candidate will be sent to the Shareholders for information by a supplementary circular.

3.7 The Candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.8 The resolution for election of Directors for the Shareholder Candidate shall take the same form as for the Board Candidate.

4. SUCCESSION PLANNING

4.1 The objectives of Succession Planning are to ensure an effective and orderly succession of Directors and to maintain the balance of diversity, collective knowledge and skills of the Board necessary for the effective governance of the Company.

4.2 The following considerations will be used by the nomination committee in making recommendations for the Succession Planning:

4.2.1 Required knowledge, skills and experience at a full Board composite level to effectively fulfill the Board's legal role and responsibilities;

4.2.2 An appropriate balance of diversity across the Board, as set out in Section 2.1 and Section 4 of the Policy;

4.2.3 Personal qualities of each candidate with reference but not limited to the factors listed in Section 2.1 of the Policy;

4.2.4 Continuity through a smooth succession of Directors; and

4.2.5 Compliance with the relevant legal and regulatory requirements.

4.3 The above considerations are for reference only, and not meant to be exhaustive and decisive. The nomination committee will review the Succession Planning together with the Board periodically, and recommend revisions, if any, to the Board for consideration and approval.

5. CONFIDENTIALITY
   Unless required by law or any regulatory authority, under no circumstances shall a member of the nomination committee or an employee of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the Shareholder Circular, as the case may be, is issued. Following the issue of the Shareholder Circular, the nomination committee or the Company Secretary or other employee of the Company approved by the nomination committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and the Candidate should not be disclosed.

6. MONITORING AND REPORTING
   The nomination committee will report annually a summary of the Policy including the nomination procedures, criteria for selection, the Diversity Policy and the progress made towards achieving these objectives in the Company's corporate governance report.

7. REVIEW OF THE POLICY
   The nomination committee will review the Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant internally-facilitated briefings for directors have been arranged and reading material on relevant topics would be issued to directors where appropriate. They are encouraged to attend relevant training course at the Company's expenses.

The Company arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the year ended 31 August 2020, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/conferences	Reading books/ journals/articles
Executive Directors:		
Mr. Li Guangyu	✓	✓
Ms. Li Hua	✓	✓
Ms. Qiu Hongjun	✓	✓
Independent Non-executive Directors:		
Mr. Chen Lei	✓	✓
Mr. Xia Zuoquan	✓	✓
Mr. Zhang Zhixue	✓	✓

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended 31 August 2020. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 72 to 77.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 August 2020 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Recurring audit and audit related services	4,796
Non-recurring services related to capital market transaction and broader assurance service engagement	2,250
Non-audit services	30
Total	7,076

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted an annual review of the effectiveness of the risk management and internal control system of the Company in respect of the year ended 31 August 2020 and considered the system effective and adequate.

The Group has established an internal control department and each of its schools has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each of the Group's schools is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market. Further, Ms. Qiu Hongjun and Mr. Xu Bin are responsible for the internal audit of the Company.

In the ordinary course of the Group's business, sensitive data is collected and stored, including, among other things, identity information about our students and our employees, intellectual property, and proprietary business information. The Group manages and maintains our applications and data utilising on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Group has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

The Company's audit committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the CG Code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the CG Code.

JOINT COMPANY SECRETARIES

Mr. Xu Bin, the joint company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Suet Wing, a manager of TMF Hong Kong Limited, as the joint company secretary to assist Mr. Xu in discharging the duties of a company secretary of the Company. Ms. Leung's primary contact person at the Company is Mr. Xu Bin, the chief financial officer of the Company. For the year ended 31 August 2020, Mr. Xu and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders and Putting forward Proposals

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of a Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong (For the attention of the Board of Directors)
Telephone:	+86 371 6067 3935
Fax:	+86 371 6595 0708
Email:	wangrui@yuhuachina.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 August 2020, the Company has not made any significant changes to its constitutional documents.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of China YuHua Education Corporation Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China YuHua Education Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 173, which comprise:

- the consolidated balance sheet as at 31 August 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Income taxes for schools in People's Republic of China ("China" or the "PRC")
- Impairment assessment of goodwill and trademark with indefinite useful lives

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes for schools in China Refer to Note 4(b) Critical accounting estimates and judgments — Current and deferred income taxes and Note 11 Income tax credit to the consolidated financial statements. No corporate income tax has been provided on the tuition and boarding income during the year for all schools in China within the Group as those schools are eligible to the preferential tax treatment based on the assessment made by the management. Significant judgment is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations in respect to the preferential tax treatment enjoyed by the schools. Each of the schools in China within the Group have elected to be the private schools which do not require reasonable returns. Pursuant to the Implementation Rules for the Law for Promoting Private Education, private schools whose sponsors do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, which are exempt from corporate income tax based on historical experiences. However, there have been no rules specifying the preferential tax treatment enjoyed by public schools in Corporate Income Tax Law of the People's Republic of China or other relevant tax rules and regulations. Therefore, we focus on this area due to the high level of management judgments involved on whether the Group is subject to the applicable preferential tax treatment on the corporate income tax.	We assessed the reasonableness of the management's judgments by performing the following audit procedures: — Confirmed their status as private schools which do not require reasonable returns by: • Checking the legal documents such as the registration documents and articles of all schools; • Reviewing the board meeting minutes and financial statements to make sure no dividend has been declared or paid by all schools; — Discussed with the Group's PRC legal advisors about the tax position taken by the schools within the Group and obtained their legal opinions that confirmed each of the schools is not required to pay corporate income tax to its respective tax authorities and it is in compliance with applicable laws and regulations in China that those schools enjoy such preferential tax treatments; — Interviewed with the local tax bureaus of selected schools to confirm that each of them could enjoy the preferential income tax treatment and should be exempt from the corporate income tax, also there is no violation of PRC tax laws; — Assessed the eligibility of the preferential tax treatment of selected schools with the assistance of the internal tax experts by reviewing the applicable tax laws and regulations, any new policies or rules, and historical tax returns filed to assess if the management's understanding and interpretation could be supported. Based on the procedures performed, we found the management's judgments on the preferential tax treatment enjoyed by the schools were supported by the audit evidences we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and trademark with indefinite useful lives Refer to Note 4(c) Critical accounting estimates and judgments — Estimation of goodwill impairment and trademark impairment and Note 14(b) Intangible assets — Impairment tests of goodwill and trademark to the consolidated financial statements. The Group recognised goodwill and trademark in an aggregate of RMB1,085 million and RMB409 million (Note 14(b)) respectively as at 31 August 2020 arising from a number of prior years' acquisitions. The impairment reviews of goodwill and trademark, which have indefinite useful lives, are undertaken by the management annually in accordance with the accounting policy stated in Note 2.8 to the consolidated financial statements. The recoverable amounts of the cash-generating units ("CGUs") have been determined by management based on value in use calculations. The trademarks are used to support the operation of CGUs and they should be tested with the associated operating CGUs. The value in use calculations use cash flow projections based on financial budgets approved by the management which involve the use of judgment applied by the management, such as determining revenue growth rates, earnings before interest and tax margin ("EBIT margin"), long-term growth rate and discount rate. No goodwill and trademark impairment was made after management's assessment. Due to the significant balances of goodwill and trademark and management judgments and estimation involved in assessing the potential impairment of goodwill and trademark, we considered it as a key audit matter.	The procedures performed to assess the methodologies and assumptions used by management in the impairment assessment of goodwill and trademark include the followings. We: — Evaluated management's future cash flow forecasts and the process by which they were drawn up and compared the management's forecasts to the Board approved budget; — Tested the mathematical accuracy of the underlying value in use calculations of the CGUs; — Assessed the appropriateness of the valuation models and the discount rate, with the assistance of our internal valuation specialists, taking into account the cost of capital of the Group and comparable organisations in the industry; — Compared revenue growth rates and EBIT margin from the latest five-year strategic plans with historical financial information, budget and those of comparable companies; — Compared the long-term growth rates with the economic forecasts in China and Thailand; — Checked the management's sensitivity analysis on the key drivers of the cash flow forecast, including revenue growth rates, EBIT margin, long-term growth rate and discount rate. Based upon the above procedures, we considered that the management's goodwill and trademark impairment assessment was supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the financial information and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the company profile, corporate information, directors and senior management information, report of directors, corporate governance report, environmental, social and governance report and financial summary, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the company profile, directors and senior management, report of directors, corporate governance report, environmental, social and governance report and financial summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 November 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Revenue	5	**2,409,352**	1,714,485
Cost of revenue	8	**(940,737)**	(714,592)
Gross profit		**1,468,615**	999,893
Selling expenses	8	**(47,125)**	(22,352)
Administrative expenses	8	**(239,233)**	(199,957)
Net impairment losses on financial assets		**(7,192)**	(682)
Other income	6	**29,071**	23,144
Other losses — net	7	**(792,010)**	(233,191)
Operating profit		**412,126**	566,855
Finance income	10	**28,728**	52,719
Finance expenses	10	**(129,935)**	(78,051)
Finance expenses — net		**(101,207)**	(25,332)
Profit before income tax		**310,919**	541,523
Income tax credit	11	**10,230**	13,542
Profit for the year		**321,149**	555,065
Profit attributable to:			
Owners of the Company		**203,838**	484,955
Non-controlling interests		**117,311**	70,110
		321,149	555,065
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share	12	**0.06**	0.15
Diluted earnings per share	12	**0.06**	0.15

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Profit for the year		**321,149**	555,065
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**5,026**	24,662
Items that will not be reclassified to profit or loss			
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	26	**47,418**	—
Changes in the fair value of equity investments at fair value through other comprehensive income		**(3,323)**	—
Remeasurements of post-employment benefit obligations	9	**1,403**	—
Other comprehensive income for the year, net of tax		**50,524**	24,662
Total comprehensive income for the year		**371,673**	579,727
Total comprehensive income for the year attributable to:			
Owners of the Company		**254,362**	509,617
Non-controlling interests		**117,311**	70,110
		371,673	579,727

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**3,792,348**	3,705,965
Intangible assets	14	**1,550,944**	1,570,379
Right-of-use assets	13(b)	**1,927,981**	—
Prepaid land lease payments		**—**	1,651,195
Other non-current assets	16	**11,109**	20,639
Total non-current assets		**7,282,382**	6,948,178
Current assets			
Trade and other receivables	17	**57,211**	81,231
Restricted cash	18(b)	**154,372**	291,716
Term deposits with initial term of over three months	19	**—**	333,131
Financial assets at fair value through profit or loss	3.3	**50,000**	—
Financial assets at fair value through other comprehensive income		**—**	3,323
Cash and cash equivalents	18(a)	**2,175,197**	2,125,719
Total current assets		**2,436,780**	2,835,120
Total assets		**9,719,162**	9,783,298
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	**28**	28
Share premium	21	**1,546,308**	1,803,948
Other reserves	22	**974,417**	776,896
Retained earnings		**1,109,469**	1,080,192
		3,630,222	3,661,064
Non-controlling interests		**459,190**	482,511
Total equity		**4,089,412**	4,143,575
Liabilities			
Non-current liabilities			
Borrowings	25	**633,326**	506,979
Deferred tax liabilities	15	**510,835**	521,065
Lease liabilities	13(b)	**31,101**	—
Financial liabilities at fair value through profit or loss	26	**2,301,148**	149,349
Deferred income		**97,739**	5,758
Total non-current liabilities		**3,574,149**	1,183,151
Current liabilities			
Accruals and other payables	24	**616,168**	963,014
Contract liabilities	5	**924,507**	1,301,163
Lease liabilities	13(b)	**5,833**	—
Borrowings	25	**509,093**	1,065,394
Financial liabilities at fair value through profit or loss	26	**—**	1,127,001
Total current liabilities		**2,055,601**	4,456,572
Total liabilities		**5,629,750**	5,639,723
Total equity and liabilities		**9,719,162**	9,783,298

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 78 to 173 were approved by the Board of Directors on 23 November 2020 and were signed on its behalf.

Li Hua
Director

Qiu Hongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital (Note 21) RMB'000	Share premium (Note 21) RMB'000	Capital reserve (Note 22(a)) RMB'000	Statutory surplus reserve (Note 22(b)) RMB'000	Share-based payments reserve RMB'000	Treasury shares RMB'000	Other comprehensive income RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 September 2018		28	2,130,457	150,046	505,994	127,920	(134,721)	(66,460)	762,140	3,475,404	283,779	3,759,183
Total comprehensive income												
Profit for the year		–	–	–	–	–	–	–	484,955	484,955	70,110	555,065
Other comprehensive income		–	–	–	–	–	–	24,662	–	24,662	–	24,662
Total comprehensive income for the year		–	–	–	–	–	–	24,662	484,955	509,617	70,110	579,727
Transactions with owners in their capacity as owners:												
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	128,622	128,622
Profit appropriation to statutory surplus reserves	22	–	–	–	166,903	–	–	–	(166,903)	–	–	–
Share-based compensation	23	–	–	–	–	40,120	–	–	–	40,120	–	40,120
Exercise of share options		–	37,568	–	–	(37,568)	–	–	–	–	–	–
Dividends distribution	35	–	(364,077)	–	–	–	–	–	–	(364,077)	–	(364,077)
		–	(326,509)	–	166,903	2,552	–	–	(166,903)	(323,957)	128,622	(195,335)
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
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	2.2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,424)**	**(1,424)**	**–**	**(1,424)**
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**
Total comprehensive income												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**203,838**	**203,838**	**117,311**	**321,149**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**50,524**	**–**	**50,524**	**–**	**50,524**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**50,524**	**203,838**	**254,362**	**117,311**	**371,673**
Transaction with owners in their capacity as owners:												
Conversion related to the IFC Loan	26	**–**	**166,610**	**–**	**–**	**–**	**–**	**–**	**–**	**166,610**	**–**	**166,610**
Conversion related to the Prior Convertible Bonds	26	**–**	**10,803**	**–**	**–**	**–**	**–**	**–**	**–**	**10,803**	**–**	**10,803**
Profit appropriation to statutory surplus reserves	22	**–**	**–**	**–**	**173,137**	**–**	**–**	**–**	**(173,137)**	**–**	**–**	**–**
Share-based compensation	23	**–**	**–**	**–**	**–**	**28,992**	**–**	**–**	**–**	**28,992**	**–**	**28,992**
Exercise of share options		**–**	**30,036**	**–**	**–**	**(30,036)**	**–**	**–**	**–**	**–**	**–**	**–**
Transactions with non-controlling interests	30	**–**	**–**	**(25,096)**	**–**	**–**	**–**	**–**	**–**	**(25,096)**	**(140,632)**	**(165,728)**
Dividends distribution	35	**–**	**(465,089)**	**–**	**–**	**–**	**–**	**–**	**–**	**(465,089)**	**–**	**(465,089)**
		–	**(257,640)**	**(25,096)**	**173,137**	**(1,044)**	**–**	**–**	**(173,137)**	**(283,780)**	**(140,632)**	**(424,412)**
At 31 August 2020		**28**	**1,546,308**	**124,950**	**846,034**	**129,428**	**(134,721)**	**8,726**	**1,109,469**	**3,630,222**	**459,190**	**4,089,412**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	27	**1,123,177**	1,302,886
Interest paid		**(120,055)**	(53,294)
Interest received		**5,528**	—
Net cash generated from operating activities		**1,008,650**	1,249,592
Cash flows from investing activities			
Payment of prepaid land lease payments		**(273,807)**	—
Purchases of property, plant and equipment		**(359,877)**	(179,951)
Purchases of intangible assets		**(3,611)**	(2,547)
Purchases of financial assets at fair value through profit or loss		**(450,000)**	(4,875,990)
Disposal of financial assets at fair value through profit or loss		**400,351**	4,875,990
Acquisition of subsidiaries, net of cash acquired		**—**	(1,567,316)
Payments for acquisition of subsidiaries of prior years		**(194,900)**	—
Purchases of term deposits with initial term of over three months		**—**	(317,419)
Disposal of term deposits with initial term of over three months		**333,131**	414,680
Changes in restricted cash		**137,344**	(10,229)
Interest received		**30,042**	58,463
Proceeds from disposal of property, plant and equipment	27(a)	**3,123**	1,783
Proceeds from disposal of intangible assets		**44**	—
Proceeds from/(net cash disposed upon) disposal of subsidiaries		**2,160**	(1,247)
Refund of prepaid land lease payments		**—**	284
Payments for the assignment of creditor's rights		**—**	(124,372)
Net cash used in investing activities		**(376,000)**	(1,727,871)
Cash flows from financing activities			
Issuance of convertible loans		**—**	167,702
Issuance of convertible bonds	26(a)	**1,876,402**	810,938
Payment of convertible bonds issuance costs		**(18,756)**	—
Redemption of convertible bonds	26(b)	**(1,388,768)**	—
Proceeds from borrowings		**1,220,000**	846,980
Repayments of borrowings		**(1,615,500)**	(445,538)
Principal elements of lease payments or finance lease payments		**(6,696)**	(2,692)
Dividends paid to shareholders of the Company	35	**(465,089)**	(364,077)
Transactions with non-controlling interests	30	**(165,728)**	—
Net cash (used in)/generated from financing activities		**(564,135)**	1,013,313
Net increase in cash and cash equivalents		**68,515**	535,034
Cash and cash equivalents at the beginning of year		**2,125,719**	1,593,177
Exchange losses on cash and cash equivalents		**(19,037)**	(2,492)
Cash and cash equivalents at the end of year		**2,175,197**	2,125,719

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, Ugland 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").

The financial statements are 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 26.

(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 26.

(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").

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 pursuant to the agreement, and the remaining Convertible Loan of US$0.1 million (equivalent to approximately RMB686,000) 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 25 and Note 26.

(d) Transactions with non-controlling interests

On 4 August 2020, the Group acquired the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd., a previously 90% subsidiary held by the Group at a transaction consideration of RMB165,728,000. Immediately prior to the transaction, the carrying amount of the existing 10% non-controlling interests in Jinan Shuangsheng Education Consulting Co., Ltd. was RMB140,632,000. The Group recognized a decrease in non-controlling interests of RMB140,632,000 and a decrease in equity attributable to owners of the parent of RMB25,096,000. Upon completion of the transaction, the Group held 100% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd.

Details were set out in Note 30.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation

2.1.1 Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

2.1.2 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 Leases*
- *Prepayment Features with Negative Compensation — Amendments to IFRS 9*
- *Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to IAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments*

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 these standards and the new accounting policies are disclosed in Note 2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.3 New standards and interpretations not yet adopted

The following new and amended standards and interpretations are effective for the fiscal year beginning on 1 September 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on
Amendments to IAS 1 and IAS 8	Definition of Material	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
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 September 2020
Amendments to IFRS 16	COVID-19-related rent concessions	1 September 2020
IFRS 17	Insurance Contracts	1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 September 2019, where they are different to those applied in prior periods.

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. The new accounting policies are disclosed in Note 2.25.

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%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

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 assets 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.

(i) Measurement of lease liabilities

	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)
Lease liability recognised as at 1 September 2019	50,074
Of which are:	
Current lease liabilities	8,834
Non-current lease liabilities	41,240
	50,074

(ii) Measurement of right-of-use assets

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.

	31 August 2020 RMB'000	1 September 2019 RMB'000
Buildings	**51,837**	68,155
Leasehold land	**1,875,670**	1,651,195
Vehicles	**474**	963
Total right-of-use assets	**1,927,981**	1,720,313

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iii) Adjustments recognised in the balance sheet on 1 September 2019

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

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

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

(iv) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owner in their capacity as owner. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities or transferred to another category of equity as specified/permitted by applicable IFRS. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the Controlling Shareholder and other Directors that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements is presented in RMB, which is the functional currency of the subsidiaries carrying out the principle activities of the Group in the mainland of the PRC. The functional currency of subsidiaries in Thailand is Thai Baht ("THB"). The functional currency of the Company and subsidiaries outside mainland of the PRC and Thailand is Hong Kong Dollar ("HKD").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other (losses)/gains — net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, leasehold improvements, motor vehicles, electronic equipment, furniture and fixtures are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	25–50 years
— Leasehold improvements	Shorter of lease terms and estimated useful lives
— Motor vehicles	5–8 years
— Electronic equipment	4–8 years
— Furniture and fixture	5–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks arising from the acquisitions of LEI Lie Ying Limited and Jinan Shuangsheng Education Consulting Co., Ltd. have indefinite useful life. Trademark arising from the acquisition of Thai Education Holdings Co., Ltd. has 10 years of useful life.

Impairment reviews of trademarks with indefinite useful life are undertaken annually or more frequently and impairment reviews of trademarks subject to amortisation are undertaken if events or changes in circumstances indicate a potential impairment. The carrying value of trademarks is compared to the recoverable amount, which is the higher of VIU and FVLCD.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(c) Software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives varying from 5 to 10 years. Costs associated with maintaining software programmes are recognised as an expense as incurred.

(d) Student base

The student base refers to acquired schools' registered and existing students, who are expected to pay tuition and boarding fees until their graduation. The student base will be generating income for schools in the tuition periods, thus it is identified as an intangible asset based on its fair value on the acquisition date. The student base is amortised using the straight-line method over the respective period until the graduation of the existing students.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's FVLCD and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt and equity investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 17 for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.12 Trade and other receivables

Trade receivables are amounts due from students of university for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.14 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company's shares are acquired from the market by the China Yuhua Employees Benefit Trust under the employee share scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for employee share scheme and deducted from total equity. Upon vesting, the related costs of the vested shares for employee share scheme purchased from the market are credited to shares held for employee share scheme, with a corresponding decrease in employee share-based compensation reserve for employee share scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Accruals and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accruals and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings including the initial tranche of convertible loans are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Convertible bonds

Convertible bonds issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates convertible bonds denominated in a currency other than the functional currency of the Company as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of convertible bond shall be presented in profit or loss.

The convertible bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.19 The convertible tranche of convertible loans

The convertible tranche of convertible loans issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates the convertible tranche of convertible loans denominated in a currency other than the functional currency of the Company as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of convertible bond shall be presented in profit or loss.

The convertible tranche of convertible loans is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

(b) Pension obligations

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Housing funds

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing funds.

(d) Post-employment obligations

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) *Share-settled share-based payment transactions*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the business model, terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group's service income includes tuition fees and boarding fees from university, high schools, middle schools, primary schools and kindergartens and property management service fee.

Tuition and boarding fees are generally received in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the terms of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and those which will be earned beyond one year is reflected as a non-current liability.

Property management service fee is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Revenue from research projects and training programs are recognised proportionately over the terms of the applicable projects or programs, where applicable as other education services.

Revenue from school hospital service and other service are recognised at a point at time when the control of the services have transferred, being when the services are accepted by the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 August 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 13(b)). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 13(b)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.26 Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders or Directors, where appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.28 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in other income.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk — foreign exchange	Recognised financial assets and liabilities not denominated in RMB	Sensitivity analysis
Market risk — interest rate	Borrowings carried at floating rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, restricted cash, term deposits with initial term of over three months, and trade and other receivables	Ageing analysis Credit ratings
Liquidity risk	Borrowings and other liabilities	Maturity analysis

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently has not used any derivative financial instruments to hedge any of these financial risks.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland of the PRC and Thailand is RMB and THB respectively, while the functional currency of the Company and subsidiaries outside mainland of the PRC and Thailand is HKD. Both the entities in and outside mainland of the PRC have assets and liabilities like cash at bank and on hand, short-term bank deposits, term deposits with initial term of over three months, interest receivables and other payables denominated in USD, HKD, THB or Malaysian Ringgit ("MYR"). Foreign exchange risk arises from the fluctuation in exchange.

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits and term deposits with initial term of over three months denominated in foreign currencies during the year. The Group did not enter into any forward contract to manage its exposure to foreign exchange risk for the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 August 2020 and 2019, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currency of the respective group entities are as follows:

	As at 31 August 2020				As at 31 August 2019			
	MYR (functional currency – RMB) RMB'000	USD (functional currency – HKD) RMB'000	USD (functional currency – RMB) RMB'000	RMB (functional currency – HKD) RMB'000	MYR (functional currency – RMB) RMB'000	USD (functional currency – HKD) RMB'000	USD (functional currency – RMB) RMB'000	RMB (functional currency – HKD) RMB'000
Cash at bank and on hand	–	8,890	11,645	–	–	8,651	13,725	–
Short-term bank deposits	–	763,060	–	–	–	937,894	–	–
Cash and cash equivalents	–	771,950	11,645	–	–	946,545	13,725	–
Term deposits with initial term of over three months	–	–	–	–	–	333,131	–	–
Interest receivables	–	110	–	–	–	7,968	–	–
Accruals and other payables	267	–	1,206	134,712	267	–	10,943	260,000

As shown in the table above, the Group is primarily exposed to changes in USD/HKD and USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	Year ended 31 August 2020 RMB'000	2019 RMB'000
Impact on post tax profit		
USD/RMB exchange rate — weaken 5%	**(522)**	(139)
USD/RMB exchange rate — strengthen 5%	**522**	139
USD/HKD exchange rate — weaken 5%	**(38,603)**	(64,382)
USD/HKD exchange rate — strengthen 5%	**38,603**	64,382
RMB/HKD exchange rate — weaken 5%	**6,736**	13,000
RMB/HKD exchange rate — strengthen 5%	**(6,736)**	(13,000)

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rate. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates, whereas borrowings carried at fixed rates expose the Group to fair value interest-rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period is as follows:

	As at 31 August 2020		As at 31 August 2019	
	RMB'000	% of total borrowings	RMB'000	% of total borrowings
Variable rate borrowings	**692,418**	**60.61%**	563,503	35.84%

An analysis by maturities is provided in Note 3.1(c). The percentage of total loans shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings. At 31 August 2020, if the interest rates on bank borrowings and cash and cash equivalents had been 50 basis points higher/lower, with all other variables held constant, the Group's profit for the year would have been RMB3,462,000 (2019: RMB2,818,000) lower/higher.

The Group's borrowings carried at fixed rates are all repayable within one year and hence the Group is not subject to any significant fair value interest rate risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted cash, term deposits with initial term of over three months, and trade and other receivables shown on consolidated balance sheets.

As at 31 August 2020, 7% (2019: 13%) of the Group's cash and cash equivalents, restricted cash, term deposits with initial term of over three months were held in state-owned financial institutions, which management believes are of high credit quality. The rest are deposited in local banks or financial institutions with good reputation. Management does not expect any losses from non-performance by these counterparties.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for provision of services;
- other receivables carried at amortised cost; and
- debt and equity investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowance as at 31 August 2020 and 31 August 2019 was determined as follows for trade receivables:

31 August 2020	**Within 1 year past due**	**1–2 years past due**	**More than 2 years past due**	**Total**
Expected loss rate	**4%**	**100%**	**100%**	
Gross carrying amount — trade receivables (RMB'000)	**11,242**	**541**	**102**	**11,885**
Loss allowance (RMB'000)	**464**	**541**	**102**	**1,107**

31 August 2019	Within 1 year past due	1–2 years past due	More than 2 years past due	Total
Expected loss rate	2%	100%		
Gross carrying amount — trade receivables (RMB'000)	18,626	102	—	18,728
Loss allowance (RMB'000)	449	102	—	551

As at 31 August 2020, specific provisions of RMB1,784,000 (2019: nil) have been provided against trade receivables of RMB2,973,000 (2019: nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The loss allowances for trade receivables as at 31 August reconcile to the opening loss allowances as follows:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Opening loss allowance at 1 September	**(551)**	(195)
Increase in loss allowance recognised in profit or loss during the year	**(7,192)**	(682)
Receivables written off during the year as uncollectible	**4,852**	326
Closing loss allowance at 31 August	**(2,891)**	(551)

Other receivables carried at amortised cost

The Group assesses on a forward-looking basis the expected credit losses associated with its other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Other receivables at amortised cost include loans to related parties and key management personnel and other receivables. The loss allowance for other receivables at amortised cost was not material during the year ended 31 August 2020.

Debt and equity investments carried at FVOCI

The Group assesses on a forward-looking basis the expected credit losses associated with its debt and equity instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. No loss allowance was recognized for the debt and equity investments carried at FVOCI.

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Impairment losses		
Movement in loss allowance for trade receivables	**7,192**	682
Net impairment losses on financial assets	**7,192**	682

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

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

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 25. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

As at 31 August 2020, the Group has cash and cash equivalents of approximately RMB2,175,197,000 (2019: RMB2,125,719,000) (Note 18), no term deposits with initial term of over three months (2019: RMB333,131,000) (Note 19) and trade receivables of approximately RMB14,858,000 (2019: RMB18,728,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk.

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.

Contractual maturities of financial liabilities	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
As at 31 August 2020					
Borrowings (principal plus interests)	549,707	251,030	424,236	–	1,224,973
Convertible bonds	16,635	16,635	1,898,202	–	1,931,472
Lease liabilities	6,044	4,253	19,288	17,314	46,899
Accruals and other payables (excluding non-financial liabilities)	465,483	–	–	–	465,483
	1,037,869	271,918	2,341,726	17,314	3,668,827

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	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
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

3.2 Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following ratio:

Total liability (as shown in the balance sheet)
divided by
Total asset (as shown in the balance sheet)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

The liability-to-asset ratios of the Group as at 31 August 2020 and 2019 were as follows:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Total liabilities	**5,629,750**	5,639,723
Total assets	**9,719,162**	9,783,298
The liability-to-asset ratio	**57.9%**	57.6%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 August 2020	**Level 3 RMB'000**	**Total RMB'000**
Assets		
Financial assets at fair value through profit or loss (Note)	**50,000**	**50,000**
Liabilities		
Financial liabilities at fair value through profit or loss (Note 26)	**2,301,148**	**2,301,148**

Recurring fair value measurements At 31 August 2019	Level 3 RMB'000	Total RMB'000
Assets		
Financial assets at fair value through other comprehensive income	3,323	3,323
Liabilities		
Financial liabilities at fair value through profit or loss	1,276,350	1,276,350

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

Note: The financial assets at fair value through profit or loss as at 31 August 2020 amounted to RMB50,000,000 are wealth management products purchased from banks with expected rates of return ranging from 2.10% to 3.20% per annum for the year ended 31 August 2020. The principals and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are based on cash flow discounted using the expected return based on management estimation and are within level 3 of the fair value hierarchy.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers into and out of level 3 measurements see (b) below.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets for the years ended 31 August 2020 and 31 August 2019:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**3,323**	—
Additions	**450,000**	4,875,990
Acquisition of subsidiary	**—**	3,594
Settlements	**(400,351)**	(4,897,852)
Gains and losses recognised in profit or loss (Note 7)	**351**	21,862
Gains and losses recognised in other comprehensive income	**(3,323)**	(271)
At end of the year	**50,000**	3,323

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

The following table presents the movement in level 3 financial liabilities for the year ended 31 August 2020:

	Convertible Bonds due 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	—	—	(686)	(686)
Gains and losses recognised in profit or loss	499,605	300,338	(4,437)	795,506
Gains recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(47,418)	—	—	(47,418)
Exchange difference	(27,441)	(2,877)	(2,507)	(32,825)
Balance at 31 August 2020	**2,301,148**	**—**	**—**	**2,301,148**

As at 31 August 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

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	Relationship of unobservable inputs to fair value
As at Issue Date	**1,876,402**	Dividend yield: 3.00% Volatility: 42.20% Risk free rate:1.67% Bond yield: 5.52%	Increased dividend yield 1% would decrease fair value by RMB24,751,000; Increased volatility 1% would increase fair value by RMB10,335,000; Increased risk free rate 0.33% would increase fair value by RMB960,000; Increased bond yield 1% would decrease fair value by RMB52,382,000;
As at 31 August 2020	**2,301,148**	Dividend yield: 3.00% Volatility: 43.83% Risk free rate: 0.27% Bond yield: 4.92%	Increased dividend yield 1% would decrease fair value by RMB32,071,000; Increased volatility 1% would increase fair value by RMB9,596,000; Increased risk free rate 0.06% would increase fair value by RMB257,000; Increased bond yield 1% would decrease fair value by RMB39,197,000;

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Group's valuation processes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through YuHua Investment Management Co., Ltd, Zhengzhou YuHua Education Investments Co., Ltd, Zhengzhou Zhongmei Education Investments Co., Ltd, (collectively the "PRC Investment Holding Companies") and their wholly owned subsidiaries (collectively the "Consolidated Affiliated Entities") in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the contractual agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the year.

Nevertheless, the contractual agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its other legal counsel, consider that the contractual agreements among the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Current and deferred income taxes

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether certain Group entities are subject to PRC corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Estimation of goodwill impairment and trademark impairment

The goodwill and the trademark arose from the acquisition of subsidiaries. Trademark is typically not a CGU and should not normally be tested alone. The Group tests whether goodwill and trademark have suffered any impairment on an annual basis in accordance with the accounting policy stated in Note 2.8. The recoverable amount of a CGU is determined based on the higher of FVLCD and VIU which requires the use of estimates and valuation techniques. When applying valuation technique, the Group relies on a number of factors and judgments, including, among others, historical results, business plans, forecasts and market data.

Details of key assumptions are disclosed in Note 14.

5 REVENUE AND SEGMENT INFORMATION

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

The Controlling Shareholder and other 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. 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. The Kindergartens segment principally derives its revenue by providing tuition and boarding services to students of kindergartens. The Grade 1–12 segment principally derives its revenue by providing tuition and boarding services to students of high schools, middle schools and primary schools. The University segment principally derives its revenue by providing tuition and boarding services to students of universities in China and Thailand.

The accounting policies of the operating segments are described in Note 2.4.

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

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

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's total revenue for the years ended 31 August 2020 and 31 August 2019.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2020 are as follows:

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 August 2020						
Revenue	39,920	608,657	1,760,775	2,765	(2,765)	2,409,352
Cost of revenue	(22,859)	(289,661)	(628,217)	–	–	(940,737)
Gross profit	17,061	318,996	1,132,558	2,765	(2,765)	1,468,615
Selling expenses	(55)	(11,067)	(35,995)	(8)	–	(47,125)
Administrative expenses	(5,684)	(38,806)	(155,445)	(42,063)	2,765	(239,233)
Net impairment losses on financial assets	–	–	(7,192)	–	–	(7,192)
Other income	93	10,121	13,023	5,834	–	29,071
Other gains/(losses) — net	1,109	(981)	(778)	(791,360)	–	(792,010)
Operating profit/(loss)	12,524	278,263	946,171	(824,832)	–	412,126
Finance expenses — net	(1,150)	(20,514)	(21,469)	(58,074)	–	(101,207)
Profit before income tax	11,374	257,749	924,702	(882,906)	–	310,919
Income tax credit	–	2,002	8,228	–	–	10,230
Profit for the year	11,374	259,751	932,930	(882,906)	–	321,149
As at 31 August 2020						
Total assets	196,696	3,282,230	8,601,594	3,672,137	(6,033,495)	9,719,162
Total liabilities	68,951	1,761,489	3,095,822	6,957,296	(6,253,808)	5,629,750
Other segment information						
Additions to non-current assets	792	63,653	506,326	59	–	570,830
Depreciation and amortisation (Note 8)	(4,596)	(45,579)	(193,813)	(3,018)	–	(247,006)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 7)	1,109	(930)	(1,850)	(40)	–	(1,711)
Borrowings (Note 25)	–	(250,000)	(241,733)	(650,686)	–	(1,142,419)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2019 are as follows:

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 August 2019						
Revenue	57,474	592,985	1,064,026	2,376	(2,376)	1,714,485
Cost of revenue	(27,256)	(278,240)	(409,096)	–	–	(714,592)
Gross profit	30,218	314,745	654,930	2,376	(2,376)	999,893
Selling expenses	(24)	(6,568)	(15,623)	(137)	–	(22,352)
Administrative expenses	(6,169)	(38,851)	(97,584)	(59,729)	2,376	(199,957)
Net impairment losses on financial assets	–	–	(682)	–	–	(682)
Other income	70	17,222	5,852	–	–	23,144
Other gains/(losses) — net	2,006	9,007	6,604	(250,808)	–	(233,191)
Operating profit/(loss)	26,101	295,555	553,497	(308,298)	–	566,855
Finance income/(expenses) — net	302	316	(13,336)	(12,614)	–	(25,332)
Profit before income tax	26,403	295,871	540,161	(320,912)	–	541,523
Income tax credit	–	3,893	9,649	–	–	13,542
Profit for the year	26,403	299,764	549,810	(320,912)	–	555,065
As at 31 August 2019						
Total assets	194,046	2,998,599	7,917,060	4,167,997	(5,494,404)	9,783,298
Total liabilities	70,606	1,608,557	3,421,079	6,190,380	(5,650,899)	5,639,723
Other segment information						
Additions to non-current assets due to the acquisition of subsidiaries	–	164,093	2,376,656	–	–	2,540,749
Additions to non-current assets	275	4,762	204,228	75	–	209,340
Depreciation and amortisation (Note 8)	(2,218)	(54,215)	(109,987)	(3,990)	–	(170,410)
Losses on disposal of property, plant and equipment (Note 7)	–	(145)	(2,949)	–	–	(3,094)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 August 2020 (RMB'000)	2019 (RMB'000)
The PRC	**2,252,896**	1,626,752
Thailand	**156,456**	87,733
	2,409,352	1,714,485

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

	As at 31 August 2020 (RMB'000)	2019 (RMB'000)
The PRC	**6,978,911**	6,652,896
Thailand	**303,471**	295,282
	7,282,382	6,948,178

Contract liabilities

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 August 2020 and will be expected to be recognised within one year:

	As at 31 August 2020 RMB'000	2019 RMB'000
Contract liabilities related to tuition and boarding fees (a)	**918,757**	1,295,498
Others (b)	**5,750**	5,665
	924,507	1,301,163

(a) The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities (Continued)

(b) Others mainly represent revenue from property management service and training programs.

Significant changes in the contract liability balances during the year are as follows:

	As at 31 August 2020 RMB'000
At the beginning of the year	**1,301,163**
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**(1,301,163)**
Increases due to cash received, excluding amounts recognised as revenue during the year	**924,507**
At the end of the year	**924,507**

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	As at 31 August 2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	
Tuition and boarding fees	**1,295,498**
Others	**5,665**
	1,301,163

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities (Continued)

(ii) Unsatisfied contracts

	As at 31 August 2020 RMB'000
Expected to be recognised within one year	
Tuition and boarding fees	**918,757**
Others	**5,750**
	924,507

The contract liabilities as at 31 August 2020 were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at 31 August 2020.

6 OTHER INCOME

	Year ended 31 August	
	2020 RMB'000	2019 RMB'000
Government grants and subsidies	**16,124**	21,573
Refund of service fee from government	**5,834**	—
Examination fee income	**2,803**	1,282
Others	**4,310**	289
	29,071	23,144

7 OTHER LOSSES — NET

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Net losses on financial liabilities at fair value through profit or loss as at year end	3.3	**(499,605)**	(250,215)
Net losses on redemption of the Prior Convertible Bonds		**(297,461)**	—
Losses on disposal of property, plant and equipment		**(1,635)**	(3,094)
(Losses)/gains on disposal of subsidiaries		**(1,095)**	3,600
Losses on disposal of intangible assets		**(76)**	—
Loss on debt cancellation		**—**	(5,159)
Net gains on conversion of the convertible loans under the IFC Loan		**6,941**	—
Donation		**570**	(185)
Gains on disposal of financial assets at fair value through profit or loss	3.3	**351**	21,862
		(792,010)	(233,191)

8 EXPENSES BY NATURE

	Year ended 31 August 2020 RMB'000	2019 RMB'000
Employee benefit expenses (Note 9)	**614,876**	475,808
Depreciation of property, plant and equipment (Note 13)	**170,343**	125,799
Depreciation of right-of-use assets (Note 13 (b))	**54,037**	—
Share-based payment expenses (Note 23)	**28,992**	40,120
Amortisation of prepaid land lease payments	**—**	24,708
Amortisation of intangible assets (Note 14)	**22,626**	19,903
Canteen expenditure	**22,509**	27,069
Students training and scholarship expenses	**44,133**	22,596
School consumables	**33,887**	33,033
Utilities expenses	**40,134**	34,871
Maintenance expenses	**27,897**	9,039
Marketing expenses	**38,703**	15,977
Operating lease payments	**5,798**	10,617
Office expenses	**52,357**	28,660
Travel and entertainment expenses	**10,957**	8,195
Expense in relation to the acquisition	**—**	4,903
Auditors' remuneration		
— Recurring audit and audit related services	**4,796**	3,955
— Non-recurring services related to capital market transaction and broader assurance service engagement	**2,250**	3,072
— Non-audit services	**30**	600
Consultancy and professional fee	**19,847**	22,533
Other expenses	**32,923**	25,443
	1,227,095	936,901

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**546,980**	394,642
Pension costs — defined contribution plans (a)	**22,170**	34,855
Pension costs — defined benefit plans (c)	**1,551**	1,612
Welfare and other expenses	**44,175**	44,699
	614,876	475,808

Employee benefit expenses were charged in the following categories in the consolidated statement of profit or loss:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Cost of revenue	**498,120**	387,170
Administrative expenses	**108,334**	82,262
Selling expenses	**8,422**	6,376
	614,876	475,808

(a) Contributions to pension plan

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year include three directors (2019: three), whose remuneration are included in the analysis presented in Note 34. Details of the remunerations of the highest paid non-director individuals during the year are set out as below:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	**949**	169
Share-based payments	**507**	1,841
Contributions to pension plan	**3**	16
Welfare and other expenses	**5**	20
	1,464	2,046

The remunerations fell within the following band:

	Year ended 31 August	
	2020	2019
	No. of employees	No. of employees
Emolument band		
Nil to HKD1,000,000	**2**	1
HKD1,500,001 to HKD2,000,000	**–**	1

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Defined benefit plans

	Year ended 31 August 2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Defined pension benefits	—	9,579	9,579
Total employee benefit obligations	—	9,579	9,579

The defined pension benefits plans operated by subsidiaries of the Group in Thailand are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The amounts recognised in the balance sheet and the movements in the defined benefit obligation over the period are as follows:

	Present value of obligation RMB'000
At August 31, 2019	9,729
Current service cost	1,551
Interest expense	226
Total amount recognised in profit or loss	1,777
Remeasurements — gain from change in actuarial assumptions	(1,403)
Total amount recognised in other comprehensive income	(1,403)
Exchange differences	(524)
At August 31, 2020	9,579

The significant actuarial assumptions were as follows:

	As at 31 August 2020
Retirement age	60 years old
Discount rate	1.50%
Future salary increase rate	5.00%
Employee turnover rate	4.11%–34.38%
Mortality rate	100%–105% of Thai Mortality Ordinary Tables

10 FINANCE EXPENSES — NET

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Finance income:		
Interest income from deposits	**27,712**	39,461
Net foreign exchange gains	**1,016**	13,258
	28,728	52,719
Finance expenses:		
Interest expenses	**(98,786)**	(75,453)
Interest and finance charges for lease liabilities	**(2,329)**	—
Net foreign exchange losses	**(28,820)**	(2,859)
Less: interests capitalised on qualifying assets	**—**	261
	(129,935)	(78,051)
Finance expenses — net	**(101,207)**	(25,332)

11 INCOME TAX CREDIT

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Current tax		
Current tax on profits before income tax for the year	**—**	—
Deferred tax		
Increase in deferred tax assets (Note 15)	**(10)**	(4,012)
Decrease in deferred tax liabilities (Note 15)	**(10,220)**	(9,530)
Total deferred tax benefit	**(10,230)**	(13,542)
Income tax credit	**(10,230)**	(13,542)

11 INCOME TAX CREDIT (CONTINUED)

The current tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**310,919**	541,523
Tax calculated at domestic tax rate applicable to profits in the respective countries	**308,040**	197,935
Tax effects of tuition and boarding income not subject to tax	**(327,187)**	(212,354)
Tax losses for which no deferred income tax asset was recognised	**8,917**	877
	(10,230)	(13,542)

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Tax losses		
Unused tax losses for which no deferred tax asset was recognised	**35,668**	3,508
Potential tax benefit	**8,917**	877

(a) The 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 the 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.

(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 year.

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

CIT is provided on assessable profits of entities incorporated 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 rate was 25% during the year.

11 INCOME TAX CREDIT (CONTINUED)

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

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 not elected to require reasonable returns. Thus, all schools of the Group enjoy corporate income tax exemption for the tuition income and boarding income.

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.

12 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 August	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**203,838**	484,955
Weighted average number of ordinary shares in issue (Thousands)	**3,317,846**	3,238,537
Basic earnings per share (RMB Yuan)	**0.06**	0.15

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	For the year ended 31 August	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**203,838**	484,955
Weighted average number of ordinary shares in issue (Thousands)	**3,317,846**	3,238,537
Adjustments for:		
— Pre-IPO share options (Thousands)	**96,971**	100,044
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	**3,414,817**	3,338,581
Diluted earnings per share (RMB Yuan)	**0.06**	0.15

Convertible bonds are anti-dilutive because the amount of dividend on such shares, declared or accrued in the period per ordinary share obtainable on conversion, exceeds the basic earnings per share, so convertible bonds are ignored in calculating diluted earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold Improvements RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 August 2019							
Opening net book amount	1,995,950	7,240	4,647	56,770	58,532	116,714	2,239,853
Acquisition of subsidiaries	1,254,570	13,115	3,808	75,069	24,187	11,298	1,382,047
Exchange differences	7,008	229	40	446	211	14	7,948
Additions	556	130	2,924	5,861	9,350	187,972	206,793
Transfer upon completion	270,046	–	–	–	–	(270,046)	–
Disposals	(2,839)	(508)	(443)	(300)	(787)	–	(4,877)
Depreciation charge (Note 8)	(85,150)	(5,129)	(1,884)	(14,053)	(19,583)	–	(125,799)
Closing net book amount	3,440,141	15,077	9,092	123,793	71,910	45,952	3,705,965
At 31 August 2019							
Cost	3,801,943	36,605	23,866	223,006	153,778	45,952	4,285,150
Accumulated depreciation	(361,802)	(21,528)	(14,774)	(99,213)	(81,868)	–	(579,185)
Net book amount	3,440,141	15,077	9,092	123,793	71,910	45,952	3,705,965
Year ended 31 August 2020							
Opening net book amount	**3,440,141**	**15,077**	**9,092**	**123,793**	**71,910**	**45,952**	**3,705,965**
Exchange differences	**(4,476)**	**(122)**	**(22)**	**(245)**	**(116)**	**–**	**(4,981)**
Additions	**56,124**	**7,677**	**1,997**	**16,878**	**23,006**	**192,258**	**297,940**
Transfer upon completion	**117,226**	**–**	**–**	**4,138**	**–**	**(121,364)**	**–**
Disposals	**(1,940)**	**(20)**	**(277)**	**(376)**	**(2,145)**	**–**	**(4,758)**
Depreciation charge (Note 8)	**(106,622)**	**(3,841)**	**(3,112)**	**(31,737)**	**(25,031)**	**–**	**(170,343)**
Adjustment for IFRS 16	**(31,475)**	**–**	**–**	**–**	**–**	**–**	**(31,475)**
Closing net book amount	**3,468,978**	**18,771**	**7,678**	**112,451**	**67,624**	**116,846**	**3,792,348**
At 31 August 2020							
Cost	**3,899,479**	**39,379**	**20,514**	**236,311**	**162,973**	**116,846**	**4,475,502**
Accumulated depreciation	**(430,501)**	**(20,608)**	**(12,836)**	**(123,860)**	**(95,349)**	**–**	**(683,154)**
Net book amount	**3,468,978**	**18,771**	**7,678**	**112,451**	**67,624**	**116,846**	**3,792,348**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Depreciation charges were charged to the consolidated statement of profit or loss as follows:

	Year ended 31 August 2020 RMB'000	2019 RMB'000
Cost of revenue	**131,174**	109,102
Administrative expenses	**39,169**	16,697
	170,343	125,799

(ii) Construction-in-progress as at 31 August 2020 and 2019 mainly comprise buildings being constructed in the PRC.

(iii) As at 31 August 2020, the carrying amount of buildings without building ownership certificates was RMB1,644,045,000 (2019: RMB1,731,536,000). The Group is in the process to obtain the certificates except for the buildings of Kaifeng Yuhua Elite High School with a carrying amount of RMB22,276,000 as at 31 August 2020 (31 August 2019: RMB22,699,000).

(iv) Property, plant and equipment pledged as security by the Group is set out in Note 29.

13(B) LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 August 2020 RMB'000	As at 1 September 2019 RMB'000
Right-of-use assets		
— Buildings	**51,837**	68,155
— Leasehold land	**1,875,670**	1,651,195
— Vehicles	**474**	963
	1,927,981	1,720,313
Lease liabilities		
— Current	**5,833**	8,834
— Non-current	**31,101**	41,240
	36,934	50,074

Additions to the right-of-use assets during the year ended 31 August 2020 were RMB275,186,000.

13(B) LEASES (CONTINUED)

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

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

	Notes	Year ended 31 August 2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets			
— Buildings		9,451	—
— Leasehold land		44,264	—
— Vehicles		322	—
	8	54,037	—
Interest expense (included in finance expense)	10	2,329	—
Expense relating to short-term leases (included in cost of revenue and administrative expenses)	8	3,628	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	8	2,170	—

The total cash outflow for leases in year ended 31 August 2020 was RMB6,696,000.

(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 with no extension options. 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) Land use right allocated by the government with a carrying value of RMB537,485,000 (31 August 2019: RMB434,725,000) as at 31 August 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 31 August 2020, the land use right of the Group with a carrying amount of RMB110,630,000 (31 August 2019: RMB386,250,000) was pledged as security for bank borrowings of the Group.

(vii) As at 31 August 2020, the carrying amount of leasehold land without land use right certificates was RMB20,091,000 (31 August 2019: RMB21,065,000). The Group is in the process of applying for the certificates except for the leasehold land of Kaifeng Yuhua Elite High School with a carrying amount of RMB11,493,000 as at 31 August 2020 (31 August 2019: RMB12,196,000).

14 INTANGIBLE ASSETS

	Trademark RMB'000	Student base RMB'000	Goodwill RMB'000	Other intangible assets RMB'000	Total RMB'000
Year ended 31 August 2019					
Opening net book amount	219,000	—	528,703	8,298	756,001
Acquisition of subsidiaries	236,544	22,700	555,922	16,260	831,426
Exchange differences	277	—	—	31	308
Additions	—	—	—	2,547	2,547
Amortisation (Note 8)	(2,691)	(13,872)	—	(3,340)	(19,903)
Closing net book amount	453,130	8,828	1,084,625	23,796	1,570,379
At 31 August 2019					
Cost	455,821	22,700	1,084,625	30,965	1,594,111
Accumulated depreciation	(2,691)	(13,872)	—	(7,169)	(23,732)
Net book amount	453,130	8,828	1,084,625	23,796	1,570,379
Year ended 31 August 2020					
Opening net book amount	**453,130**	**8,828**	**1,084,625**	**23,796**	**1,570,379**
Exchange differences	**(187)**	**—**	**—**	**(113)**	**(300)**
Additions	**—**	**—**	**—**	**3,611**	**3,611**
Disposals	**—**	**—**	**—**	**(120)**	**(120)**
Amortisation (Note 8)	**(7,641)**	**(6,306)**	**—**	**(8,679)**	**(22,626)**
Closing net book amount	**445,302**	**2,522**	**1,084,625**	**18,495**	**1,550,944**
At 31 August 2020					
Cost	**455,634**	**22,700**	**1,084,625**	**34,343**	**1,597,302**
Accumulated depreciation	**(10,332)**	**(20,178)**	**—**	**(15,848)**	**(46,358)**
Net book amount	**445,302**	**2,522**	**1,084,625**	**18,495**	**1,550,944**

(a) Amortisation of the Group's intangible assets were charged in the following categories in the consolidated statement of profit or loss as follows:

	As at 31 August	
	2020 RMB'000	2019 RMB'000
Cost of revenue	**18,678**	18,689
Administrative expenses	**3,948**	1,214
	22,626	19,903

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment tests of goodwill and trademark

	HIEU* RMB'000	Jinan Shuangsheng RMB'000	Yubohui Education RMB'000	TEDCO RMB'000	Total RMB'000
Year ended 31 August 2020					
Goodwill	**528,703**	**432,925**	**81,437**	**41,560**	**1,084,625**
Trademark with indefinite useful lives (i)	**219,000**	**190,400**	**—**	**—**	**409,400**
Year ended 31 August 2019					
Goodwill	528,703	432,925	81,437	41,560	1,084,625
Trademark with indefinite useful lives (i)	219,000	190,400	—	—	409,400

(i) The trademark as at 31 August 2020 was consisted of trademark with indefinite useful lives of RMB409,400,000 and trademark with useful lives of 10 years of RMB35,902,000.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	HIEU	TEDCO	Yubohui Education	Jinan Shuangsheng
Year ended 31 August 2020				
Revenue growth rates (%)	**2.8–26.2**	**2.7-5.8**	**3.8-12.2**	**(4.9)–13.1**
EBIT margin (% of revenue) (%)	**49.9**	**15.0–27.0**	**45.0-49.0**	**40.9–48.9**
Long-term growth rate (%)	**3.0**	**2.0**	**3.0**	**3.0**
Discount rate (%)	**15.0**	**16.0**	**16.0**	**15.0**

	HIEU	TEDCO	Yubohui Education	Jinan Shuangsheng
Year ended 31 August 2019				
Revenue growth rates (%)	3.4–20.3	8.8-10.5	(2.2)–12.2	3.2–7.7
EBIT margin (% of revenue) (%)	49.9	15.0-27.0	43.0–47.0	36.0–44.0
Long-term growth rate (%)	3.0	3.0	3.0	3.0
Discount rate (%)	14.0	14.0	15.0	14.0

14 INTANGIBLE ASSETS (CONTINUED)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue growth rates	Revenue growth rate is for the five-year forecast period. It is based on past performance and management's expectations of market development.
EBIT margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	The discount rate used reflects specific risks relating to the CGU.

(c) Impact of possible changes in key assumptions

The following changes in assumptions would cause the recoverable amount to fall below the carrying value:

Year ended 31 August 2020	**HIEU**		**TEDCO**		**Yubohui Education**		**Jinan Shuangsheng**	
	From	**To**	**From**	**To**	**From**	**To**	**From**	**To**
Revenue growth rates (%)	**2.8–26.2**	**(13.8)–9.6**	**2.7–5.8**	**(6.0)–(2.9)**	**3.8–12.2**	**(10.5)–(2.1)**	**(4.9)–13.1**	**(8.6)–9.4**
EBIT margin (% of revenue) (%)	**49.9**	**22.6**	**15.0–27.0**	**6.8–18.8**	**45.0–49.0**	**21.0–25.0**	**40.9–48.9**	**33.1–41.1**
Long term growth rate (%)	**3.0**	**(20.1)**	**2.0**	**(7.1)**	**3.0**	**(18.6)**	**3.0**	**0.2**
Pre–tax discount rate (%)	**15.0**	**26.8**	**16.0**	**21.1**	**16.0**	**27.0**	**15.0**	**17.0**

Year ended 31 August 2019	HIEU		TEDCO		Yubohui Education		Jinan Shuangsheng	
	From	To	From	To	From	To	From	To
Revenue growth rates (%)	3.4–20.3	(7.4)–9.5	8.8–10.5	4.5–6.2	(2.2)–12.2	(9.2)–5.2	3.2–7.7	2.0–6.5
EBIT margin (% of revenue) (%)	49.9	29.7	15.0–27.0	10.1–22.1	43.0–47.0	29.9–33.9	36.0–44.0	33.5–41.5
Long term growth rate (%)	3.0	(7.8)	3.0	0.0	3.0	(3.5)	3.0	2.2
Pre–tax discount rate (%)	14.0	20.8	14.0	16.1	15.0	19.4	14.0	14.6

15 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 31 August 2020 RMB'000	As at 31 August 2019 RMB'000
Opening amount	**20,184**	—
Acquisition of subsidiaries	**—**	16,172
Credited to profit or loss (Note 11)	**10**	4,012
Closing amount	**20,194**	20,184

(b) Deferred tax liabilities

	Right-of-use assets-leasehold land RMB'000	Trademark RMB'000	Software RMB'000	Property, plant and equipment appreciation RMB'000	Other payables and accrued expenses RMB'000	Student base RMB'000	Total RMB'000
Balance at 1 September 2019	(265,196)	(102,141)	(53)	(127,494)	(44,158)	(2,207)	(541,249)
Credited/(charged) to profit or loss	7,275	(39)	37	1,371	–	1,576	10,220
Balance at 31 August 2020	**(257,921)**	**(102,180)**	**(16)**	**(126,123)**	**(44,158)**	**(631)**	**(531,029)**

(i) The deferred tax liabilities arise from fair value adjustment of right-of-use assets-leasehold land, recognition of trademark and fair value adjustment of buildings and other fixed assets upon the acquisition of subsidiaries.

(ii) Under the CIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed earnings of the Group's PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 August 2019 and 2020, no deferred tax has been recognised for withholding taxes payable on the unremitted earnings of the Group's subsidiaries established in mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 August 2020, deferred tax asset amounting to RMB20,194,000 (2019: RMB20,184,000) has been recognised for the Group's subsidiaries established in Thailand. In the opinion of the directors, it is probable that these subsidiaries will distribute such earnings in the foreseeable future.

16 OTHER NON-CURRENT ASSETS

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Prepayments for prepaid land lease payment	**6,571**	6,571
Rental deposits	**3,630**	5,558
Prepayments for purchases of property, plant and equipment	**908**	1,668
Prepayments of rental expenses	**—**	6,842
	11,109	20,639

17 TRADE AND OTHER RECEIVABLES

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
Due from students (a)	**14,858**	18,728
Provision for impairment (b)	**(2,891)**	(551)
	11,967	18,177
Other receivables		
Receivables from local government	**21,953**	—
Staff advance	**7,484**	13,839
Deposits	**3,451**	15,226
Receivables for disposal of subsidiaries	**533**	—
Interest receivables	**110**	7,968
Others	**3,310**	6,311
Provision for impairment (b)	**(38)**	(38)
	36,803	43,306
Prepayments		
Prepaid expenses	**8,441**	19,748
	8,441	19,748
	57,211	81,231

(a) The Group's students are required to pay tuition fees and boarding fees in advance for upcoming school year, which normally commence in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees with no fixed credit item.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	**14,216**	18,626
Over 1 year	**642**	102
	14,858	18,728

(b) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. The loss allowance increased from RMB551,000 to RMB4,758,000 for trade receivables and remained at RMB38,000 for other receivables during the current reporting period. The individually impaired trade receivables relate to students that were in financial difficulties or default in payments.

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 3.1.

The ageing of impaired trade receivables based on the recognition date is as follows:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	**2,248**	449
Over 1 year	**643**	102
	2,891	551

Movements in the provision for impairment of trade and other receivables that are assessed for impairment collectively are as follows:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**589**	330
Provision for impairment recognised during the year	**7,192**	682
Receivables written off during the year as uncollectible	**(4,852)**	(423)
At end of the year	**2,929**	589

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) The carrying amounts of the Group's trade and other receivables were denominated in the following currencies:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
USD	**110**	7,968
RMB	**53,019**	65,502
THB	**4,082**	7,761
	57,211	81,231

(d) As at 31 August 2020 and 2019, the fair values of trade and other receivables, except the prepayments which are not financial assets of the Group, approximated their carrying amounts.

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand		
— RMB	**1,236,675**	1,116,661
— HKD	**5,432**	4,083
— USD	**20,535**	22,376
— THB	**54,122**	30,609
Short-term bank deposits		
— HKD	**87,959**	—
—USD	**763,060**	937,894
Cash at financial institutions other than bank		
— RMB	**7,414**	14,096
Cash and cash equivalents	**2,175,197**	2,125,719

Cash at bank and other financial institutions can be redeemed by the Company within a short-term.

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

(b) Restricted Cash

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Restricted Cash	**154,372**	291,716

As at 31 August 2020, the restricted cash comprises of the following deposits: (i) the deposit in the escrow account opened subject to the joint escrow of China Yuhua Education Investment Limited, one of the Company's wholly owned subsidiaries, and LEI China Limited for the acquisition of LEI Lie Ying in the amount of HKD168,276,000 (RMB148,957,000 equivalent); (ii) the deposit in the account opened by Stamford International University subject to the bank loan facility request in the amount of THB20,000,000 (RMB4,406,000 equivalent); (iii) the deposit in the education reserve required by the PRC local authority of RMB1,009,000.

19 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Term deposits with initial term of over three months	**—**	333,131

The carrying amounts of term deposits with initial term of over three months approximated their fair values due to the nature and short maturities of the related assets.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables excluding prepayments (Note 17)	**48,770**	61,483
Restricted cash (Note 18)	**154,372**	291,716
Term deposits with initial term of over three months (Note 19)	**—**	333,131
Cash and cash equivalents (Note 18)	**2,175,197**	2,125,719
Financial assets at fair value through profit or loss	**50,000**	—
Financial assets at fair value through other comprehensive income	**—**	3,323
	2,428,339	2,815,372

20 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Accruals and other payables excluding non-financial liabilities	**465,483**	824,026
Borrowings	**1,142,419**	1,572,373
Lease liabilities	**36,934**	—
Financial liabilities at fair value through profit or loss	**2,301,148**	1,276,350
	3,945,984	3,672,749

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares
Authorised:		
As at 1 September 2019 and 31 August 2020	**50,000,000,000**	**HKD500,000**

	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
Issued and paid:					
Balance at 1 September 2018	3,264,938,460	HKD32,650	28	2,130,457	2,130,485
Share issued upon exercise of share-based compensation (Note 23)	19,819,750	HKD198	—	37,568	37,568
Dividends distribution	—	—	—	(364,077)	(364,077)
Balance at 31 August 2019	3,284,758,210	HKD32,848	28	1,803,948	1,803,976
Balance at 1 September 2019	**3,284,758,210**	**HKD32,848**	**28**	**1,803,948**	**1,803,976**
Share issued upon exercise of share-based compensation (Note 23)	**16,022,500**	**HKD160**	**—**	**30,036**	**30,036**
Conversion related to the IFC Loan	**35,121,157**	**HKD351**	**—**	**166,610**	**166,610**
Conversion related to the Prior Convertible Bonds	**3,738,316**	**HKD37**	**—**	**10,803**	**10,803**
Dividends distribution	**—**	**—**	**—**	**(465,089)**	**(465,089)**
Balance at 31 August 2020	**3,339,640,183**	**HKD33,396**	**28**	**1,546,308**	**1,546,336**

22 OTHER RESERVES

(a) Capital reserve

Capital reserve of the Group represented the capital contribution premium of the Consolidated Affiliated Entities from its then shareholders.

(b) Statutory surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) statutory reserve fund of the limited liability companies, (ii) general reserve fund of foreign invested enterprise and (iii) the development fund of schools.

(i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion.

(ii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

23 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:

	31 August 2020 Average exercise price in HKD per share option	31 August 2020 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**

	31 August 2019 Average exercise price in HKD per share option	31 August 2019 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

Options exercised for the year ended 31 August 2020 resulted in 16,022,500 shares being issued at a weighted average price of HKD5.75 each. Options exercised for the year ended 31 August 2019 resulted in 19,819,750 shares being issued at a weighted average price of HKD3.03 each.

Share options outstanding as at 31 August 2020 have the following expiry date and exercise prices:

	31 August 2020 Exercise price in HKD per share option	31 August 2020 Number of share options
Expiry date		
1 September 2036	**0.00001**	**132,369,290**

23 SHARE-BASED PAYMENTS (CONTINUED)

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 31 August 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 31 August 2020, 1,565,800 share options have been vested, and 29,290 share options have not yet exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 31 August 2020, 440,200 share options have been vested and exercised.

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 31 August 2020, 163,600 share options have been vested and exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 31 August 2020, 391,200 share options have been vested and 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 31 August 2020, 26,445,000 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 31 August 2020, 9,000,000 share options have been vested and exercised.

23 SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binominal model was HKD464,583,000. Significant inputs into the model were as follows:

Spot price (HKD)	2.58
Exercise price (HKD)	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 consolidated statement of profit or loss for the year ended 31 August 2020 amounted to HKD33,674,000 (equivalent to RMB28,992,000) (2019: HKD46,599,000, equivalent to RMB40,120,000).

24 ACCRUALS AND OTHER PAYABLES

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Amount due to related parties (Note 31(b))	**9,567**	5,258
Payables in relation to the acquisitions	**134,712**	329,612
Payables for purchases of property, plant and equipment	**101,494**	164,191
Salary and welfare payables	**124,204**	121,688
Defined pension benefits	**9,579**	9,729
Deposits received from teachers and students	**30,385**	30,688
Miscellaneous expenses received from students (a)	**75,519**	90,509
Payables for teaching materials and other operating expenditure (c)	**38,591**	73,243
Payables for contracting canteens (b)(c)	**770**	514
Government subsidies payable to students and teachers	**32,937**	27,248
Audit and consulting fees	**7,677**	8,609
Interest payables	**3,591**	43,706
Taxes payable	**16,902**	17,300
Legal claim payables	**6,589**	6,589
Others	**23,651**	34,130
	616,168	963,014

(a) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

24 ACCRUALS AND OTHER PAYABLES (CONTINUED)

(b) A few of third-party canteens were contracted by the Group to provide catering service to schools.

(c) As of 31 August 2020 and 2019, the ageing of payables for teaching materials and other operating expenditure and payables for contracting canteens were less than 1 year.

(d) The carrying amounts of the Group's accruals and other payables were denominated in the following currencies:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
USD	**1,206**	10,943
MYR	**267**	267
RMB	**585,860**	918,874
THB	**28,835**	32,930
	616,168	963,014

25 BORROWINGS

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Non-current		
Secured		
Bank loans	**633,326**	362,948
Finance lease liabilities	**–**	18,296
Loans from other financial institutions	**–**	65,735
Unsecured		
Bank loans	**–**	60,000
	633,326	506,979
Current		
Secured		
Bank loans	**509,093**	650,795
Finance lease liabilities	**–**	3,464
Loans from other financial institutions	**–**	58,957
Unsecured		
Bank loans	**–**	20,000
Borrowings from other third parties	**–**	332,178
	509,093	1,065,394
Total borrowings	**1,142,419**	1,572,373

25 BORROWINGS (CONTINUED)

(a) Bank Borrowings

(i) The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As at 31 August	
	2020	2019
Bank borrowings	**4.45%**	5.36%

(ii) Secured bank loans of the Group which were guaranteed and pledged are set out below:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Guaranteed by related party	**650,000**	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	**250,000**	130,000
Pledged with land use rights and property, plant and equipment	**41,733**	62,968
Guaranteed and pledged by subsidiaries of the Group	**686**	420,775
Pledged with right over the tuition fee and accommodation fee	**200,000**	200,000
	1,142,419	1,013,743

The carrying amounts of assets pledged as security for borrowings are disclosed in Note 31.

(iii) The maturity date of the borrowing was analysed as follows:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**509,093**	1,065,394
Between 1 and 2 years	**226,814**	189,101
Between 2 and 5 years	**406,512**	247,544
Over 5 years	**—**	70,334
	1,142,419	1,572,373

25 BORROWINGS (CONTINUED)

(a) Bank Borrowings (Continued)

(iv) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(v) The Group's borrowings were denominated in RMB, USD and THB.

(vi) Risk exposures
Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 3.1.

(vii) Financial arrangements
The Group had access to the following undrawn borrowing facilities from Shanghai Pudong Development Bank at the end of the reporting period:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Floating rate		
— Expiring within one year	**240,000**	—
— Expiring beyond one year	**—**	—
	240,000	—

25 BORROWINGS (CONTINUED)

(b) Finance leases

As at 31 August 2019, the Group leases buildings with a carrying amount of RMB31,475,000, under a finance lease expiring within twenty years. Finance lease liabilities were included in borrowings until 31 August 2019, but were reclassified to lease liabilities on 1 September 2020 in the process of adopting the new leasing standard. See note 2.2 for further information about the change in accounting policy for leases.

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Commitments in relation to finance leases are payable as follows:		
Within one year	—	3,464
Later than one year but not later than five years	—	13,856
Later than five years	—	6,927
Minimum lease payments	—	24,247
Future finance charges recognised as a liability	—	(2,487)
Total lease liabilities	—	21,760
The present value of finance lease liabilities is as follows:		
Within one year	—	3,464
Later than one year but not later than five years	—	11,739
Later than five years	—	6,557
Minimum lease payments	—	21,760

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Non-current		
Convertible Bonds due 2024 (a)	**2,301,148**	—
The IFC Loan (c)	—	149,349
Current		
The IFC Loan (c)	—	24,891
Prior Convertible Bonds (b)	—	1,102,110
	—	1,127,001

26 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 31 August 2020 were of RMB1,876,402,000 and RMB2,301,148,000, respectively (Note 3.3). The changes in the fair value that were attributable to the changes in the liability's credit risk of RMB47,418,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB499,605,000 were charged to other losses (Note 7).

The Convertible Bonds due 2024 bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020. Pursuant to the subscription agreement, the convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK$0.00001 each, at the option of the bondholders. Each convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after the Issue Date up to the close of business on the date falling seven days prior to the Maturity Date (the "Conversion Period") into fully paid ordinary shares with a par value of HK$0.00001 each of the Company at an initial conversion price of HK$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds due 2024 as at 31 August 2020 is HK$6.9200 per share.

As at 31 August 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.

26 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 3.3).

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 7) 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 RMB686,000) 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 26). 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 7).

The Initial Tranche under the IFC Loan was accounted as borrowings of the Group in accordance with the loan agreement (Note 25).

As of 31 August 2020, no outstanding balance in the financial liabilities related to the IFC Loan.

27 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**310,919**	541,523
Adjustments for:		
— Amortisation of prepaid land lease payments	**—**	24,708
— Depreciation of right-of-use assets (Note 13(b))	**54,037**	—
— Depreciation of property, plant and equipment (Note 13)	**170,343**	125,799
— Amortisation of intangible assets (Note 14)	**22,626**	19,903
— Provision for impairment of trade and other receivables (Note 17(b))	**7,192**	682
— Losses on disposal of property, plant and equipment (Note 7)	**1,635**	3,094
— Losses on disposal of intangible assets (Note 7)	**76**	—
— Net losses on financial liabilities at fair value through profit or loss as at period/year end (Note 7)	**499,605**	250,215
— Gains on disposal of financial assets at fair value through profit or loss (Note 7)	**(351)**	(21,862)
— Share-based payments (Note 8)	**28,992**	40,120
— Finance expenses — net (Note 10)	**92,440**	25,332
— Losses/(gains) on disposal of subsidiaries	**1,095**	(3,600)
— Net gains on conversion of the convertible loans under the IFC Loan	**(6,941)**	—
— Net losses on redemption of the Prior Convertible Bonds	**297,461**	—
Changes in working capital:		
— Trade and other receivables	**(5,048)**	121,787
— Contract liabilities	**(376,656)**	234,951
— Accruals and other payables	**(66,229)**	(68,931)
— Deferred income	**91,981**	3,842
— Other current assets	**—**	2,588
— Other non-current assets	**—**	2,735
Cash generated from operations	**1,123,177**	1,302,886

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Net book amount (Note 13)	**4,758**	4,877
Losses on disposal of property, plant and equipment (Note 7)	**(1,635)**	(3,094)
Proceeds from disposal of property, plant and equipment	**3,123**	1,783

27 CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	As at 31 August 2020 RMB'000	As at 31 August 2019 RMB'000
Cash and cash equivalents	**2,175,197**	2,125,719
Borrowings (Note 25(a))	**(1,142,419)**	(1,572,373)
Convertible bonds (Note 26)	**(2,301,148)**	(1,102,110)
Convertible loans (Note 26)	**—**	(174,240)
Lease liabilities	**(36,934)**	—
Interest payables	**(3,591)**	(43,706)
Net debt	**(1,308,895)**	(766,710)
Cash and cash equivalents	**2,175,197**	2,125,719
Gross debt — fixed interest rates	**(2,791,674)**	(2,328,926)
Gross debt — variable interest rates	**(692,418)**	(563,503)
Net debt	**(1,308,895)**	(766,710)

	Assets	Liabilities from financing activities					
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Convertible loans RMB'000	Interest payables RMB'000	Total RMB'000
Net debt as at 31 August 2018	1,593,177	–	(529,452)	–	–	(145)	1,063,580
Cash flows	471,091	–	(398,749)	(810,938)	(167,702)	53,294	(853,004)
Foreign exchange adjustments	(2,492)	–	–	–	–	–	(2,492)
Acquisition of subsidiaries	63,943	–	(643,879)	–	–	–	(579,936)
Other non-cash movements	–	–	(293)	(291,172)	(6,538)	(96,855)	(394,858)
Net debt as at 31 August 2019	2,125,719	–	(1,572,373)	(1,102,110)	(174,240)	(43,706)	(766,710)
Recognised on adoption of IFRS 16	**–**	**(21,760)**	**21,760**	**–**	**–**	**–**	**–**
Cash flows	**68,515**	**6,696**	**395,500**	**(487,634)**	**–**	**120,055**	**103,132**
Foreign exchange adjustments	**(19,037)**	**–**	**2,830**	**30,318**	**2,507**	**90**	**16,708**
Other non-cash movements	**–**	**(21,870)**	**9,864**	**(741,722)**	**171,733**	**(80,030)**	**(662,025)**
Net debt as at 31 August 2020	**2,175,197**	**(36,934)**	**(1,142,419)**	**(2,301,148)**	**–**	**(3,591)**	**(1,308,895)**

28 COMMITMENTS

(a) Capital commitments

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

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	**–**	105,251
Construction project of a new campus	**1,015,173**	–
	1,015,173	105,251

(b) Operating lease commitments

The Group leases certain buildings under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	**–**	7,806
Later than 1 year and no later than 5 years	**–**	18,656
Later than 5 years	**–**	25,540
	–	52,002

29 ASSETS PLEDGED AS SECURITY

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

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Bank borrowings		
Right-of-use assets-leasehold land	**110,630**	370,178
Buildings	**110,640**	103,196
Bank loan owed by a former employee		
Right-of-use assets-leasehold land	**–**	16,072
	221,270	489,446

30 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 4 August 2020, the Group acquired the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd.,a previously 90% subsidiary held by the Group at a transaction consideration of RMB165,728,000. Immediately prior to the transaction, the carrying amount of the existing 10% non-controlling interests in Jinan Shuangsheng Education Consulting Co., Ltd. was RMB140,632,000. The Group recognised a decrease in non-controlling interests of RMB140,632,000 and a decrease in equity attributable to owners of the parent of RMB25,096,000. Upon completion of the transaction, the Group held 100% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd. The effect on the equity attributable to the owners of China YuHua Education Corporation Limited during the year is summarised as follows:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	**140,632**	—
Consideration paid to non-controlling interests	**(165,728)**	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(25,096)**	—

There were no transactions with non-controlling interests during the year ended 31 August 2019.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties:

Names of the related parties	**Nature of relationship**
Mr. Li Guangyu	The Controlling Shareholder
Zhengzhou Corn Culture Communication Co. Ltd.	A company controlled by the Controlling Shareholder

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Purchases of services from related parties	**716**	1,122

(b) Balance with related parties

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Amounts due to related parties		
— The Controlling Shareholder	**8,035**	4,108
— Zhengzhou Corn Culture Communication Co., Ltd.	**1,532**	1,150
	9,567	5,258

As at 31 August 2020, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due from and due to the Controlling Shareholder and related parties are unsecured and repayable on demand.

(c) Guarantees for borrowings

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Borrowings guaranteed by the Controlling Shareholder (Note 25(a)(ii))	**900,000**	—

(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 August	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**3,708**	3,026
Share-based payments	**10,243**	21,624
Contributions to pension plans	**77**	156
Welfare and other expenses	**98**	122
	14,126	24,928

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	Note	Year ended 31 August 2020 RMB'000	2019 RMB'000
Non-current assets			
Investments in subsidiaries		**240,736**	221,175
Total non-current assets		**240,736**	221,175
Current assets			
Trade and other receivables		**1,287,901**	1,364,733
Cash and cash equivalents		**863,309**	946,353
Term deposits with initial term of over three months		**—**	333,131
Total current assets		**2,151,210**	2,644,217
Total assets		**2,391,946**	2,865,392
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		**28**	28
Share premium	(a)	**1,546,308**	1,803,948
Other reserves	(a)	**187,183**	166,662
Accumulated losses	(a)	**(1,671,623)**	(755,859)
Total equity		**61,896**	1,214,779
Liabilities			
Non-current liabilities			
Long-term borrowings		**—**	318,886
Financial liabilities at fair value through profit or loss		**2,301,148**	149,349
Other non-current liabilities		**17,756**	—
Total non-current liabilities		**2,318,904**	468,235
Current liabilities			
Accruals and other payables		**10,460**	23,488
Short-term borrowings		**686**	31,889
Financial liabilities at fair value through profit or loss		**—**	1,127,001
Total current liabilities		**11,146**	1,182,378
Total liabilities		**2,330,050**	1,650,613
Total equity and liabilities		**2,391,946**	2,865,392

The balance sheet of the Company was approved by the Board of Directors on 23 November 2020 and was signed on its behalf:

Li Hua
Director

Qiu Hongjun
Director

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2018	2,130,457	46	127,920	(28,997)	(437,766)	1,791,660
Loss for the year	–	–	–	–	(318,093)	(318,093)
Other comprehensive income						
Currency translation differences	–	–	–	65,141	–	65,141
Transactions with owners						
Share-based compensation	–	–	40,120	–	–	40,120
Exercise of share options	37,568	–	(37,568)	–	–	–
Dividends distribution	(364,077)	–	–	–	–	(364,077)
At 31 August 2019	1,803,948	46	130,472	36,144	(755,859)	1,214,751
At 1 September 2019	**1,803,948**	**46**	**130,472**	**36,144**	**(755,859)**	**1,214,751**
Loss for the year	**–**	**–**	**–**	**–**	**(915,764)**	**(915,764)**
Other comprehensive income						
Currency translation differences	**–**	**–**	**–**	**21,565**	**–**	**21,565**
Transactions with owners						
Conversion related to the IFC Loan	**166,610**	**–**	**–**	**–**	**–**	**166,610**
Conversion related to the Prior Convertible Bonds	**10,803**	**–**	**–**	**–**	**–**	**10,803**
Share-based compensation	**–**	**–**	**28,992**	**–**	**–**	**28,992**
Exercise of share options	**30,036**	**–**	**(30,036)**	**–**	**–**	**–**
Dividends distribution	**(465,089)**	**–**	**–**	**–**	**–**	**(465,089)**
At 31 August 2020	**1,546,308**	**46**	**129,428**	**57,709**	**(1,671,623)**	**61,868**

33 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 August 2020:

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Directly held:						
China YuHua Education Investment Limited (中國宇華教育投資有限公司)	BVI/ 28 April 2016	USD1.00	100%	100%	Holding company	BVI
LEI Lie Ying Limited	Hong Kong/ 26 March 2009	HKD1	100%	100%	Holding company	Hong Kong
Indirectly held:						
China HongKong Yuhua Education Limited (中國香港宇華教育有限公司)	Hong Kong/ 12 May 2016	HKD1,000.00	100%	–	Holding company	Hong Kong
Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司)	PRC/ 22 July 2016	USD500,000.00	100%	–	Holding company	PRC
Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司)	PRC/ 9 April 2004	RMB50,000,000	100%	–	Holding company	PRC
Zhengzhou YuHua Elite School (鄭州市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校)	PRC/ 1 September 2001	RMB20,000,000	100%	–	High school and middle school	PRC
Zhengzhou YuHua Elite Primary School (鄭州市宇華實驗小學) Formerly known as "the Foreign Language Primary School of the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校外國語小學)	PRC/ 1 September 2005	RMB10,000,000	100%	–	Primary school	PRC

33 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Zhengzhou YuHua Elite Bilingual Kindergarten (鄭州市宇華實驗雙語幼兒園) Formerly known as "the Bilingual Kindergarten of the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校雙語幼兒園)	PRC/ 1 September 2005	RMB5,000,000	100%	–	Kindergarten	PRC
Zhengzhou Technology and Business University (鄭州工商學院) Formerly known as "Wanfang College of Science & Technology Henan Polytechnic University" (河南理工大學萬方科技學院鄭州校區)	PRC/ 9 April 2013	RMB100,000,000	100%	–	University	PRC
Jiaozuo YuHua Elite School (焦作市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiaozuo Campus (北京大學附屬中學河南分校焦作校區)	PRC/ 18 July 2011	RMB10,000,000	100%	–	High school Middle school Primary school	PRC
Xingyang YuHua Shengshi Elite School (滎陽宇華盛世實驗學校) Formerly known as "Zhengzhou Yizhong Middle School" (鄭州壹中實驗初中)	PRC/ 15 June 2015	RMB1,000,000	100%	–	Middle school	PRC
Kaifeng YuHua Elite School (開封市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus" (北京大學附屬中學河南分校開封校區)	PRC/ 7 September 2012	RMB3,000,000	100%	–	Middle school Primary school	PRC

33 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Luohe YuHua Elite School (漯河市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Luohe Campus" (北京大學附屬中學河南分校漯河校區)	PRC/ 23 August 2013	RMB10,000,000	100%	–	High school Middle school Primary school	PRC
Xuchang YuHua Elite School (許昌宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Xuchang Campus" (北京大學附屬中學河南分校許昌校區)	PRC/ 1 November 2014	RMB3,000,000	100%	–	Middle school Primary school	PRC
Jiyuan YuHua Elite School (濟源市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiyuan Campus" (北京大學附屬中學河南分校濟源校區)	PRC/ 1 November 2014	RMB1,000,000	100%	–	Middle school Primary school	PRC
Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司)	PRC/ 17 December 1996	RMB113,333,334	70%	–	Holding company	PRC
Hunan International Economics University ("HIEU") (湖南涉外經濟學院)	PRC/ 13 May 1997	RMB10,000,000	70%	–	University	PRC
Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司)	PRC/ 29 July 2002	RMB2,000,000	70%	–	Property management	PRC
Hunan Lie Ying Mechanic School (湖南獵鷹技工學校)	PRC/ 10 September 2007	RMB500,000	70%	–	Vocational school	PRC

33 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Zhengzhou Qinfeng Education Science and Technology Limited (鄭州秦風教育科技有限公司)	PRC/ 19 June 2019	RMB1,000,000	100%	–	Holding company	PRC
Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司)	PRC/ 2 Feb 2018	RMB33,000,000	100%	–	Holding company	PRC
Kaifeng Yuhua Elite High School (開封宇華實驗高中)	PRC/ 12 July 2000	RMB8,000,000	100%	–	High school	PRC
Thai Education Holdings Co., Ltd.	Thailand/ 12 Oct 2011	THB3,591,000	100%	–	Holding company	Thailand
Fareast Stamford International Co., Ltd.	Thailand/ 4 Mar 1994	THB400,000,000	99.9999%	–	Holding company	Thailand
Stamford International University	Thailand/ 29 Nov 1995	THB1,000,000	99.9999%	–	University	Thailand
Zhengzhou Hanchen Education Science and Technology Limited (鄭州漢晨教育科技有限公司)	PRC/ June 2018	RMB1,000,000	100%*	–	Holding company	PRC
Jinan Shuangsheng Education Consulting Co., Ltd. (濟南雙勝教育諮詢有限公司)	PRC/ October 2016	RMB25,500,000	100%	–	Holding company	PRC
Shandong Yingcai University (山東英才學院)	PRC/ May 1998	RMB20,000,000	100%	–	University	PRC
Shandong Yingcai Highly Mechanic School (山東英才高級技工學校)	PRC/ August 2014	RMB5,000,000	100%	–	Vocational school	PRC

33 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	Hunan Lie Ying Industry Co., Ltd.		Jinan Shuangsheng Education Consulting Co., Ltd.	
	31 August 2020 RMB'000	31 August 2019 RMB'000	**31 August 2020 RMB'000**	31 August 2019 RMB'000
Current assets	**713,706**	348,506	**32,207**	293,622
Current liabilities	**672,884**	586,651	**493,620**	969,061
Current net assets/(liabilities)	**40,822**	(238,145)	**(461,413)**	(675,439)
Non-current assets	**1,685,881**	1,673,643	**2,117,934**	2,177,995
Non-current liabilities	**257,623**	263,634	**244,482**	319,200
Non-current net assets	**1,428,258**	1,410,009	**1,873,452**	1,858,795
Net assets	**1,469,080**	1,171,864	**1,412,039**	1,183,356
Accumulated NCI	**440,724**	351,553	**—**	118,336

Summarised statement of comprehensive income	Hunan Lie Ying Industry Co., Ltd.		Jinan Shuangsheng Education Consulting Co., Ltd.	
	31 August 2020 RMB'000	31 August 2019 RMB'000	**31 August 2020 RMB'000**	31 August 2019 RMB'000
Revenue	**594,302**	511,407	**515,734**	41,896
Profit for the period	**297,216**	225,913	**227,331**	6,951
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**297,216**	225,913	**227,331**	6,951
Profit allocated to NCI	**89,171**	67,774	**21,972**	695
Dividends paid to NCI	**—**	—	**—**	—

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each Director for the years ended 31 August 2020 and 2019 are set out below:

For the year ended 31 August 2020	Salary RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Name of executive director				
Mr. Li Guangyu	360	7	3,950	4,317
Ms. Li Hua	360	22	4,865	5,247
Ms. Qiu Hongjun	61	7	616	684
Name of independent non-executive director				
Mr. Chen Lei	180	—	—	180
Mr. Xia Zuoquan	180	—	—	180
Mr. Zhang Zhixue	180	—	—	180
	1,321	36	9,431	10,788

For the year ended 31 August 2019	Salary RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Name of executive director				
Mr. Li Guangyu	240	13	8,338	8,591
Ms. Li Hua	304	32	10,271	10,607
Ms. Qiu Hongjun	67	14	616	697
Name of independent non-executive director				
Mr. Chen Lei	180	—	—	180
Mr. Xia Zuoquan	180	—	—	180
Mr. Zhang Zhixue	180	—	—	180
	1,151	59	19,225	20,435

Note:

Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue were appointed as the Company's independent non-executive Directors on 16 February 2017. No emoluments have been paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

34 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 31 August 2020, no retirement benefits were paid or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking (2019: nil).

(c) Directors' termination benefits

During the year ended 31 August 2020, no payments was made to directors as compensation for early termination of the appointment (2019: nil).

(d) Consideration provided to third parties for making available directors' service

During the year ended 31 August 2020, no payment was made to the former employer of directors or third parties for making available the services as a director of the Company (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 August 2020, there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

During the year ended 31 August 2020, no significant transaction, arrangement and contract in relation to the Group's business to which the Group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the years except for the transactions disclosed in Note 33(a) (2019: nil).

35 DIVIDENDS

The dividends paid in the years ended 31 August 2020 and 2019 were RMB465,089,000 (HKD0.16 per share) and RMB364,077,000 (HKD0.13 per share), respectively. A dividend in respect of the year ended 31 August 2020 of HKD0.092 per share, amounting to a total dividend of RMB272,977, is to be proposed at the annual general meeting to be held on 1 February 2021. These financial statements do not reflect this dividend payable.

	2020 RMB'000	2019 RMB'000
Dividend declared for the prior year	**216,805**	180,436
Interim dividend paid of HKD0.082 (2019: HKD0.061) per ordinary share	**248,284**	183,641
Proposed final dividend of HKD0.092 (2019: HKD0.073) per ordinary share	**272,977**	216,805

36 SUBSEQUENT EVENTS

(a) Acquisition of the remaining 30% non-controlling interests of Hunan Lie Ying Industry Co., Ltd. ("Hunan Lie Ying")

On 25 September 2020, the Group purchased the 7.2% and 22.8% non-controlling interests in Hunan Lie Ying, from their respective non-controlling shareholders, at purchase considerations of approximately RMB143,200,000 and RMB578,000,000, respectively. Hunan Lie Ying is the holding company of the HIEU Schools of the Group. Upon completion of the two transactions, Hunan Lie Ying became a wholly-owned subsidiary of the Company.

DEFINITIONS

"2016 Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Li, Ms. Li and the Group's consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"2018 Contractual Arrangements"	a series of contracts and documents entered into in September 2018 between the WFOE, Zhengzhou Qinfeng Education Technology Co., Ltd., Yubohui Education, Kaifeng City Xiangfu District Bowang High School and the Registered Shareholders, details of which are described in the section headed "2018 Contractual Arrangements" in this Annual Report
"2019 Contractual Arrangements"	a series of contracts and documents entered into in July 2019 between the WFOE, the Transferee and the Registered Shareholders, details of which are described in the section headed "The 2019 Contractual Arrangements" in the circular of the Company dated 2 December 2019
"2024 Convertible Bonds"	convertible bonds with an aggregate principal amount of HK$2,088 million in 0.90% due in 2024 issued by the Company in 2019
"Affiliate"	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
"Articles of Association"	the articles of association of the Company adopted on 8 February 2017 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Auditor"	PricewaterhouseCoopers
"Award"	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Share Award Scheme Rules

"Award Shares"	the Shares granted to a Selected Participant in an Award
"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 Controlling Shareholders
"Board" or "Board of Directors"	the board of directors of the Company
"Bondholder(s)"	holder(s) of the Convertible Bond(s) from time to time
"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 of 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: (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;

	(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 Annual Report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term "Chinese" has a similar meaning
"China YuHua Education Investment"	China YuHua Education Investment Limited, a company incorporated in the BVI with limited liability on 28 April 2016 and a wholly-owned subsidiary of our Company
"Closing Date"	27 December 2019, being the date on which the issuance of the 2024 Convertible Bonds was completed
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our 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
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"Conditions"	the terms and conditions in relation to the 2024 Convertible Bonds
"Contractual Arrangements"	together, the 2016 Contractual Arrangements, 2018 Contractual Arrangements and 2019 Contractual Arrangements
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
"Conversion Date"	the conversion date in respect of the 2024 Convertible Bonds, which must fall at a time when the Conversion Right attaching to the Convertible Bond is expressed in the Conditions to be exercisable

"Conversion Price"	the price at which the Shares will be issued upon conversion of the 2024 Convertible Bonds (subject to adjustments in the manner provided in the Conditions)
"Conversion Right"	the right of a Bondholder to convert its Convertible Bond(s) into Shares credited as fully paid subject as provided in the Conditions
"Conversion Share(s)"	the Share(s) to be issued by the Company upon conversion of the 2024 Convertible Bonds
"Corporate Governance Code", or "CG 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
"Eligible Person(s)"	any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person
"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
"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

DEFINITIONS (CONTINUED)

"HIEU Schools"	Hunan International Economics University, Hunan Lie Ying Mechanic School and Hunan International Economics University Vocational Skills Training Centre
"high school(s)"	schools that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HongKong Yuhua"	China HongKong Yuhua Education Limited (中國香港宇華教育有限公司), a company incorporated in Hong Kong with limited liability on 12 May 2016 and a wholly-owned subsidiary of the Company
"Huibo Education"	Kaifeng City Huibo Education Information Consulting Co., Ltd. (開封市慧博教育資訊諮詢有限公司), an independent third party
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Implementation Opinions"	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 on 18 June 2012
"Independent College"	(獨立學院) a type of private higher education institution offering undergraduate courses that are run by non-governmental institutions or individuals through cooperation with public universities
"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 Trust Deed
"January 2020 Convertible Bonds"	Company's previously existing 3.00% convertible bonds due January 2020
"Jiyuan YuHua Elite School"	Jiyuan YuHua Elite School (濟源市宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiyuan Campus" (北京大學附屬中學河南分校濟源校區)

"K-12"	kindergarten to grade 12
"Kaifeng YuHua Elite School"	Kaifeng YuHua Elite School (開封市宇華實驗學校), a campus established in September 2012 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus" (北京大學附屬中學河南分校開封校區)
"kindergarten(s)"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"Laureate Education"	Laureate Education Inc., a Delaware public benefit corporation, the shares of which are listed on the Nasdaq Global Select Market under the symbol "LAUR"
"LEI China"	LEI China Limited, a company incorporated in Hong Kong with limited liability
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
"Listing Date"	28 February 2017, the date the Shares were listed on the Main Board of the Stock Exchange
"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
"Loan" or "Loan Agreement"	the loan agreement between China YuHua Education Investment and HongKong YuHua, and the International Finance Corporation on 31 May 2018, pursuant to which the International Financial 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 the International Finance Corporation, be convertible into the ordinary share of the Company at a conversion price of HK$5.75 per Share (subject to the adjustments as set out in the loan agreement) within the conversion period
"Luohe YuHua Elite School"	Luohe YuHua Elite School (漯河市宇華實驗學校), a campus established in September 2013 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Luohe Campus" (北京大學附屬中學河南分校漯河校區)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Maturity Date"	27 December 2024, being the date on which the 2024 Convertible Bonds mature
"middle school(s)"	schools that provide education for students in grade seven through grade nine
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"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
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Permitted Holders"	any or all of the following: (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
"PRC Legal Adviser"	Tian Yuan Law Firm

"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
"Pre-School Opinions"	the "Certain Opinions on Deepening the Reform and Regulating Development of Pre-school Education" (《關於學前教育深化改革規範發展的若干意見》) issued by the Central Committee of the Communist Party of China and the State Council of the PRC on 15 November 2018
"primary school(s)"	schools that provide education for students in grade one through grade six
"private education"	the term "private education" used in this Annual Report refers to private formal education
"Private Education Draft Law"	the "Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (Revised Draft) (Draft Submitted for Approval)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the Ministry of Justice of the PRC on 10 August 2018
"Private HEI"	(民辦普通高校) a type of private higher education institution offering junior college, undergraduate and/or post-graduate course that are operated by non-governmental institutions or individuals and not affiliated with any public university
"private school(s)"	schools which are not administered by local, provincial or national governments
"Prospectus"	the prospectus of the Company published on 16 February 2017 in connection with the IPO on the Stock Exchange
"Registered Shareholder(s)"	Mr. Li and Ms. Li, and each of them a Registered Shareholder
"Reporting Period"	the year ended 31 August 2020
"RMB"	Renminbi, the lawful currency of PRC
"school year"	exception for the Group's kindergartens, the school year for all of the Group's schools, which generally starts on or around 1 September of each calendar year and ends on 31 August of the next calendar year
"Selected Participant"	any Eligible Person approved for participation in the Share Award Scheme

"SFC"	The Securities and Futures Commission of Hong Kong
"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 of par value of HK$0.00001 each
"Share Award Scheme"	the share award scheme approved and adopted by the 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
"Share Award Scheme Rules"	the rules relating to the Share Award Scheme as amended from time to time
"Share Retention Agreement"	the agreement entered into, among others, Mr. Li, Ms. Li and the International Finance Corporation pursuant to which Mr. Li and Ms. Li will be required to maintain control over GuangYu Investment and the Company while any amount under the Loan remains outstanding
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it or them under the Listing Rules
"Target Company"	Jinan Shuangsheng Education Consulting Co., Ltd.* (濟南雙勝教育諮詢有限公司), a company established under the laws of the PRC with limited liability
"Target Group"	the Target Company and its subsidiaries
"Target University"	Shandong Yingcai University (山東英才學院), a private higher education institution in China
"TEDCO"	Thai Education Holdings Co., Ltd., a private company limited by shares incorporated under the laws of Thailand
"Thailand"	the Kingdom of Thailand
"Transferee"	Zhengzhou Hanchen Education Technology Co., Ltd.* (鄭州漢晨教育科技有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of the Company

"Transferor"	Mr. Xia and Ms. Yang, who are shareholders of the Target Company, directors of the Target University, and are independent third parties
"Trustee"	The Bank of New York Mellon, London Branch
"Trust Deed"	the trust deed to be entered into by the Company and the Trustee on or before the Closing Date as amended and/or supplemented from time to time
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"university" or "universities"	the term "university" used in this Annual Report refers to tertiary education
"US$"	United States dollars, the lawful currency of the United States
"Volume Weighted Average Prices"	in respect of a Share on any trading day, the order book volume weighted average price of a Share appearing on or derived from Bloomberg (or its successor page) for such Share or such other source as shall be determined to be appropriate by an independent investment bank on such trading day, provided that if on any such trading day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such trading day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding trading day on which the same can be so determined
"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
"Wanfang College"	Wanfang College of Science & Technology of Henan Polytechnic University, Zhengzhou campus (河南理工大學萬方科技學院鄭州校區), an Independent College of which the Group established in September 2009
"WFOE" or "Xizang Yuanpei"	Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司), a company established in the PRC with limited liability on 22 July 2016 and a wholly-owned subsidiary of the Company
"Xuchang YuHua Elite School"	Xuchang YuHua Elite School (許昌宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Xuchang Campus" (北京大學附屬中學河南分校許昌校區)

"Yubohui Education"	Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司)
"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 Technology and Business University"	Zhengzhou Technology and Business University (鄭州工商學院), a Private HEI, or where the context requires, Wanfang College
"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 YuHua Elite School"	Zhengzhou YuHua Elite School (鄭州市宇華實驗學校), a campus established in September 2001 for private middle and high school and formerly known as "the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校)
"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 Annual Report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*

中国宇华教育集团有限公司
China YuHua Education Corporation Limited