



中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Interim Report

2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Guangyu (*Chairman*)

Ms. Li Hua (*Vice Chairman*)

Ms. Qiu Hongjun

Independent Non-Executive Directors

Mr. Chen Lei

Mr. Xia Zuoquan

Mr. Zhang Zhixue

AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)

Ms. Li Hua

Mr. Xia Zuoquan

NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

JOINT COMPANY SECRETARIES

Mr. Xu Bin

Ms. Leung Suet Wing

AUTHORISED REPRESENTATIVES

Ms. Li Hua

Mr. Xu Bin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central

Hong Kong

LEGAL ADVISERS

As to Hong Kong and U.S. laws:

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The Landmark

15 Queen's Road Central

Hong Kong

As to PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

CORPORATE INFORMATION (CONTINUED)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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HONG KONG SHARE REGISTRAR

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Limited
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Hopewell Centre, 183 Queen's Road East
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PRINCIPAL BANKER

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COMPANY WEBSITE

www.yuhuachina.com

STOCK CODE

6169

HIGHLIGHTS

(RMB'000)	Six months ended		Change
	28 February 2021 (Unaudited)	29 February 2020 (Unaudited)	
Revenue	1,365,495	1,260,408	8.3%
Gross Profit	854,686	732,476	16.7%
Adjusted Gross Profit ¹	881,232	762,609	15.6%
Adjusted Net Profit attributable to owners of the Company ²	691,146	494,765	39.7%

Notes:

- (1) The Adjusted Gross Profit for the six months ended 28 February 2021 is calculated as gross profit for the period, excluding (i) the impact from share-based expense (in cost of revenue) and (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), Kaifeng City Yubohui Education Information Consulting Co., Ltd. ("**Yubohui Education**") and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School), Thai Education Holdings Co., Ltd. ("**TEDCO**") and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University). For the calculation of the Adjusted Gross Profit for the six months ended 29 February 2020, please refer to the Company's interim results announcement for the six months ended 29 February 2020.
- (2) The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2021 is calculated as the net profit attributable to owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; (iv) accrued, but not paid interest expenses associated with the convertible bonds issued; and (v) fair value losses on convertible bonds and convertible loan recognised during the period. For the calculation of the Adjusted Net Profit for the six months ended 29 February 2020, please refer to the Company's interim results announcement for the six months ended 29 February 2020.

NON-IFRS MEASURES

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

HIGHLIGHTS (CONTINUED)

Calculation of the Adjusted Gross Profit		
	Six months ended	
	28 February 2021 (RMB'000)	29 February 2020 (RMB'000)
Gross Profit	854,686	732,476
Share-based compensation expenses (in cost of revenue)	6,203	6,203
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU	4,457	4,457
– Bowang High School	3,372	7,156
– Shandong Yingcai University	10,370	10,173
– Stamford International University	2,144	2,144
Adjusted Gross Profit	881,232	762,609

Calculation of the Adjusted Net Profit attributable to owners of the Company		
	Six months ended	
	28 February 2021 (RMB'000)	29 February 2020 (RMB'000)
Net profit attributable to owners of the Company	849,217	17,233
Share-based compensation expenses (in cost of revenue)	6,203	6,203
Share-based compensation expenses (in administrative expenses)	5,845	8,293
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
– HIEU	4,065	3,120
– Bowang High School	2,360	5,009
– Shandong Yingcai University	10,370	9,155
– Stamford International University	2,144	2,144
Change in fair value on convertible bonds and convertible loan ^{Note}	(167,275)	453,534
Government Grants	(21,783)	(9,927)
Adjusted Net Profit attributable to owners of the Company	691,146	494,765

Note: Details are set out in Note 8 to the unaudited interim condensed consolidated financial statements: Other gains/(losses) – net.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 20 years of operating private schools in China, the Group is one of the leading private school operators in central China in terms of student enrolment.

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

For the six months ended 28 February 2021, notwithstanding the impact of COVID-19, the business of the Group remained relatively stable, and COVID-19 has not had a material adverse effect on the revenue and operating results of the Group. The Group 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.

The Group's Schools

As at 28 February 2021, the Group had 26 schools in China and 1 school in Thailand.

The following table shows a summary of the Group's schools by category as at the end of February 2021 and 2020:

	As at 28 February 2021	As at 29 February 2020
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 school overseas		
University	1 ^(note 2)	1 ^(note 2)
Total	27	29

Notes:

- (1) As of the date of this 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.
- (2) This represents Stamford International University that the Group operates in Thailand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Event after the Reporting Period

Other than the proposed interim dividend, details of which are set out in Note 20 to the unaudited interim condensed consolidated financial statements, there has been no material event after the Reporting Period.

OUTLOOK

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 28 February 2021.

FINANCIAL REVIEW

Overview

For the six months ended 28 February 2021, the Group recorded revenue of RMB1,365.5 million, an Adjusted Gross Profit of RMB881.2 million and a gross profit of RMB854.7 million. The Adjusted Gross Profit Margin¹ of the Group was 64.5% for the six months ended 28 February 2021 as compared with 60.5% for the corresponding period in 2020. The gross profit margin was 62.6% for the six months ended 28 February 2021 as compared with 58.1% for the corresponding period in 2020.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2021 was RMB691.1 million, representing an increase of RMB196.3 million or a 39.7% increase from the corresponding period in 2020. The Adjusted Net Profit Margin² attributable to owners of the Company was 50.6% and 39.3% for the six months ended 28 February 2021 and 29 February 2020, respectively.

The net profit attributable to owners of the Company amounted to RMB849.2 million and RMB17.2 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The net profit margin attributable to owners of the Company amounted to 62.2% and 1.4% for the six months period ended 28 February 2021 and 29 February 2020, respectively.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue

For the six months ended 28 February 2021, revenue of the Group amounted to RMB1,365.5 million, representing an increase of RMB105.1 million or 8.3% as compared with RMB1,260.4 million for the corresponding period in 2020. The increase was primarily due to the result of an increase in student enrolment and tuition fees for several schools.

Cost of Revenue

For the six months ended 28 February 2021, the Adjusted Cost of Revenue³ of the Group amounted to RMB484.3 million, representing a decrease of RMB13.5 million or 2.7% as compared with RMB497.8 million for the corresponding period in 2020. The cost of revenue of the Group amounted to RMB510.8 million and RMB527.9 million for the six months ended 28 February 2021 and 29 February 2020, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 28 February 2021, the Adjusted Gross Profit of the Group amounted to RMB881.2 million, representing an increase of RMB118.6 million or 15.6% as compared with RMB762.6 million for the corresponding period in 2020. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2021 was 64.5%, compared with 60.5% for the corresponding period in 2020.

The Group's gross profit amounted to RMB854.7 million and RMB732.5 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The Group's gross margin amounted to 62.6% and 58.1% for the six months ended 28 February 2021 and 29 February 2020, respectively. The improvement in the gross profit margin was mainly due to (i) implementation of cost control measures; and (ii) the increase in revenue as a result of the increase in student enrolment and tuition fees for several schools.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling Expenses

For the six months ended 28 February 2021, the selling expenses of the Group amounted to RMB31.2 million, representing a decrease of RMB4.4 million or 12.4% from RMB35.6 million during the corresponding period in 2020. The decrease was primarily due to implementation of cost control measures.

Administrative Expenses

For the six months ended 28 February 2021, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB112.5 million, representing a decrease of RMB1.8 million as compared with RMB114.3 million for the corresponding period in 2020. The administrative expenses of the Group amounted to RMB118.4 million and RMB122.6 million for the six months ended 28 February 2021 and 29 February 2020, respectively.

Other Income

For the six months ended 28 February 2021, the other income of the Group amounted to RMB30.7 million, representing an increase of RMB17.1 million or 125.7% as compared with RMB13.6 million for the corresponding period in 2020. This increase was primarily due to an increase in government grants and subsidies obtained.

Other Gains and Losses

For the six months ended 28 February 2021, the other gains and losses of the Group amounted to a gain of RMB166.2 million as compared with a loss of RMB453.9 million for the corresponding period in 2020. The gain and loss was primarily due to fair value changes on convertible bonds.

Operating Profit

The operating profit of the Group amounted to RMB900.0 million and RMB130.4 million for the six months ended 28 February 2021 and 29 February 2020, respectively. The increase was primarily due to increase in gross profit and fair value changes on convertible bonds.

Finance Income

Finance income decreased by 27.0% from RMB18.9 million for the six months ended 29 February 2020 to RMB13.8 million for the corresponding period in 2021 due to a decrease in cash and cash equivalents and term deposits with initial term of over three months.

Finance Expenses

Finance expenses decreased by 35.5% from RMB68.8 million for the six months ended 29 February 2020 to RMB44.4 million for the corresponding period in 2021 due to a decrease in interest expenses from borrowings.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit for the Reporting Period

As a result of the above factors, the profit for the period for the six months ended 28 February 2021 and 29 February 2020 were RMB874.2 million and RMB85.0 million, respectively. In addition, the Adjusted Net Profit attributable to owners of the Company amounted to RMB691.1 million and RMB494.8 million for the six months ended 28 February 2021 and 29 February 2020, respectively.

The increase in the Adjusted Net Profit attributable to owners of the Company was mainly due to (i) increase in student enrolment and tuition fees for several schools; and (ii) the acquisition of the remaining 30% of the issued shares of Hunan Lie Ying Industry Co., Ltd. in September and October 2020; and (iii) the acquisition of the remaining 10% of the issued shares of Jinan Shuangsheng Education Consulting Co., Ltd. in August 2020.

The net profit attributable to owners of the Company for the six months ended 28 February 2021 and 29 February 2020 were RMB849.2 million and RMB17.2 million, respectively, representing an increase of RMB832.0 million. The increase in net profit was primarily due to (i) increase in revenue; (ii) the acquisition of minority interests in Hunan Lie Ying Industry Co., Ltd. and Jinan Shuangsheng Education Consulting Co., Ltd.; and (iii) changes in fair value of convertible bonds.

Liquidity and Source of Funding and Borrowing

As at 28 February 2021, the Group's cash and cash equivalents decreased by 18.1% from RMB2,175.2 million as at 31 August 2020 to RMB1,780.5 million. Including restricted cash, the Group's total cash decreased from RMB2,329.6 million as at 31 August 2020 to RMB1,926.2 million as at 28 February 2021. The decrease primarily resulted from payments associated with the acquisition of non-controlling interests during the Reporting Period (details are set out in Note 21 to the unaudited interim condensed consolidated financial statements).

As at 28 February 2021, the current assets of the Group amounted to RMB2,020.6 million, including RMB1,926.2 million in cash and restricted cash and RMB94.4 million in other current assets. The current liabilities of the Group amounted to RMB1,995.6 million, of which RMB598.5 million was accruals and other payables, RMB160.5 million was borrowings, RMB1,231.7 million was contract liabilities and RMB4.9 million was other current liabilities. As at 28 February 2021, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 1.01 (31 August 2020: 1.19).

Gearing Ratio

As at 28 February 2021, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 20.7% (31 August 2020: 27.9%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Material Investments

On 25 September 2020, the Group received a notification from the Changsha court that its bid in the court-sanctioned public action process to acquire Chen Zhengxian's 7.2% non-controlling interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) ("**Hunan Lie Ying**"), a non-wholly owned subsidiary of the Company and the holding company of the Company's interests in HIEU Schools, was successful (the "**First Acquisition**"). On the same day, the Company entered into an agreement with Guangdong Nanbo Education Investment Pte Ltd. (廣東南博教育投資有限公司) ("**Guangdong Nanbo**") to acquire its 22.8% non-controlling interests in Hunan Lie Ying (the "**Second Acquisition**") and together with the First Acquisition, the "**Acquisitions**"). Upon completion of the Acquisitions, Hunan Lie Ying became a wholly-owned subsidiary of the Company. The total consideration paid for Chen Zhengxian's 7.2% and Guangdong Nanbo's 22.8% non-controlling interests in Hunan Lie Ying was approximately RMB721.2 million (equivalent to approximately HK\$819.1 million). Details of the Group's acquisition of the remaining 30% equity interests in Hunan Lie Ying on 25 September 2020 were disclosed in the Company's announcements published on 28 September 2020 and 30 September 2020.

Other than the above, the Group did not make any material investments during the six months ended 28 February 2021.

Material Acquisitions and Disposals

Other than as disclosed in this report, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2021.

Pledge of Assets

As at 28 February 2021, the bank borrowings of the Group amounting to RMB850.5 million were secured by related party and equity interests of certain subsidiaries of the Group.

Contingent Liabilities

The Group had no contingent liabilities as at 28 February 2021.

Foreign Exchange Exposure

During the six months ended 28 February 2021, the Group mainly operated in China and the majority of the transactions were settled in Renminbi ("**RMB**"), the Company's primary consolidated affiliated entities functional currency. As at 28 February 2021, except for the bank deposits denominated in foreign currencies, 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 interim report, the Company has no other plans for material investments or purchase of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policies

As at 28 February 2021 and 29 February 2020, we had 6,965 and 7,542 employees, respectively. The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and recommends to the Board the executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

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

The total remuneration cost incurred by the Group for the six months ended 28 February 2021 was RMB347.7 million (for the six months ended 29 February 2020: RMB342.3 million).

The following table sets forth the total number of employees by function as at 28 February 2021:

Function	Number of employees	% of total
Teachers	4,833	69.4%
Administrative staff	311	4.5%
Other staff	1,821	26.1%
Total	6,965	100.0%

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the six months ended 28 February 2021, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2021.

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 28 February 2021 of HK\$0.123 (2020: HK\$0.082) per share to shareholders whose names appear on the register of members of the Company at the close of business on 15 June 2021. The interim dividend will be distributed to shareholders of the Company on 24 June 2021.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 10 June 2021 to 15 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 9 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 28 February 2021 and has met with the independent auditor, PricewaterhouseCoopers, who have reviewed the interim financial information in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Group.

OTHER BOARD COMMITTEES

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

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 28 February 2021.

BUILDING CERTIFICATES AND PERMITS

As at 28 February 2021, in relation to owned buildings or groups of buildings other than those associated with the HIEU Schools (the “**Non-HIEU Schools Owned Buildings**”), the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 Non-HIEU Schools Owned Buildings, due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group’s management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. Please also refer to the section headed “Business — Properties — Owned Properties — Buildings or Groups of Buildings” in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

As at 28 February 2021, the Company was in the process of applying for, but had not yet obtained, the proper certificates in relation to 48 buildings currently occupied by the HIEU Schools. The Company understands that the lack of certificates in relation to these buildings will not prejudice the ability of the Company to operate the HIEU Schools and that the buildings are fit and safe for education purposes. For further details, please refer to the Company's circular dated 29 June 2018.

USE OF PROCEEDS

(a) Use of Proceeds from the Global Offering

On 28 February 2017, the Shares were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK\$1,488.3 million, which have been fully utilised in the manner as set out in the Prospectus.

(b) Use of Proceeds from the IFC Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into 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 HK5.53 per share. For further details, please refer to the Company's announcement dated 31 May 2018.

As of 28 February 2021, the Company had drawn US\$75 million from the loan facility; US\$50.0 million of the total principal amount had been repaid to International Finance Corporation and US\$0.1 million of the total principal amount was transferred to borrowings; and US\$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to International Finance Corporation in February 2020. For further details, please refer to the Company's announcements dated 4 February 2020 and 23 November 2020.

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

On 27 December 2019, the Company completed the issuance of the 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 28 February 2021, the net proceeds of the issue of these convertible bonds had been fully utilized as set out in the announcement of the Company dated 23 November 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Foreign investment activities in the PRC are subject to the restrictions as set out in the *Administrative Measures of Foreign Investment Admission (Negative List) (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 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 and its implementation measures, 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% 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 there are currently no applicable PRC laws and regulations providing clear guidance or interpretation as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 28 February 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company ⁽¹⁾	Long position/ Short position/ Lending pool
Mr. Li ⁽²⁾	Beneficial owner/ Founder of a discretionary trust/ Other	1,937,249,000 ⁽³⁾	57.74%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,942,152,000 ^{(4)&(5)}	57.89%	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 3,355,139,983 Shares in issue as at 28 February 2021.
- (2) The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 1,917,500,000 Shares held by GuangYu Investment.
- (3) Includes Mr. Li's entitlement to receive up to 3,949,800 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (4) Includes Ms. Li's entitlement to receive up to 4,865,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Ms. Li's spouse, Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.
- (6) Includes Qiu Hongjun's entitlement to receive up to 2,934,900 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Interest in Associated Corporations

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

Save as disclosed above, as at 28 February 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 28 February 2021, 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⁾	57.74%	Long position
Ms. Li ⁽²⁾	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse/ Other	1,942,152,000 ^{(5)&(6)}	57.89%	Long position
Baikal Lake Investment ⁽²⁾	Interest in controlled corporation/ Other	1,917,500,000	57.15%	Long position
GuangYu Investment ⁽²⁾	Beneficial owner/Other	1,917,500,000	57.15%	Long position
TMF (Cayman) Ltd. ⁽³⁾	Trustee/Other	1,917,500,000	57.15%	Long position
Bank of America Corporation	Interest in controlled corporation	468,637,717	13.97%	Long position
		463,997,687	13.83%	Short position

Notes:

- (1) The calculation is based on the total number of 3,355,139,983 Shares in issue as at 28 February 2021.
- (2) The entire share capital of GuangYu Investment Holdings Limited is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.
- (3) TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.
- (4) Includes Mr. Li's entitlement to receive up to 3,949,800 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Includes Ms. Li's entitlement to receive up to 4,865,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (6) Ms Li's spouse, Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 28 February 2021 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Share Incentive Schemes

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

Details on the movement of the relevant scheme for the six months ended 28 February 2021 is set out in note 14 to the financial information.

1. *Pre-IPO Share Option Scheme*

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as of 28 February 2021. No options were granted during the six months ended 28 February 2021 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 14(a) to the financial information.

Grantee	Position Held	Outstanding balance as at 1 September 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 28 February 2021	Option Period	Exercise Price	Weighted average closing price of the Company's shares immediately before the exercise date
Directors and associates									
Mr. Li	Executive Director; chairman of the Board	7,899,600	–	3,949,800	–	3,949,800	5 years from the date of grant	HK\$0.00001 per Share	7.31
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	9,730,400	–	4,865,200	–	4,865,200	5 years from the date of grant	HK\$0.00001 per Share	7.31
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	2,934,900	–	–	–	2,934,900	15 years from the date of grant	HK\$0.00001 per Share	–
Ge Cong (葛聰)	Director of the universities and spouse of Ms. Li	293,400	–	–	–	293,400	20 years from the date of grant	HK\$0.00001 per Share	–
Subtotal		20,858,300	–	8,815,000	–	12,043,300			
Other employees									
325 employees		111,510,990	–	–	–	111,510,990	Up to 20 years from the date of grant	HK\$0.00001 per Share	–
Subtotal		111,510,990	–	–	–	111,510,990			
TOTAL		132,369,290	–	8,815,000	–	123,554,290			

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

2. *Share Award Scheme*

The summary of the principle terms of the Share Award Scheme, adopted on 8 February 2017, are contained in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme” in Appendix V to the Prospectus. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

As at 28 February 2021, 6,684,800 shares had been granted or agreed to be granted under to 103 selected participants under the Share Award Scheme who are not connected persons of the Company. Details of the Post-IPO Share Award Scheme are set out in Note 14(b) to the consolidated financial statements.

Directors’ Rights to Acquire Shares or Debentures

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA YUHUA EDUCATION CORPORATION LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 64, which comprises the interim condensed consolidated balance sheet of China YuHua Education Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 28 February 2021 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 April 2021

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		28 February 2021 RMB'000 (Unaudited)	29 February 2020 RMB'000 (Unaudited)
Revenue	6	1,365,495	1,260,408
Cost of revenue	7	(510,809)	(527,932)
Gross profit		854,686	732,476
Selling expenses	7	(31,177)	(35,647)
Administrative expenses	7	(118,381)	(122,629)
Net impairment losses on financial assets		(2,036)	(3,444)
Other income		30,728	13,585
Other gains/(losses) — net	8	166,161	(453,949)
Operating profit		899,981	130,392
Finance income		13,817	18,947
Finance expenses		(44,357)	(68,775)
Finance expenses — net		(30,540)	(49,828)
Profit before income tax		869,441	80,564
Income tax credit	9	4,760	4,427
Profit for the period		874,201	84,991
Profit attributable to:			
— Owners of the Company		849,217	17,233
— Non-controlling interests		24,984	67,758
		874,201	84,991
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share	10	0.25	0.01
Diluted earnings per share	10	0.18	0.01

The notes on pages 30 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2021 RMB'000 (Unaudited)	29 February 2020 RMB'000 (Unaudited)
Profit for the period	874,201	84,991
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	91,887	(16,008)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	720	97
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	7,154	14,699
Other comprehensive income/(loss) for the period, net of tax	99,761	(1,212)
Total comprehensive income for the period	973,962	83,779
Total comprehensive income for the period attributable to:		
— Owners of the Company	948,978	16,021
— Non-controlling interests	24,984	67,758
	973,962	83,779

The notes on pages 30 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	3,862,515	3,792,348
Intangible assets	11	1,543,941	1,550,944
Right-of-use assets	11	1,896,567	1,927,981
Other non-current assets		110,423	11,109
Total non-current assets		7,413,446	7,282,382
Current assets			
Trade and other receivables	12	94,427	57,211
Cash and cash equivalents		1,780,455	2,175,197
Restricted cash		145,719	154,372
Financial assets at fair value through profit or loss		—	50,000
Total current assets		2,020,601	2,436,780
Total assets		9,434,047	9,719,162
Equity			
Equity attributable to owners of the Company			
Share capital	13	28	28
Share premium	13	1,336,870	1,546,308
Other reserves		802,898	974,417
Retained earnings		1,956,406	1,109,469
Capital and reserves attributable to owners of the Company		4,096,202	3,630,222
Non-controlling interests		21,991	459,190
Total equity		4,118,193	4,089,412
Liabilities			
Non-current liabilities			
Borrowings	16	690,000	633,326
Deferred income tax liabilities	19	506,075	510,835
Lease liabilities	11	27,979	31,101
Financial liabilities at fair value through profit or loss	17	2,000,063	2,301,148
Deferred income		96,096	97,739
Total non-current liabilities		3,320,213	3,574,149
Current liabilities			
Accruals and other payables	15	598,493	616,168
Borrowings	16	160,463	509,093
Contract liabilities		1,231,744	924,507
Lease liabilities	11	4,941	5,833
Total current liabilities		1,995,641	2,055,601
Total liabilities		5,315,854	5,629,750
Total equity and liabilities		9,434,047	9,719,162

The notes on pages 30 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company										
Note	Share capital (Note 13) (RMB'000)	Share premium (Note 13) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Other comprehensive income (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Balance at 31 August 2020	28	1,546,308	124,950	846,034	129,428	(134,721)	8,726	1,109,469	459,190	4,089,412
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	849,217	24,984	874,201
Currency translation differences	-	-	-	-	-	-	91,887	-	-	91,887
Changes in the fair value of assets at fair value through other comprehensive income	-	-	-	-	-	-	720	-	-	720
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	17	-	-	-	-	-	7,154	-	-	7,154
Total comprehensive income for the period		-	-	-	-	-	99,761	849,217	24,984	973,962
Transfer of accumulated net losses on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	-	2,280	(2,280)	-	-
Total transactions with owners										
Issuance for share award scheme	14	-	41,304	-	-	-	-	-	-	41,304
Transactions with non-controlling interests	21	-	-	(259,017)	-	-	-	-	(462,183)	(721,200)
Exercise of share options		-	26,591	-	(26,591)	-	-	-	-	-
Share-based compensation	14	-	-	-	12,048	-	-	-	-	12,048
Dividends distribution	20	-	(277,333)	-	-	-	-	-	-	(277,333)
Total transactions with owners in their capacity as owners		-	(209,438)	(259,017)	(14,543)	-	-	-	(462,183)	(945,181)
Balance at 28 February 2021	28	1,336,870	(134,067)	846,034	114,885	(134,721)	110,767	1,956,406	21,991	4,118,193

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company										Total (RMB'000)
	Note	Share capital (Note 13) (RMB'000)	Share premium (Note 13) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share- based payments reserve (RMB'000)	Treasury shares (RMB'000)	Other comprehensive income (RMB'000)	Retained earnings (RMB'000)	Non- controlling interests (RMB'000)	
Unaudited											
Balance at 31 August 2019		28	1,803,948	150,046	672,897	130,472	(134,721)	(41,798)	1,080,192	482,511	4,143,575
Change in accounting policy	3	–	–	–	–	–	–	–	(1,424)	–	(1,424)
Restated total equity at 1 September 2019		28	1,803,948	150,046	672,897	130,472	(134,721)	(41,798)	1,078,768	482,511	4,142,151
Comprehensive income											
Profit for the period		–	–	–	–	–	–	–	17,233	67,758	84,991
Currency translation differences		–	–	–	–	–	–	(16,008)	–	–	(16,008)
Changes in the fair value of assets at fair value through other comprehensive income	5	–	–	–	–	–	–	97	–	–	97
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds	17	–	–	–	–	–	–	14,699	–	–	14,699
Total comprehensive income for the period		–	–	–	–	–	–	(1,212)	17,233	67,758	83,779
Total transactions with owners											
Conversion related to the IFC Loan	13	–	166,610	–	–	–	–	–	–	–	166,610
Conversion related to the Prior Convertible Bonds	13	–	10,803	–	–	–	–	–	–	–	10,803
Exercise of share options		–	30,036	–	–	(30,036)	–	–	–	–	–
Share-based compensation	14	–	–	–	–	14,496	–	–	–	–	14,496
Dividends distribution	20	–	(219,042)	–	–	–	–	–	–	–	(219,042)
Total transactions with owners in their capacity as owners		–	(11,593)	–	–	(15,540)	–	–	–	–	(27,133)
Balance at 29 February 2020		28	1,792,355	150,046	672,897	114,932	(134,721)	(43,010)	1,096,001	550,269	4,198,797

The notes on pages 30 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		28 February 2021 RMB'000 (Unaudited)	29 February 2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,140,818	556,611
Interest paid		(12,864)	(61,501)
Net cash generated from operating activities		1,127,954	495,110
Cash flows from investing activities			
Purchases of property, plant and equipment		(157,649)	(125,828)
Payment of prepaid land lease payments		—	(117,508)
Prepayment for construction of a new campus in Henan Province		—	(61,419)
Purchases of intangible assets		(1,858)	(3,159)
Proceeds from disposal of property, plant and equipment		936	1,569
Proceeds from disposal of intangible assets		7	3
Proceeds from disposal of subsidiary		533	—
Purchases of financial instruments at fair value through profit or loss		—	(400,000)
Disposals of financial instruments at fair value through profit or loss		50,406	400,217
Payment related to other non-current assets		(100,000)	—
Acquisition of subsidiaries of prior periods		—	(69,612)
Changes in term deposits with initial term of over three months		—	329,395
Changes in restricted bank deposits		—	(40)
Interest received		474	7,111
Disposals of financial instruments at fair value through other comprehensive income		720	—
Net cash used in investing activities		(206,431)	(39,271)
Cash flows from financing activities			
Issuance of convertible bonds		—	1,876,402
Payment of convertible bonds issuance costs		—	(18,756)
Redemption of convertible bonds		—	(1,388,768)
Acquisition of non-controlling interests	21	(721,200)	—
Dividends paid to owners of the Company		(277,333)	(219,042)
Principal elements of lease payments		(4,941)	(3,464)
Proceeds from borrowings	16	440,000	369,894
Repayments of borrowings	16	(731,956)	(1,608,739)
Net cash used in financing activities		(1,295,430)	(992,473)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,175,197	2,125,719
Exchange losses on cash and cash equivalents		(20,835)	(11,452)
Cash and cash equivalents at end of the period		1,780,455	1,577,633

The notes on pages 30 to 64 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China YuHua Education Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) provide private formal full-coverage education services in the People’s Republic of China (the “PRC”) and the Kingdom of Thailand (“Thailand”) (the “Business”).

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

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

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

Key events

(a) *Transactions with non-controlling interests*

On 22 September 2020 and 26 October 2020, the Group acquired the remaining 7.2% and 22.8% of the issued shares of Hunan Lie Ying Industry Co., Ltd. (“Hunan Lieying”), a previously 70% subsidiary held by the Group, from their respective non-controlling shareholders at purchase considerations of RMB143,200,000 and RMB578,000,000, respectively. Immediately prior to the above transactions, the carrying amount of the existing 7.2% and 22.8% non-controlling interests in Hunan Lieying were RMB108,700,000 and RMB353,483,000 respectively. The Group recognized a decrease in non-controlling interests of RMB462,183,000 and a decrease in equity attributable to owners of the Company of RMB259,017,000. Upon completion of the transactions with non-controlling interests, Hunan Lieying became a wholly owned subsidiary of the Group during the six months ended 28 February 2021.

Details were set out in Note 21.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

Key events (Continued)

(b) Grant of awards pursuant to a share award scheme

On 25 January 2021, the Group awarded a total of 6,684,800 award shares to 103 selected participants who are unconnected grantees under a share award scheme (the “Share Award Scheme”). The closing price of the shares on this grant date was HK\$7.39 per share. The award shares issued represent approximately 0.2002% of the total issued shares of the Company immediately prior to the issue of such shares and approximately 0.1998% of the total issued shares of the Company as enlarged by such issue. As at 28 February 2021, all the awarded shares were vested and exercised. The expenses charged to this interim condensed financial information was amounted to HK\$49,401,000 (equivalent to RMB41,304,000).

Details were set out in Note 14(b).

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 28 February 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2020.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 September 2020:

- Amendments to IAS 1 and IAS 8 — Definition of Material
- Amendments to IFRS 3 — Definition of a Business
- Conceptual Framework for Financial Reporting — Conceptual Framework for Financial Reporting
- Amendments to IFRS 9, IAS 39 and IFRS 7 — Interest rate benchmark reform
- Amendments to IFRS 16 — COVID-19-related rent concessions

The above standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted

New Standards, interpretations and amendments		Effective for accounting periods beginning on
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 August 2020.

Estimation of the fair value of certain financial instruments

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

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2020.

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

5.2 Liquidity risk

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

As at 28 February 2021, the Group had cash and cash equivalents of RMB1,780,455,000 (31 August 2020: RMB2,175,197,000) and trade receivables of RMB15,505,000 (31 August 2020: RMB11,967,000) that are expected to readily generate cash inflows for managing liquidity risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over five years RMB'000	Total RMB'000
Unaudited					
As at 28 February 2021					
Borrowings (principal plus interests)	189,362	224,450	510,484	—	924,296
Convertible bonds	15,682	15,682	1,771,186	—	1,802,550
Lease Liabilities	5,090	4,198	19,288	13,718	42,294
Accruals and other payables (excluding non-financial liabilities)	476,954	—	—	—	476,954
	687,088	244,330	2,300,958	13,718	3,246,094
Audited					
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
Leases 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

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 28 February 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at 28 February 2021 and 31 August 2020:

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Level 3 Assets		
Financial assets at fair value through profit or loss	—	50,000
Liabilities		
Financial liabilities at fair value through profit or loss	2,000,063	2,301,148

The following table presents the movement in level 3 financial assets for the six months ended 28 February 2021:

	Fair value measurements using significant unobservable inputs (level 3) RMB'000
Balance at 1 September 2020	50,000
Additions	—
Settlements	(50,406)
Gains and losses recognised in profit or loss	406
Balance at 28 February 2021	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

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

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

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2021:

	Convertible Bonds (level 3) RMB'000
Balance at 1 September 2020	2,301,148
Additions	—
Settlements	—
Gains and losses recognised in profit or loss	(167,275)
Gains and losses recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(7,154)
Exchange difference	(126,656)
Balance at 28 February 2021	2,000,063
Changes in unrealized gains or losses included in profit or loss for the period	(167,275)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

As at 28 February 2021, the carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash and trade and other receivables, and financial liabilities, including accruals and other payables, approximated their fair values due to the short maturities.

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

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

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

Convertible Bonds due 2024	Fair value RMB'000	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 August 2020	2,301,148	Dividend yield: 3.00% Volatility: 43.83% Risk free rate: 0.27% Internal rate of return: 4.19% 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;
As at 28 February 2021	2,000,063	Dividend yield: 3.00% Volatility: 43.60% Risk free rate: 0.42% Internal rate of return: 5.07% Bond yield: 5.20%	Increased dividend yield 1% would decrease fair value by RMB24,841,000; Increased volatility 1% would increase fair value by RMB10,997,000; Increased risk free rate 0.08% would increase fair value by RMB559,000; Increased bond yield 1% would decrease fair value by RMB37,034,000;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The Group's valuation processes

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION

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

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

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

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

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

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group’s total revenue for the six months ended 28 February 2021 and 29 February 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

The information of the reportable segments provided to the CODM for the six months ended 28 February 2021 and 29 February 2020 is as follows:

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended						
28 February 2021						
Revenue	26,795	328,116	1,010,584	1,113	(1,113)	1,365,495
Cost of revenue	(18,864)	(188,702)	(303,243)	—	—	(510,809)
Gross profit	7,931	139,414	707,341	1,113	(1,113)	854,686
Selling expenses	(61)	(5,091)	(26,025)	—	—	(31,177)
Administrative expenses	(1,970)	(21,657)	(77,978)	(17,889)	1,113	(118,381)
Net impairment losses on financial assets	—	—	(2,036)	—	—	(2,036)
Other income	10	15,214	14,542	962	—	30,728
Other (losses)/gains — net	(38)	(222)	(2,487)	168,908	—	166,161
Operating profit	5,872	127,658	613,357	153,094	—	899,981
Finance income (expenses) — net	126	376	12,346	(43,388)	—	(30,540)
Profit before income tax	5,998	128,034	625,703	109,706	—	869,441
Income tax credit	—	843	3,917	—	—	4,760
Profit for the period	5,998	128,877	629,620	109,706	—	874,201

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
As at 28 February 2021						
Total assets	183,584	2,858,751	9,072,766	3,402,648	(6,083,702)	9,434,047
Total liabilities	44,924	1,160,283	3,077,011	7,277,493	(6,243,857)	5,315,854
Other segment information						
For the six months ended						
28 February 2021						
Additions to non-current assets	227	6,772	398,721	296	—	406,016
Depreciation and amortisation	(666)	(22,733)	(100,733)	(1,595)	—	(125,727)
Losses on disposal of property, plant and equipment	38	192	5,121	53	—	5,404

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
The PRC	1,284,830	1,174,577
The Thailand	80,665	85,831
	1,365,495	1,260,408

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

	As at	As at
	28 February 2021 (RMB'000) (Unaudited)	31 August 2020 (RMB'000) (Audited)
The PRC	7,022,980	6,978,911
The Thailand	290,466	303,471
	7,313,446	7,282,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EXPENSES BY NATURE

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Employee benefit expenses	347,716	342,315
— Wages, salaries, bonus and other welfare	294,364	327,819
— Share-based compensation expenses (Note 14 (a))	12,048	14,496
— Share Award Scheme expenses (Note 14 (b))	41,304	—
Depreciation of property, plant and equipment (Note 11)	88,198	86,433
Depreciation of right-of-use assets (Note 11)	28,714	28,300
Amortisation of intangible assets (Note 11)	8,815	15,903
Canteen expenditure	19,312	13,736
Student training and scholarship expenses	29,272	40,140
School consumables	20,269	21,015
Utilities expenses	22,190	24,272
Maintenance expenses	17,375	18,296
Marketing expense	23,543	20,595
Operating lease payments	2,482	2,444
Office expenses	33,390	42,642
Consultancy and professional fee	7,717	10,524
Travel and entertainment expense	5,494	7,932
Other expenses	5,880	11,661
	660,367	686,208

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8 OTHER GAINS/(LOSSES) — NET

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Net gains or (losses) on financial liabilities at fair value through profit or loss as at period end	167,275	(163,014)
Net losses on redemption of the Prior Convertible Bonds	—	(297,461)
Net gains on conversion of the convertible loans under the IFC Loan	—	6,941
Losses on disposal of property, plant and equipment	(5,404)	(1,202)
Gain on disposal of financial assets at fair value through profit or loss	406	217
Donation	(976)	570
Write-off long aged payables	4,860	—
	166,161	(453,949)

9 INCOME TAX CREDIT

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	—	—
Deferred tax		
Decrease in deferred tax assets (Note 19)	(310)	(500)
Decrease in deferred tax liabilities (Note 19)	5,070	4,927
Deferred tax expense for the period	4,760	4,427
Income tax credit	4,760	4,427

(a) Cayman Islands profits tax

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

(b) British Virgin Islands profit tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 INCOME TAX CREDIT (CONTINUED)

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 28 February 2021 and 29 February 2020.

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

CIT is provided on assessable profits of entities incorporation in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 28 February 2021 and 29 February 2020.

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

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

(e) Thailand corporate income tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 28 February 2021 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2021.

	Six months ended	
	28 February 2021 (Unaudited)	29 February 2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	849,217	17,233
Weighted average number of ordinary shares in issue (thousand)	3,341,205	3,292,972
Basic earnings per share (RMB)	0.25	0.01

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 28 February 2021 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2021 (Unaudited)	29 February 2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	849,217	17,233
Adjustments for:		
— interest savings and fair value change on Convertible Bonds	(159,196)	—
Adjusted profit attributable to owners of the Company (RMB'000)	690,021	17,233
Weighted average number of ordinary shares in issue (thousands)	3,341,205	3,292,972
Adjustments for:		
— Pre-IPO share options (thousands)	95,927	89,526
— Convertible Bonds	306,158	—
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	3,743,290	3,382,498
Diluted earnings per share (RMB)	0.18	0.01

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

	Property, plant and equipment (RMB'000) (Unaudited)	Trademark (RMB'000) (Unaudited)	Student base (RMB'000) (Unaudited)	Goodwill (RMB'000) (Unaudited)	Other intangible assets (RMB'000) (Unaudited)
Six months ended 28 February 2021					
Opening net book amount	3,792,348	445,302	2,522	1,084,625	18,495
Additions	404,158	—	—	—	1,858
Disposals	(6,340)	—	—	—	(7)
Transfer upon completion	(237,151)	—	—	—	—
Depreciation and amortisation	(88,198)	(2,158)	(2,522)	—	(4,135)
Exchange differences	(2,302)	—	—	—	(39)
Closing net book amount as at 28 February 2021	3,862,515	443,144	—	1,084,625	16,172
Six months ended 29 February 2020					
Opening net book amount	3,705,965	453,130	8,828	1,084,625	23,796
Additions	119,641	—	—	—	3,159
Disposals	(2,771)	—	—	—	(3)
Depreciation and amortisation	(86,433)	(5,515)	(6,306)	—	(4,082)
Exchange differences	(4,499)	(169)	—	—	(101)
Adjustment for IFRS 16	(31,475)	—	—	—	—
Closing net book amount as at 29 February 2020	3,700,428	447,446	2,522	1,084,625	22,769

- (i) As at 28 February 2021, no buildings of the Group were pledged as security for bank borrowings of the Group (31 August 2020: RMB110,640,000).
- (ii) As at 28 February 2021, the carrying amount of buildings without building ownership certificates was RMB1,728,653,000 (31 August 2020: RMB1,644,045,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB21,950,000 as at 28 February 2021 (31 August 2020: RMB22,276,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(B) LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 28 February 2021 (RMB'000) (Unaudited)	As at 31 August 2020 (RMB'000) (Audited)
Right-of-use assets		
— Buildings	47,445	51,837
— Prepaid land lease payments	1,848,818	1,875,670
— Vehicles	304	474
	1,896,567	1,927,981
Lease liabilities		
— Current	4,941	5,833
— Non-current	27,979	31,101
	32,920	36,934

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

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

	Six months ended 28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Depreciation charge of right-of-use assets		
— Buildings	(4,355)	(5,596)
— Prepaid land lease payments	(24,200)	(22,507)
— Vehicles	(159)	(197)
	(28,714)	(28,300)
Interest expense (included in finance cost)	988	1,370
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,446	1,944
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	36	500

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11(B) LEASES (CONTINUED)

- (iii) The Group's leasing activities and how these are accounted for
The Group leases various offices, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 20 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.
- (iv) The Group's land use rights are either purchased from or allocated by the government or companies.
- (v) The carrying value of the land use right allocated by the government of RMB530,111,000 (31 August 2020: RMB537,485,000) as at 28 February 2021, has no definite life of use stated in the relevant land use right certificates.
- (vi) As at 28 February 2021, no land use right of the Group was pledged as security for bank borrowings of the Group (31 August 2020: RMB110,630,000).
- (vii) As at 28 February 2021, the carrying amount of prepaid land lease payments without land use right certificates was RMB19,603,000 (31 August 2020: RMB20,091,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB11,141,000 as at 28 February 2021 (31 August 2020: RMB11,493,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 TRADE AND OTHER RECEIVABLES

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Trade receivables		
Due from students	20,231	14,858
Provision for impairment	(4,726)	(2,891)
	15,505	11,967
Other receivables		
Receivables from local government	56,673	21,953
Deposits	3,700	3,451
Receivables for disposal of subsidiaries	—	533
Staff advance	9,007	7,484
Interest receivables	572	110
Others	2,970	3,310
Provision for impairment	(239)	(38)
	72,683	36,803
Prepayment		
Prepaid expenses	6,239	8,441
	94,427	57,211

As at 28 February 2021 and 31 August 2020, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 28 February 2021 (RMB'000) (Unaudited)	As at 31 August 2020 (RMB'000) (Audited)
Less than 1 year	16,617	14,216
Over 1 year	3,614	642
	20,231	14,858

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK\$
Unaudited		
As at 28 February 2021	50,000,000,000	500,000

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2020	3,339,640,183	HK\$33,396.40	28	1,546,308	1,546,336
Share issued upon exercise of share-based compensation	8,815,000	HK\$88.00	—	26,591	26,591
Share Award Scheme	6,684,800	HK\$67.00	—	41,304	41,304
Dividends distribution	—	—	—	(277,333)	(277,333)
Balance at 28 February 2021	3,355,139,983	HK\$33,551.40	28	1,336,870	1,336,898

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

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

	Unaudited Six months ended 28 February 2021	
	Average exercise price in HK\$ per share option	Number of share options
Opening balance	0.00001	132,369,290
Share options exercised	0.00001	(8,815,000)
Closing balance	0.00001	123,554,290
Exercisable at period end	0.00001	637,190

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

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

Share options outstanding as at 28 February 2021 have the following expiry date and exercise prices:

Expiry date	Unaudited 28 February 2021	
	Exercise price in HK\$ per share option	Number of share options
1 September 2036	0.00001	123,554,290

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

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

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2021, 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 28 February 2021, 1,565,800 share options have been vested, and 29,290 share options not exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2021, 440,200 share options have been vested and exercised.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

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

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2021, 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 28 February 2021, 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 28 February 2021, 35,260,000 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2021, 9,000,000 share options have been vested and exercised.

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

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

The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of profit or loss over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2021 amounted to HK\$13,993,000 (equivalent to RMB12,048,000) (2020: HK\$16,837,000, equivalent to RMB14,496,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Award Scheme

On 25 January 2021, the Group awarded a total of 6,684,800 award shares to 103 selected participants who are unconnected grantees under the Share Award Scheme, and all the award shares were exercised at the same day. The closing price of the shares on this grant date was HK\$7.39 per share. As at 28 February 2021, the total 6,684,800 award shares were vested and exercised.

The fair value of the award shares is determined by the total shares awarded and exercised multiplied by the closing price of the shares on this grant date, and it is charged to the consolidated statement of profit or loss when the award shares were exercised. Total expenses related to the Share Award Scheme charged to this interim condensed financial information was amounted to HK\$49,401,000 (equivalent to RMB41,304,000) (2020: nil).

15 ACCRUALS AND OTHER PAYABLES

	As at 28 February 2021 (RMB'000) (Unaudited)	As at 31 August 2020 (RMB'000) (Audited)
Amounts due to related parties (Note 22)	9,925	9,567
Payables in relation to the acquisition of subsidiaries	134,185	134,712
Payables for purchases of property, plant and equipment	110,272	101,494
Salary and welfare payables	89,351	124,204
Defined pension benefits	9,989	9,579
Deposits received	29,005	30,385
Miscellaneous expenses received from students	93,592	75,519
Payables for teaching materials and other operating expenditure	37,913	38,591
Payables for contracting canteens	772	770
Government subsidies payable to students and teachers	22,147	32,937
Audit and consulting fees	5,219	7,677
Interest payables	3,444	3,591
Taxes payable	22,199	16,902
Legal claim payables	6,589	6,589
Others	23,891	23,651
	598,493	616,168

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	690,000	633,326
	690,000	633,326
Current		
Secured		
Bank loans	160,463	509,093
	160,463	509,093
Total borrowings	850,463	1,142,419

(a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 28 February 2021	
Opening amount as at 1 September 2020	1,142,419
Restated opening net book amount	
Proceeds of new borrowings(i)	440,000
Settlement of borrowings by repayment in cash	(731,956)
Closing amount as at 28 February 2021	850,463
Six months ended 29 February 2020	
Opening amount as at 1 September 2019	1,572,373
Adjustments for change in accounting policy	(21,760)
Restated opening net book amount	1,550,613
Transfer from the IFC Loan	689
Proceeds of new borrowings	369,894
Settlement of borrowings by repayment in cash	(1,608,739)
Settlement by offsetting deposits for the respective borrowings	(10,550)
Closing amount as at 29 February 2020	301,907

Note:

(i) The bank loans carry interest rate is 4.200%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS (CONTINUED)

(b) As at 28 February 2021, there were no undrawn bank facility (31 August 2020: RMB240,000,000).

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

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Bank borrowings		
Guaranteed by related party	850,000	650,000
Pledged with land use rights and property, plant and equipment	—	41,733
Guaranteed and pledged by subsidiaries of the Group	463	686
Pledged with right over the tuition fee and accommodation fee	—	200,000
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	—	250,000
	850,463	1,142,419

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Non-current		
Convertible Bonds due 2024	2,000,063	2,301,148

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

Issuance of the Convertible Bonds due 2024

On 27 December 2019 (the “Issue Date”), 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 during prior period.

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 31 August 2020 and 28 February 2021 were of RMB2,301,148,000 and RMB2,000,063,000, respectively (Note 5.3). The changes in the fair value that were attributable to the changes in the liability’s credit risk of RMB7,154,000 during the period were charged to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB162,275,000 were charged to other gains (Note 8).

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 28 February 2021 is HK\$6.8200 per share.

As at 28 February 2021, no conversion related to the Convertible Bonds due 2024 was exercised by the holders.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 COMMITMENTS

(a) Capital commitments

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

	As at 28 February 2021 (RMB'000) (Unaudited)	As at 31 August 2020 (RMB'000) (Audited)
Construction project of a new campus	924,221	1,015,173
	924,221	1,015,173

19 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:

Deferred tax assets

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Opening amount	20,194	20,184
Charged to profit or loss (Note 9)	(310)	10
Closing amount	19,884	20,194

Deferred tax liabilities

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Opening amount	(531,029)	(541,249)
Charged to profit or loss (Note 9)	5,070	10,220
Closing amount	(525,959)	(531,029)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities (net)

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Opening amount	(510,835)	(521,065)
Charged to profit or loss (Note 9)	4,760	10,230
Closing amount	(506,075)	(510,835)

20 DIVIDENDS

On 27 April 2021, the Board of Directors has resolved to declare an interim dividend of HK\$0.123 (2020: HK\$0.082) per share to shareholders whose names appear on the register of members of the Company at the close of business on 15 June 2021. This interim dividend, amounting to HK\$414,113,000 (2020: HK\$273,850,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company On 24 June 2021.

A dividend in respect of the year ended 31 August 2020 of HK\$0.092 per share amounting to a total dividend of HK\$308,673,000 (equivalent to RMB277,333,000) was approved at the annual general meeting held on 1 February 2021 and paid on 22 February 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 22 September 2020 and 26 October 2020, the Group acquired the remaining 7.2% and 22.8% of the issued shares of Hunan Lie Ying Industry Co., Ltd. (“Hunan Lieying”), a previously 70% subsidiary held by the Group at purchase considerations of RMB143,200,000 and RMB578,000,000, respectively. Immediately prior to the above transactions, the carrying amount of the existing 7.2% and 22.8% non-controlling interests in Hunan Lie Ying Industry Co., Ltd. were RMB108,700,000 and RMB353,483,000 respectively. The Group recognized a decrease in non-controlling interests of RMB462,183,000 and a decrease in equity attributable to owners of the parent of RMB259,017,000.

The transactions were achieved by the following steps: (i) Changsha Jiuzhao Education Technology Co., Ltd. (“Changsha Jiuzhao”) was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua at respective shareholding of 40% and 60% on 19 June 2020; (ii) on 30 September 2020, certain contractual arrangements were entered into among Xizang Yuanpei Information Technology Management Company Limited (“Xizang Yuanpei”), a wholly owned subsidiary of the Company, Changsha Jiuzhao and Mr. Li Guangyu and Ms. Li Hua. With effect of the contractual arrangement, the Directors of the Group concluded that the Group has control over Changsha Jiuzhao as a result of the contractual arrangement; (iii) on 22 September and 26 October 2020, 7.2% and 22.8% equity interests of Hunan Lieying was acquired by Changsha Jiuzhao.

Upon completion of the transactions above, Hunan Lieying became a wholly owned subsidiary of the Group.

The effect on the equity attributable to the owners of China YuHua Education Limited during the period is summarized as follows:

	As at 28 February 2021 (RMB'000) (Unaudited)
Carrying amount of non-controlling interests acquired	462,183
Consideration paid to non-controlling interests	(721,200)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(259,017)

There were no other transactions with non-controlling interests during the six months ended 28 February 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties:

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

(a) Transactions with related parties

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Purchases of office building lease services	358	358
— A company controlled by the Controlling Shareholder's family	192	192
— Ms. Liu Chunhua	89	89
— Ms. Li Hua	77	77

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 28 February 2021 RMB'000 (Unaudited)	As at 31 August 2020 RMB'000 (Audited)
Amounts due to related parties		
– The Controlling Shareholder	8,201	8,035
– Zhengzhou Corn Culture Communication Co., Ltd.	1,724	1,532
	9,925	9,567

As at 28 February 2021, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due to the Controlling Shareholder and related parties are unsecured.

(c) Key management compensation

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

	Six months ended	
	28 February 2021 (RMB'000) (Unaudited)	29 February 2020 (RMB'000) (Unaudited)
Wages, salaries and bonuses	1,398	2,080
Contributions to pension plans	46	83
Welfare and other expenses	54	76
Share-based payments	10,496	10,496
	11,994	12,735

DEFINITIONS

“2024 Convertible Bonds”	the 0.90% convertible bonds issued by the Company in an aggregate principal amount of HK\$2,088 million due in 2024, which are listed on the Stock Exchange (stock code: 40109)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baikal Lake Investment”	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2016 and the sole shareholder of GuangYu Investment and one of the Company’s Controlling Shareholders
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this interim report, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“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
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
“Corporate Governance Code”	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
“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
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFC Loan”	the loan provided by International Finance Corporation to the Company pursuant to the terms of the IFC Loan Agreement
“IFC Loan Agreement”	the loan agreement entered into between the Company, China YuHua Education Investment Limited, China HongKong YuHua Education Limited, and International Finance Corporation on 31 May 2018
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares on 16 February 2017
“K-12”	kindergarten to grade 12
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maturity Date”	27 December 2024, being the date on which the 2024 Convertible Bonds mature
“Mr. Li”	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
“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

DEFINITIONS (CONTINUED)

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC Holdcos”	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
“Pre-IPO Share Option Scheme”	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended 28 February 2021
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the Company
“Share Award Scheme”	the share award scheme approved and adopted by the then sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“YuHua Investment Management”	YuHua Investment Management Co., Ltd. (宇華投資管理有限 公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos

DEFINITIONS (CONTINUED)

“Zhengzhou YuHua Education Investments”	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos
“Zhengzhou Zhongmei Education Investments”	Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos
“%”	percent

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