

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## CHINA YUHUA EDUCATION CORPORATION LIMITED

### 中国宇华教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6169)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2022 AND RESUMPTION OF TRADING

### HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of China YuHua Education Corporation Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2022 (the “**Reporting Period**”). These annual results have been reviewed by the Company’s audit committee and the Company’s auditors, PricewaterhouseCoopers.

	Year ended 31 August		Change (%)
	2022 (RMB'000)	2021 (RMB'000)	
Revenue	2,380,372	2,258,583	+5.4%
Gross Profit	1,418,942	1,518,626	-6.6%
Adjusted Gross Profit <sup>1</sup>	1,463,139	1,564,445	-6.5%
Adjusted Net Profit attributable to the owners of the Company <sup>2</sup>	1,242,516	1,266,857	-1.9%

*Notes:*

1. The Adjusted Gross Profit for the year ended 31 August 2022 and 2021 are calculated as gross profit for the period, excluding (i) the impact from share-based expense (in cost of revenue) and (ii) additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and its subsidiaries (including Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) (“**Hunan Lie Ying**”), which in turn owns the entire sponsorship interests in Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心), collectively “**HIEU Schools**”), Kaifeng City Yubohui Education Information Consulting Co., Ltd. (“**Yubohui Education**”) and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School (“**Bowang High School**”)), Thai Education Holdings Co., Ltd. (“**TEDCO**”) and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).
2. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2022 is calculated as the net profit attributable to the owners of the Company, excluding (i) the impact from share-based compensation expense; (ii) additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iii) government grants recognised during the period; and (iv) fair value losses on convertible bond and convertible loan recognised during the period. The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2021 is calculated as the net profit attributable to the owners of the Company, excluding (i) the net loss from discontinued operations (i.e. K-9 schools) during the period; (ii) the impact from share-based compensation expense to continued operations (i.e. non K-9 schools); (iii) additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets mentioned above in (1); (iv) government grants recognised to continued operations (i.e. non K-9 schools) during the period; and (v) fair value changes on convertible bond and convertible loan recognised during the period.

### **Non-IFRS Measures**

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

## Calculation of Adjusted Gross Profit

	Year ended 31 August	
	2022 (RMB'000)	2021 (RMB'000)
<b>Gross Profit</b>	<b>1,418,942</b>	1,518,626
Add: Share-based compensation expense in Cost of revenue	<b>6,375</b>	5,855
Add: Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	<b>11,045</b>	10,522
— Bowang High School	<b>1,542</b>	4,223
— Shandong Yingcai University	<b>20,947</b>	20,931
— Stamford International University	<b>4,288</b>	4,288
<b>Adjusted Gross Profit</b>	<b>1,463,139</b>	1,564,445

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

	Year ended 31 August	
	2022 (RMB'000)	2021 (RMB'000)
<b>Net Profit attributable to the owners of the Company</b>	<b>1,125,705</b>	824,510
Add: Net loss from K-9 schools	—	864,635
Add: Share-based compensation expense in Cost of revenue	<b>6,375</b>	5,855
Add: Share-based compensation expense in Administrative expenses	<b>10,924</b>	7,457
Add: Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
— HIEU Schools	<b>11,153</b>	10,059
— Bowang High School	<b>1,190</b>	2,956
— Shandong Yingcai University	<b>20,947</b>	20,931
— Stamford International University	<b>4,288</b>	4,288
Add: Changes in fair value on convertible bond and convertible loan <sup>1</sup>	<b>73,436</b>	(459,810)
Less: Government grants	<b>(11,502)</b>	(14,024)
<b>Adjusted Net Profit attributable to owners of the Company</b>	<b>1,242,516</b>	1,266,857

Note:

1. Details are set out in Note 4: Other (losses)/gains — net

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August	
		2022 RMB'000	2021 RMB'000
<b>Continuing operations</b>			
Revenue	3	2,380,372	2,258,583
Cost of revenue	5	<u>(961,430)</u>	<u>(739,957)</u>
<b>Gross profit</b>		<b>1,418,942</b>	<b>1,518,626</b>
Selling expenses	5	(27,893)	(41,218)
Administrative expenses	5	(198,847)	(194,903)
Net impairment losses on financial assets		(3,102)	(2,375)
Other income		20,336	22,408
Other (losses)/gains — net	4	<u>(63,510)</u>	<u>459,113</u>
<b>Operating profit</b>		<b>1,145,926</b>	<b>1,761,651</b>
Finance income		41,153	18,341
Finance expenses		<u>(60,780)</u>	<u>(71,246)</u>
Finance expenses — net		<u>(19,627)</u>	<u>(52,905)</u>
<b>Profit before income tax</b>		<b>1,126,299</b>	<b>1,708,746</b>
Income taxation	6	<u>8,654</u>	<u>8,665</u>
<b>Profit for the year from continuing operations</b>		<b><u>1,134,953</u></b>	<b><u>1,717,411</u></b>
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations, net of tax</b>		<u>—</u>	<u>(864,635)</u>
<b>Profit for the year</b>		<b><u><u>1,134,953</u></u></b>	<b><u><u>852,776</u></u></b>

	Note	Year ended 31 August	
		2022 RMB'000	2021 RMB'000
<b>Profit attributable to:</b>			
Owners of the Company			
— Continuing operations		1,125,705	1,689,145
— Discontinued operations		—	(864,635)
		<u>1,125,705</u>	<u>824,510</u>
Non-controlling interests			
— Continuing operations		9,248	28,266
— Discontinued operations		—	—
		<u>9,248</u>	<u>28,266</u>
		<u><b>1,134,953</b></u>	<u><b>852,776</b></u>
<b>Earnings per share attributable to owners of the Company (RMB Yuan)</b>			
<b>Basic earnings/(loss) per share</b>	7		
Continuing operations		0.32	0.50
Discontinued operations		—	(0.26)
		<u>0.32</u>	<u>0.24</u>
<b>Diluted earnings/(loss) per share</b>	7		
Continuing operations		0.31	0.33
Discontinued operations		—	(0.23)
		<u>0.31</u>	<u>0.10</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 August	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>		<b>1,134,953</b>	852,776
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(72,510)	93,089
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value related to the changes in credit risk of convertible bonds		39,571	48,243
Changes in fair value of equity investments at fair value through other comprehensive income		—	720
Remeasurements of post-employment benefit obligations		932	2,253
Currency translation differences		43,763	—
<b>Other comprehensive income for the year, net of tax</b>		<b>11,756</b>	144,305
<b>Total comprehensive income for the year</b>		<b>1,146,709</b>	997,081
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		1,137,461	968,815
Non-controlling interests		9,248	28,266
		<b>1,146,709</b>	997,081
<b>Total comprehensive income for the year attributable to owners of the Company arises from:</b>			
Continuing operations		1,137,461	1,833,450
Discontinued operations		—	(864,635)
		<b>1,137,461</b>	968,815

## CONSOLIDATED BALANCE SHEET

		As at 31 August	
	Note	2022	2021
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,706,284	3,624,140
Intangible assets		1,531,545	1,538,351
Right-of-use assets		1,892,066	1,818,941
Other non-current assets		34,277	17,713
<b>Total non-current assets</b>		<b>7,164,172</b>	<b>6,999,145</b>
<b>Current assets</b>			
Trade and other receivables	9	76,272	104,726
Restricted cash		11,576	150,523
Cash and cash equivalents		4,240,783	1,655,884
<b>Total current assets</b>		<b>4,328,631</b>	<b>1,911,133</b>
<b>Total assets</b>		<b>11,492,803</b>	<b>8,910,278</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	30	28
Share premium	13	1,741,528	966,087
Reserves		1,283,979	1,032,364
Retained earnings		2,762,999	1,758,824
		<b>5,788,536</b>	<b>3,757,303</b>
<b>Non-controlling interests</b>		<b>34,521</b>	<b>25,273</b>
<b>Total equity</b>		<b>5,823,057</b>	<b>3,782,576</b>



		<b>As at 31 August</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	11	<b>430,000</b>	639,980
Deferred income tax liabilities	8	<b>493,516</b>	502,170
Lease liabilities		<b>12,564</b>	16,492
Financial liabilities at fair value through profit or loss	12	—	1,667,555
Deferred income		<b>172,628</b>	94,978
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,108,708</b>	2,921,175
		<hr/>	<hr/>
<b>Current liabilities</b>			
Accruals and other payables	10	<b>1,077,602</b>	1,086,820
Contract liabilities		<b>1,471,401</b>	904,448
Lease liabilities		<b>4,732</b>	4,888
Borrowings	11	<b>210,198</b>	210,371
Financial liabilities at fair value through profit or loss	12	<b>1,797,105</b>	—
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>4,561,038</b>	2,206,527
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>5,669,746</b>	5,127,702
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>11,492,803</b>	8,910,278
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations (continuing operations)		2,205,241	1,835,491
Interest paid		(56,004)	(58,306)
Interest received		34,007	14,684
		<u>2,183,244</u>	<u>1,791,869</u>
Discontinued operations		—	208,150
		<u>2,183,244</u>	<u>2,000,019</u>
<b>Cash flows from investing activities</b>			
Payment of prepaid land lease payments		(133,301)	—
Purchases of property, plant and equipment		(313,566)	(236,152)
Purchases of intangible assets		(4,433)	(2,126)
Purchases of financial assets at fair value through profit or loss		—	(50,665)
Disposal of financial assets at fair value through profit or loss		—	101,086
Payments for acquisition of subsidiaries in the prior years		—	(134,712)
Changes in restricted cash		138,947	3,849
Interest received		2,269	2,230
Payment related to other non-current assets		—	(100,000)
Repayment related to other non-current assets		—	100,000
Proceeds from disposal of property, plant and equipment		635	1,070
Proceeds from disposal of intangible assets		161	9
Proceeds from disposal of subsidiaries		—	533
Proceeds from disposal of leasehold land		15,003	—
Disposals of financial instruments at fair value through other comprehensive income		—	720
		<u>(294,285)</u>	<u>(314,158)</u>

	Note	Year ended 31 August	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents of the Affected Business over which control was lost		—	(547,367)
Discontinued operations		—	13,554
		<u>          </u>	<u>          </u>
Net cash used in investing activities		<b>(294,285)</b>	<b>(847,971)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares	13	<b>752,743</b>	—
Proceeds from borrowings		<b>209,000</b>	440,000
Repayments of borrowings		<b>(419,153)</b>	(602,068)
Principal elements of lease payments or finance lease payments		<b>(5,106)</b>	(5,358)
Dividends paid to shareholders of the Company		—	(648,116)
Proceeds from disposal of treasury shares	13	<b>106,824</b>	—
Transactions with non-controlling interests		—	(721,200)
		<u>          </u>	<u>          </u>
Discontinued operations		<b>644,308</b>	(1,536,742)
		<u>          </u>	<u>          </u>
Net cash generated from/(used in) financing activities		<b>644,308</b>	<b>(1,667,142)</b>
		<u>          </u>	<u>          </u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,533,267</b>	<b>(515,094)</b>
Cash and cash equivalents at beginning of the year		<b>1,655,884</b>	2,175,197
Exchange gains/(losses) on cash and cash equivalents		<b>51,632</b>	(4,219)
		<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at end of the year</b>		<b><u>4,240,783</u></b>	<b><u>1,655,884</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

China YuHua Education Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of private formal education from high school to university education services in mainland China and the Kingdom of Thailand (“**Thailand**”) (the “**Business**”).

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

The Group conducts a substantial portion of its businesses through control of certain entities established in mainland China, together with their wholly-owned schools, by way of contractual agreements (collectively the “**Consolidated Affiliated Entities**”), due to the regulatory restrictions on foreign ownership of schools in mainland China. During the year, the Board of Directors (the “**Directors**”) re-assessed and concluded that the contractual agreements continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable. Accordingly, the Directors are of the view that the Company continues to control over the Consolidated Affiliated Entities and therefore consolidates the Consolidated Affiliated Entities in this consolidated financial information.

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

The financial statements are presented in Renminbi (“**RMB**”).

## 2 Summary of significant accounting policies

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

## 2.1 Basis of preparation

### 2.1.1 Going concern

As at 31 August 2022, the Group's current liabilities exceeded its current assets by RMB232,407,000. Included in the current liabilities as at 31 August 2022 were convertible bonds classified under financial liabilities at fair value through profit or loss of RMB1,797,105,000 ("**Convertible Bonds**", which was issued in Hong Kong and due on 27 December 2024, Note 12); contract liabilities of RMB1,471,401,000 (being annual tuition and boarding fees received in advance which do not involve future cash outflows (Note 3)); and a current borrowing of RMB210,198,000 (Note 11). In addition, the Group also had a non-current borrowing of RMB430,000,000, the principal of which was all repayable by instalments more than twelve months from the year end date in accordance with the borrowing agreement. As at 31 August 2022, the Group had cash and cash equivalents of RMB4,240,783,000.

According to the terms of the trust deed ("**Trust Deed**") constituting the Convertible Bonds, the holders of the Convertible Bonds (the "**Bondholders**") had rights to require the Company to redeem all or part of the Convertible Bonds at the nominal value together with the accrued interest on 27 December 2022 (the "**Early Redemption Date**"). On 25 October 2022, the Company repurchased and cancelled a portion of the Convertible Bonds with principal amounts of HK\$614,000,000 from certain Bondholders at a total consideration of HK\$428,100,000, resulted in an other gain of approximately HK\$186,000,000. After such repurchase, the outstanding principal amount of the Convertible Bonds was reduced to HK\$1,474,000,000. On 25 November 2022, all of the remaining Bondholders confirmed to exercise of their early redemption rights under the Convertible Bonds. Although the Group had cash and cash equivalents of HK\$4,344,000,000 on the Early Redemption Date, the cash and cash equivalents available outside of mainland China were not sufficient to redeem all of the Convertible Bonds. The Group was also not able to arrange financing facilities outside mainland China before the Early Redemption Date. As a result, the outstanding principal of HK\$1,474,000,000 and the accrued interest of HK\$6,633,000 were not paid by the Company on the Early Redemption Date (the "**Events of Default**"). The following actions have been taken to mitigate the above conditions:

On 12 January 2023, the Company issued a notice to request the remaining Bondholders to approve an extraordinary resolution in accordance with the Trust Deed (the "**Extraordinary Resolution**") which sets out certain revised terms and waivers in relation to the Convertible Bonds. The Extraordinary Resolution was approved by the requisite Bondholders on 18 January 2023 with the revised terms and waivers signed under a supplemental trust deed ("**Supplemental Trust Deed**") effective and became irrevocable on 19 January 2023, details of which are set out below.

- (a) A mandatory redemption by the Company totalling HK\$500,000,000 to all the remaining Bondholders on a pro-rata basis on 30 January 2023. The remaining outstanding aggregate principal amount of HK\$974,000,000 will be fully repayable on 27 December 2024, with interest payable remains at 0.9% per annum payable semi-annually on 27 June and 27 December in each year, provided conversion under (c) below is not triggered.

- (b) The conversion price to the shares of the Company under terms of the Convertible Bonds was amended to HK\$1.65 per share (the “**Amended Conversion Price**”) from the conversion price of HK\$6.68 per share immediately before the amendment.
- (c) A right of mandatory conversion of the Convertible Bonds by the Company when the volume-weighted average price of the Company’s shares for at least 20 trading days (whether or not consecutive) out of any 30 consecutive trading days is at least 130% of the Amended Conversion Price, at any time after 1 March 2023 and prior to the maturity date of 27 December 2024.
- (d) Waivers were granted with respect to the consequences of the Events of Default as stipulated in the Trust Deed, including immediate repayment of the principal and interest amounts and payment of default interests.

On 30 January 2023, the Company redeemed HK\$500,000,000 with the Group’s funding held outside mainland China as mentioned above.

Based on the above, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing. In particular, management is actively considering financing arrangements to meet the repayment obligations outside of mainland China before the maturity of the Convertible Bond. Management has prepared a cashflow projections for 12 months from 31 August 2022 in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The Directors have reviewed the Group’s cash flow projections prepared by management and are of the opinion that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due within twelve months from 31 August 2022. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

### **2.1.2 New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 September 2021:

- *Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

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.

### 2.1.3 New standards and interpretations not yet adopted

The following new and amended standards and interpretations are effective for the fiscal year beginning on 1 September 2021 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on</b>
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	NA
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 above mentioned new or amended standards and interpretations in this annual 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.

### 2.2 Convertible bonds

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

The Group designates convertible bonds as financial liabilities at fair value through profit or loss based on relevant requirements under IFRS. They are initially recognizes at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of convertible bond shall be presented in profit or loss.

When assessing whether the terms of convertible bonds were substantially modified, the Group choose to perform not only quantitative analysis but also qualitative assessment. Under the quantitative analysis, if the convertible bonds' present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liabilities, using the original effective interest rate, the terms were substantially modified under IFRS. The Group's qualitative assessment depends on specific facts and circumstances, in order to identify whether the modifications of terms will significantly affect the economic risks of the convertible bonds. The Group's qualitative assessment considers factors include, but are not limited to, the following:

- A change in the currency in which the liability is denominated,
- A change in the interest basis (such as a change from fixed rate to floating rate, or vice versa),
- A change in any conversion features,
- A substantial change in covenants.

### **2.3 Revenue recognition**

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

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

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

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

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

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



### 3 Revenue and segment information

The Group is principally engaged in the provision of private formal education from high school (Grade 10 to 12) to university education services in mainland China and Thailand.

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

The CODM considers the business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group’s operating segments are aggregated. During the year, in the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics, namely High School and University. For the year ended 31 August 2021, the Group operated Kindergarten and Grade 1–12, including High School, while Grade 1–9 and Kindergarten were disposed of on 31 August 2021.

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

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

The Group has a large number of customers, no single customer accounted for more than 10% of the Group’s total revenue for the years ended 31 August 2022 and 31 August 2021.

	High School RMB'000	University RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<b>Year ended 31 August 2022</b>					
Revenue	228,185	2,152,187	945	(945)	2,380,372
Cost of revenue	(137,087)	(824,343)	—	—	(961,430)
<b>Gross profit</b>	<b>91,098</b>	<b>1,327,844</b>	<b>945</b>	<b>(945)</b>	<b>1,418,942</b>
Selling expenses	(3,972)	(23,921)	—	—	(27,893)
Administrative expenses	(10,953)	(157,144)	(31,695)	945	(198,847)
Net impairment losses on financial assets	—	(3,102)	—	—	(3,102)
Other income	15	20,195	126	—	20,336
Other (losses)/gains — net	(155)	12,484	(75,839)	—	(63,510)
<b>Operating profit</b>	<b>76,033</b>	<b>1,176,356</b>	<b>(106,463)</b>	<b>—</b>	<b>1,145,926</b>
Finance income/(expenses) — net	4,291	28,162	(52,080)	—	(19,627)
<b>Profit before income tax</b>	<b>80,324</b>	<b>1,204,518</b>	<b>(158,543)</b>	<b>—</b>	<b>1,126,299</b>
Income taxation	425	8,229	—	—	8,654
<b>Profit for the year</b>	<b>80,749</b>	<b>1,212,747</b>	<b>(158,543)</b>	<b>—</b>	<b>1,134,953</b>
<b>Loss for the year from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>As at 31 August 2022</b>					
Total assets	1,490,753	11,305,854	3,774,742	(5,078,546)	11,492,803
Total liabilities	527,755	3,498,197	7,093,554	(5,449,760)	5,669,746
<b>Other segment information</b>					
Additions to non-current assets	13,127	405,895	2	—	419,024
Depreciation and amortisation (Note 5)					
— Continuing operations	(24,158)	(205,311)	(2,826)	—	(232,295)
— Discontinued operations	—	—	—	—	—
Loss upon the deconsolidation of the non-current assets related to Affected Business					
— Continuing operations	—	—	—	—	—
— Discontinued operations	—	—	—	—	—
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 4)					
— Continuing operations	(139)	(4,461)	(2)	—	(4,602)
— Discontinued operations	—	—	—	—	—
Borrowings (Note 11)	—	—	(640,198)	—	(640,198)

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
<b>Year ended 31 August 2021</b>						
Revenue	—	234,535	2,024,048	2,186	(2,186)	2,258,583
Cost of revenue	—	(154,989)	(584,968)	—	—	(739,957)
<b>Gross profit</b>	<b>—</b>	<b>79,546</b>	<b>1,439,080</b>	<b>2,186</b>	<b>(2,186)</b>	<b>1,518,626</b>
Selling expenses	—	(5,960)	(35,258)	—	—	(41,218)
Administrative expenses	—	(4,938)	(160,885)	(31,266)	2,186	(194,903)
Net impairment losses on financial assets	—	—	(2,375)	—	—	(2,375)
Other income	—	1,183	20,260	965	—	22,408
Other (losses)/gains — net	—	(49)	389	458,773	—	459,113
<b>Operating profit</b>	<b>—</b>	<b>69,782</b>	<b>1,261,211</b>	<b>430,658</b>	<b>—</b>	<b>1,761,651</b>
Finance income/expenses — net	—	2,134	6,621	(61,660)	—	(52,905)
<b>Profit before income tax</b>	<b>—</b>	<b>71,916</b>	<b>1,267,832</b>	<b>368,998</b>	<b>—</b>	<b>1,708,746</b>
Income taxation	—	1,055	7,610	—	—	8,665
<b>Profit for the year</b>	<b>—</b>	<b>72,971</b>	<b>1,275,442</b>	<b>368,998</b>	<b>—</b>	<b>1,717,411</b>
<b>Loss for the year from discontinued operations</b>	<b>(127,745)</b>	<b>(736,890)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(864,635)</b>
<b>As at 31 August 2021</b>						
Total assets	—	1,747,728	9,964,002	2,801,132	(5,602,584)	8,910,278
Total liabilities	—	539,454	3,314,596	7,343,291	(6,069,639)	5,127,702
<b>Other segment information</b>						
Additions to non-current assets	445	10,725	301,672	3	—	312,845
Depreciation and amortisation (Note 5)						
— Continuing operations	—	(28,212)	(198,995)	(2,932)	—	(230,139)
— Discontinued operations	(1,299)	(14,834)	—	—	—	(16,133)
Loss upon the deconsolidation of the non-current assets related to Affected Business						
— Continuing operations	—	—	—	—	—	—
— Discontinued operations	(7,897)	(314,139)	—	—	—	(322,036)
Losses on disposal of property, plant and equipment and disposal of intangible assets (Note 4)						
— Continuing operations	—	(19)	(7,108)	(37)	—	(7,164)
— Discontinued operations	(51)	(232)	—	—	—	(283)
Borrowings (Note 11)	—	—	—	(850,351)	—	(850,351)

Segment information by location is set out below:

	<b>Year ended 31 August</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue from external customers</b>		
Mainland China	2,235,913	2,109,938
Thailand	144,459	148,645
	<u>2,380,372</u>	<u>2,258,583</u>
	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>		
Mainland China	6,900,981	6,723,441
Thailand	263,191	275,704
	<u>7,164,172</u>	<u>6,999,145</u>

#### **Contract liabilities**

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

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contract liabilities related to tuition and boarding fees (a)	1,465,290	903,670
Others (b)	6,111	778
	<u>1,471,401</u>	<u>904,448</u>

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

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

#### 4 Other (losses)/gains — net

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Net (loss)/gain on financial liabilities at fair value through profit or loss	(73,436)	459,810
Write-back of long-aged payables	2,643	7,171
Gains on disposal of financial assets at fair value through profit or loss	—	421
Losses on disposal of property, plant and equipment	(4,602)	(7,164)
Gains on disposal of leasehold land	14,453	—
Donation	(2,568)	(1,125)
	<u>(63,510)</u>	<u>459,113</u>

#### 5 Expenses by nature

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	550,515	485,731
— Wages, salaries, bonus and other welfare	516,310	452,124
— Share Award Scheme expenses	16,906	20,295
— Share-based compensation expenses	17,299	13,312
Depreciation expenses		
— Depreciation of property, plant and equipment	165,356	162,143
— Depreciation of right-of-use assets	55,891	53,442
Students training and scholarship expenses	141,232	33,483
Office expenses	60,967	49,768
Maintenance expenses	54,461	38,247
School consumables	51,409	19,950
Utilities expenses	29,852	34,731
Marketing expenses	22,682	34,624
Amortisation of intangible assets	11,048	14,554
Consultancy and professional fee	6,548	6,698
Travel and entertainment expenses	5,681	6,707
Canteen expenditure	4,988	5,408
Auditors' remuneration	3,863	5,509
— Audit and related services	3,863	4,759
— Services related to a capital market transaction and broader assurance service engagement	—	750
Operating lease payments	2,238	2,154
Other expenses	21,439	22,929
	<u>1,188,170</u>	<u>976,078</u>

## 6 Income taxation

	<b>Year ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Current tax on profits before income tax for the year	—	—
Deferred income tax		
Decrease in deferred income tax assets (Note 8)	<b>836</b>	1,293
Decrease in deferred income tax liabilities (Note 8)	<b>(9,490)</b>	(9,958)
Total deferred income tax benefit	<b>(8,654)</b>	(8,665)
Income taxation	<b>(8,654)</b>	(8,665)

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

	<b>Year ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Continuing operations</b>		
Profit before income tax	<b>1,126,299</b>	1,708,746
Tax calculated at domestic tax rate applicable to profits in the respective locations	<b>307,130</b>	317,855
Tax effects of tuition and boarding income not subject to tax	<b>(326,452)</b>	(341,859)
Tax losses for which no deferred income tax asset was recognised	<b>10,668</b>	15,339
	<b>(8,654)</b>	(8,665)
<b>Discontinued operations</b>		
Loss before income tax	—	(144,406)
Tax calculated at domestic tax rate applicable to profits in the respective locations	—	(36,102)
Tax effects of tuition and boarding income not subject to tax	—	36,102
	—	—

	<b>Year ended 31 August</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Tax losses</b>		
Unused tax losses for which no deferred income tax asset was recognised	<u>42,672</u>	<u>61,355</u>
Potential tax benefit	<u><u>10,668</u></u>	<u><u>15,339</u></u>

**(a) Cayman Islands**

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

**(b) British Virgin Islands**

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

**(c) Hong Kong**

No provision for Hong Kong profit tax was provided as the Company and the Group did not derive any assessable profits in Hong Kong during the year ended 31 August 2022 and 31 August 2021.

**(d) Mainland China corporate income tax ("CIT")**

Corporate income tax ("CIT") is provided on estimated taxable profits of entities incorporated in mainland China. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from January 2008, the CIT rate applicable to the Group's subsidiaries incorporated in mainland China was 25% (2021: 25%).

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 income tax**

The statutory income tax rate applied on the taxable profits for Thailand companies is 20% (2021: 20%). According to the relevant Thailand regulations, entities which engages in provision of higher education services are not subject to Thailand income taxes.

**7 Earnings per share**

(a) **Basic**

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

	<b>For the year ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	<b>1,125,705</b>	1,689,145
— Discontinued operations	—	(864,635)
Weighted average number of ordinary shares in issue (Thousands)	<b>3,538,476</b>	3,349,018
Basic earnings/(loss) per share (RMB Yuan)		
— Continuing operations	<b>0.32</b>	0.50
— Discontinued operations	—	(0.26)



**(b) Diluted**

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

	<b>For the year ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	<b>1,125,705</b>	1,689,145
— Discontinued operations	—	(864,635)
Adjustments for:		
— impact of convertible bonds (Thousands)	<b>88,987</b>	(443,978)
Adjusted profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	<b>1,214,692</b>	1,245,167
— Discontinued operations	—	(864,635)
Weighted average number of ordinary shares in issue (Thousands)	<b>3,538,476</b>	3,349,018
Adjustments for:		
— impact of convertible bonds (Thousands)	<b>312,575</b>	312,575
— Pre-IPO share options (Thousands)	<b>51,454</b>	92,929
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	<b>3,902,505</b>	3,754,522
Diluted earnings/(loss) per share (RMB Yuan)		
— Continuing operations	<b>0.31</b>	0.33
— Discontinued operations	—	(0.23)

## 8 Deferred income tax assets and liabilities

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

### (a) Deferred income tax assets

	Year ended 31 August	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at beginning of the year</b>	<b>18,901</b>	20,194
Credited to profit or loss (Note 6)	<u>(836)</u>	<u>(1,293)</u>
<b>As at end of the year</b>	<b><u>18,065</u></b>	<b><u>18,901</u></b>

At 31 August 2022, deferred income tax asset amounting to RMB18,065,000 (2021: RMB18,901,000) has been recognised for the Group's subsidiaries established in Thailand. In the opinion of the directors, it is probable that these subsidiaries will distribute such earnings in the foreseeable future.

### (b) Deferred income tax liabilities

	Right-of- use assets- leasehold land	Trademark	Software	Property, plant and equipment appreciation	Other payables and accrued expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 September 2021</b>	(250,309)	(102,223)	(9)	(124,372)	(44,158)	(521,071)
Credited/(charged) to profit or loss	<u>7,613</u>	<u>(43)</u>	<u>6</u>	<u>1,914</u>	<u>—</u>	<u>9,490</u>
<b>Balance at 31 August 2022</b>	<b><u>(242,696)</u></b>	<b><u>(102,266)</u></b>	<b><u>(3)</u></b>	<b><u>(122,458)</u></b>	<b><u>(44,158)</u></b>	<b><u>(511,581)</u></b>

- (i) The deferred income tax liabilities arise from fair value adjustment of right-of-use assets-leasehold land, recognition of trademark and fair value adjustment of buildings and other fixed assets upon the acquisition of subsidiaries.
- (ii) Under the CIT Law, withholding tax is imposed on dividends declared in respect of profits earned by mainland China subsidiaries from 1 January 2008 onwards. Deferred income taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed earnings of the Group's mainland China subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 August 2022, no deferred income tax has been recognised for withholding taxes payable on the unremitted earnings of the Group's subsidiaries established in mainland China that are subject to withholding taxes (2021: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings for the foreseeable future.

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

	<b>Year ended 31 August</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Deferred tax liabilities</b>	<b><u>493,516</u></b>	<b><u>502,170</u></b>

## 9 Trade and other receivables

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Trade receivables		
Due from students (a)	<b>15,837</b>	14,038
Provision for impairment	<b>(4,933)</b>	(4,227)
	<b><u>10,904</u></b>	<u>9,811</u>
Other receivables		
Receivables from local government	<b>51,729</b>	75,232
Staff advances	<b>4,059</b>	6,630
Deposits	<b>2,187</b>	3,327
Interest receivables	<b>200</b>	122
Others	<b>3,550</b>	4,760
Provision for impairment	<b>(151)</b>	(361)
	<b><u>61,574</u></b>	<u>89,710</u>
Prepayments		
Prepaid expenses	<b><u>3,794</u></b>	<u>5,205</u>
	<b><u>76,272</u></b>	<u>104,726</u>

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

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

	<b>As at 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Less than 1 year	<b>12,188</b>	10,767
Over 1 year	<b>3,649</b>	3,271
	<b><u>15,837</u></b>	<b><u>14,038</u></b>

## 10 Accruals and other payables

	<b>As at 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net payables to the Affected Business upon deconsolidation	<b>594,030</b>	602,030
Payables for purchases of property, plant and equipment	<b>99,635</b>	140,275
Salary and welfare payables	<b>76,434</b>	85,867
Miscellaneous expenses received from students	<b>102,125</b>	79,594
Payables for teaching materials and other operating expenditure	<b>58,819</b>	38,828
Government subsidies payable to students and teachers	<b>46,146</b>	37,243
Taxes payable	<b>27,812</b>	23,966
Deposits received	<b>18,683</b>	20,044
Amount due to related parties	<b>11,003</b>	10,287
Interest payables	<b>6,526</b>	8,814
Defined pension benefits	<b>7,772</b>	7,866
Audit and consulting fees	<b>3,796</b>	6,800
Legal claim payables	<b>6,589</b>	6,589
Payables for contracting canteens	<b>912</b>	235
Others	<b>17,320</b>	18,382
	<b><u>1,077,602</u></b>	<b><u>1,086,820</u></b>

## 11 Borrowings

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>		
Secured		
Bank loans	<u>430,000</u>	<u>639,980</u>
	<u>430,000</u>	<u>639,980</u>
<b>Current</b>		
Secured		
Bank loans	<u>210,198</u>	<u>210,371</u>
	<u>210,198</u>	<u>210,371</u>
<b>Total borrowings</b>	<u><u>640,198</u></u>	<u><u>850,351</u></u>

### (a) Bank borrowings

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

	<b>As at 31 August</b>	
	<b>2022</b>	2021
Bank borrowings	<u>4.09%</u>	<u>4.20%</u>

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

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed by related party	<u>640,000</u>	<u>849,980</u>
Secured by equity interests of a subsidiary	<u>198</u>	<u>371</u>
	<u><u>640,198</u></u>	<u><u>850,351</u></u>

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

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>210,198</b>	210,371
Between 1 and 2 years	<b>210,000</b>	210,000
Between 2 and 5 years	<b>220,000</b>	429,980
	<b><u>640,198</u></b>	<u>850,351</u>

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

(v) The Group's borrowings were denominated in RMB and US\$.

(vi) *Financial arrangements*

As at 31 August 2022, the Group had no undrawn borrowing facilities (2021: Nil).

## 12 Financial liabilities at fair value through profit or loss

	<b>As at 31 August</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current</b>		
Convertible Bonds	<u>—</u>	<u>1,667,555</u>
<b>Current</b>		
Convertible Bonds	<u><b>1,797,105</b></u>	<u>—</u>

### Issuance of the Convertible Bonds

On 27 December 2019, the Company issued Convertible Bonds with an aggregate principal amount of HK\$2,088,000,000 (approximately RMB1,876,402,000). The issuance cost of approximately RMB18,756,000 was charged as finance expenses.

The Convertible Bonds were recognised and measured as financial liabilities at fair value through profit or loss pursuant to the Trust Deed. The changes in the fair value during the year were attributable to the changes in the liability's credit risk of RMB39,571,000 which were credited to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB73,436,000 were credited to other losses (Note 4).

The Convertible Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020. Pursuant to the Trust Deed constituting the Convertible Bonds, 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\$7.1303 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the Trust Deed. As at 31 August 2022, the conversion price of the Convertible Bonds was HK\$6.68 per share and no conversion related to the Convertible Bonds was exercised by the holders.

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

The Convertible Bonds may be redeemed at the option of the Company or the holders pursuant to the respective terms and conditions under the Trust Deed. The convertible bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the Trust Deed. The Trust Deed also provides that a holder may, at its option, require the Company to redeem all or a portion of its convertible bonds following the occurrence of a relevant event described in the Trust Deed or on 27 December 2022, in each case, upon giving notice in accordance with the Trust Deed. As at 31 August 2022, the Convertible Bonds was reclassified as current liability due to the relevant redemption option of the holder according to the terms and conditions under the Trust Deed.

The subsequent developments related to the Convertible Bonds after the year end were further set out in Note 16.

### 13 Share capital and share premium

<b>Authorised:</b>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares HK\$</b>
As at 31 August 2021 and 2022 par value of HK\$0.00001 each	<u>50,000,000,000</u>	<u>500,000</u>

<b>Issued and paid:</b>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares HK\$</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total share capital and share premium RMB'000</b>
<b>As at 1 September 2020</b>	3,339,640,183	33,396	28	1,546,308	1,546,336
Share issued upon exercise of share-based compensation	8,815,000	88	—	26,591	26,591
Share Award Scheme	6,684,800	67	—	41,304	41,304
Dividends distribution	—	—	—	(648,116)	(648,116)
<b>As at 31 August 2021</b>	<b><u>3,355,139,983</u></b>	<b><u>33,551</u></b>	<b><u>28</u></b>	<b><u>966,087</u></b>	<b><u>966,115</u></b>
<b>As at 1 September 2021</b>	3,355,139,983	33,551	28	966,087	966,115
Share issued upon exercise of share- based compensation	13,758,850	138	—	33,691	33,691
Share Award Scheme	5,595,000	56	—	16,906	16,906
Issue of ordinary shares (a)	220,000,000	2,200	2	752,741	752,743
Disposal of treasury shares (b)	—	—	—	(27,897)	(27,897)
<b>As at 31 August 2022</b>	<b><u>3,594,493,833</u></b>	<b><u>35,945</u></b>	<b><u>30</u></b>	<b><u>1,741,528</u></b>	<b><u>1,741,558</u></b>

**(a) Issue of ordinary shares**

On 26 October 2021, the Company, GuangYu Investment and Merrill Lynch (Asia Pacific) Limited acted as the placing manager, entered into a placing and subscription agreement, pursuant to which (a) the placing manager has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to certain third parties and (b) GuangYu Investment has agreed to subscribe for, and the Company agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price.

The net proceeds from the subscription are HK\$914,078,000, equivalent to approximately RMB752,743,000, of which RMB2,000 and RMB752,741,000 were recorded in share capital and share premium, respectively.

**(b) Treasury shares**

As at 31 August 2021, the number of treasury shares was 38,456,000 shares of the Company in total, amounting to HK\$163,733,000 (equivalent to approximately RMB134,721,000).

During the year ended 31 August 2022, the Company disposed of all of its 38,456,000 treasury shares totally amounting to RMB134,067,000, for HK\$130,560,000 (equivalent to approximately RMB106,824,000). Accordingly, the Group recorded an increase in the equity as a result of the reduction in “treasury shares” of RMB134,721,000 and a reduction in share premium of RMB27,897,000.



## 14 Cash flow information

### (a) Cash generated from operations

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Profit before income tax (Continuing operations)	1,126,299	1,708,746
Adjustments for:		
— Depreciation of right-of-use assets	55,891	53,442
— Depreciation of property, plant and equipment	165,356	162,143
— Amortisation of intangible assets	11,048	14,554
— Provision for impairment of trade and other receivables	3,102	2,375
— Write-off long-aged payables (Note 4)	(2,643)	(7,171)
— Losses on disposal of property, plant and equipment (Note 4)	4,602	7,164
— Net loss/(gain) on financial liabilities at fair value through profit or loss as at year end (Note 4)	73,436	(459,810)
— Gains on disposal of financial assets at fair value through profit or loss	—	(421)
— Share-based compensation expenses (Note 5)	17,299	13,312
— Share award scheme expenses (Note 5)	16,906	20,295
— Finance expenses — net	20,505	51,841
— Gains on disposal of leasehold land (Note 4)	(14,453)	—
Changes in working capital:		
— Trade and other receivables	27,396	(52,143)
— Contract liabilities	566,953	347,889
— Accruals and other payables	55,894	(23,964)
— Deferred income	77,650	(2,761)
<b>Cash generated from operations</b> <b>(Continuing operations)</b>	<b>2,205,241</b>	<b>1,835,491</b>

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Net book amounts	5,237	8,234
Losses on disposal of property, plant and equipment (Note 4)	(4,602)	(7,164)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>635</b>	<b>1,070</b>

## 15 Dividends

The dividends paid during the year ended 31 August 2021 was RMB648,116,000 (HK\$0.23 per share). The Board does not recommend the distribution of a final dividend for the year ended 31 August 2022.

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Dividend paid for the prior year	—	272,977
Interim dividend paid of nil (2021: HK\$0.123) per ordinary share	—	375,139
Proposed final dividend of nil (2021: HK\$0.00) per ordinary share	<u>—</u>	<u>—</u>

## 16 Subsequent events

Subsequent to the year end, the Company repurchased and cancelled certain Convertible Bonds on 25 October 2022, resulted in an other gain of approximately HK\$186,000,000.

In addition, certain terms and conditions of the remaining Convertible Bonds were amended pursuant to a Supplemental Trust Deed signed between the Company and the remaining Bondholders on 19 January 2023, details of which are set out in Note 2.1.1 and Note 12. Such amendments constitute substantial modifications based on the relevant requirements under IFRS. Accordingly, the original financial liabilities related to the Convertible Bonds before the amendments are distinguished whereas the new financial liabilities under the revised terms and conditions are recognised at fair value, with the difference recognised in the profit or loss. The accumulated changes in the fair value of the original Convertible Bonds attributable to changes in own credit risks included in other comprehensive income is transferred to the retained earnings. Based on the Company's latest share price before its suspension of trading on 30 November 2022 of HK\$1.11 per share, recent price trends of comparable companies and other relevant assumptions, management has estimated that the financial impacts of the modification on the date of the modification is not significant to the Group. The Company will re-measure the Convertible Bonds under the revised terms and conditions at fair value through profit or loss subsequently, except for the effects of fair value changes in Company's own credit risk will be recognised in other comprehensive income.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

With over 20 years of operating private schools in the People’s Republic of China (the “PRC”), the Group is one of the leading private school operators in 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 schools not only accommodate the students’ eagerness to achieve academic excellence, but also emphasise well-rounded development of the students.

The business of the Group remained relatively stable for the year ended 31 August 2022, notwithstanding the impact of the novel coronavirus (“COVID-19”). As previously disclosed, the Group collects majority of its tuition fees prior to the commencement of the school year, and therefore the COVID-19 has not had a material adverse effect on the revenue and operating results of the Group for the year ended 31 August 2022. The Group will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

On 14 May 2021, the PRC State Council announced the issuance of the Implementation Regulations of the People’s Republic of China on the Law Regarding the Promotion of Private Education (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations prohibit social organizations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties.

As a result, the Implementation Regulations impose significant uncertainties and restrictions on the Group’s control over the affiliated entities providing kindergarten and compulsory education services (collectively referred to as the “**Affected Business**”). The Group has therefore determined to take measures to optimize its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transforming existing K-12 schools into higher vocational colleges and increasing investment in launching vocational undergraduate education at the Group’s existing universities.

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 31 August 2022.

### ***The Group’s Schools and Student Enrolment***

As at 31 August 2022, the Group had 8 schools in China and 1 school in Thailand.

The following table sets out a summary of the Group’s schools by category as at the end of August 2022 and 2021:

	<b>As at 31 August 2022</b>	As at 31 August 2021
<b>The Group’s schools in the PRC</b>		
Universities	<b>3</b>	3
High schools	<b>5</b>	5
Middle schools	—	7
Primary schools	—	6
Kindergartens	—	5
<b>The Group’s school overseas</b>		
University	<u>1<sup>(note 1)</sup></u>	<u>1<sup>(note 1)</sup></u>
<b>Total</b>	<b><u>9</u></b>	<b><u>27</u></b>

*Note:*

(1) This represents Stamford International University, which the Group operates in Thailand.

## Events after the Reporting Period

### (a) *Repurchased and cancelled part of the Convertible Bonds due 2024*

On 21 October 2022 and 25 October 2022, the Company repurchased and cancelled part of the Convertible Bonds due 2024 with an aggregate principal amount of HK\$614,000,000, with a total consideration amounting to HK\$428,088,000 (equivalent to approximately RMB388,784,000), leaving the Outstanding Principal Amounts of HK\$1,474,000,000.

### (b) *Subsequent amendments to the Convertible Bonds due 2024*

According to the terms and conditions of the Convertible Bonds due 2024 issued in December 2019 (the “**Original Terms and Conditions**”), the holders of the Convertible Bonds due 2024 have an option to require the Company to redeem all or some only of such holder’s Bonds on 27 December 2022 at their principal amount together with interest accrued up to but excluding such date. As of 27 December 2022, holders of an aggregate principal amount of HK\$1,474,000,000 of the Convertible Bonds due 2024 had exercised such option. The Outstanding Amounts that the Company would have had to pay in connection with such redemption amounted to HK\$1,480,633,000 (equivalent to approximately RMB1,356,852,000), consisting of an aggregate principal amount of HK\$1,474,000,000 and accrued interest up to 27 December 2022 of HK\$6,633,000.

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

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

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

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

## **Future Development**

The Group’s future development focuses on making continuous improvements to the educational infrastructure, opening new campuses, and substantially increasing investment in vocational education. The Group will continue to seek expansion in higher education sector with high growth potential and will focus on post-expansion consolidation to maximize Shareholder value.

## **Financial Review**

### ***1. Overview***

For the year ended 31 August 2022, the Group recorded revenue of RMB2,380.4 million, an Adjusted Gross Profit of RMB1,463.1 million and a gross profit of RMB1,418.9 million. The Adjusted Gross Profit Margin<sup>1</sup> of the Group was 61.5% for the year ended 31 August 2022 as compared with 69.3% for the corresponding period in 2021. The gross profit margin was 59.6% for the year ended 31 August 2022 as compared with 67.2% for the corresponding period in 2021.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2022 was RMB1,242.5 million, representing a decrease of RMB24.4 million or a 1.9% decrease from the corresponding period in 2021. The Adjusted Net Profit Margin<sup>2</sup> attributable to owners of the Company was 52.2% and 56.1% for the years ended 31 August 2022 and 31 August 2021, respectively.

<sup>1</sup> The Adjusted Gross Profit Margin is calculated based on the Adjusted Gross Profit.

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

The net profit attributable to owners of the Company amounted to RMB1,125.7 million and RMB824.5 million for the years ended 31 August 2022 and 31 August 2021, respectively. The net profit margin attributable to owners of the Company amounted to 47.3% and 36.5% for the years ended 31 August 2022 and 31 August 2021, respectively.

## **2. Revenue**

For the year ended 31 August 2022, revenue of the Group amounted to RMB2,380.4 million, representing an increase of RMB121.8 million or 5.4% as compared with RMB2,258.6 million for the corresponding period of 2021. The increase was primarily the result of the increase in student enrolment and tuition fees from several schools.

## **3. Cost of Revenue**

For the year ended 31 August 2022, the Adjusted Cost of Revenue<sup>3</sup> of the Group amounted to RMB917.3 million, representing an increase of RMB223.1 million or 32.1% as compared with RMB694.2 million for the corresponding period of 2021. The cost of revenue of the Group amounted to RMB961.5 million and RMB740.0 million for the years ended 31 August 2022 and 31 August 2021, respectively.

## **4. Gross Profit and Gross Profit Margin**

For the year ended 31 August 2022, the Adjusted Gross Profit of the Group amounted to RMB1,463.1 million, representing a decrease of RMB101.3 million or 6.5% as compared with RMB1,564.4 million for the corresponding period in 2021. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2022 was 61.5%, compared with 69.3% for the corresponding period in 2021.

The Group's gross profit amounted to RMB1,418.9 million and RMB1,518.6 million for the years ended 31 August 2022 and 31 August 2021, respectively. The Group's gross profit margin amounted to 59.6% and 67.2% for the years ended 31 August 2022 and 31 August 2021, respectively. The decline in the gross profit margin was mainly due to the Group's expanded investment in teaching personnel, campus expansion and renovation, curriculum development, student activities, etc. to further improve the quality of education we provide and enhance students' learning experience.

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

## **5. *Selling Expenses***

For the year ended 31 August 2022, selling expenses of the Group amounted to RMB27.9 million, representing a decrease of RMB13.3 million from RMB41.2 million during the corresponding period in 2021. The decrease was primarily the result of implementation of cost control measures.

## **6. *Administrative Expenses***

For the year ended 31 August 2022, the Adjusted Administrative Expenses<sup>4</sup> of the Group amounted to RMB188.2 million, representing a slight increase of RMB0.8 million as compared with RMB187.4 million for the corresponding period in 2021. The administrative expenses of the Group amounted to RMB198.8 million and RMB194.9 million for the years ended 31 August 2022 and 31 August 2021, respectively. The increase is in line with the expansion of the business scale of the Group.

## **7. *Other Income***

For the year ended 31 August 2022, the other income of the Group amounted to RMB20.3 million, representing a decrease of RMB2.1 million as compared with RMB22.4 million for the corresponding period in 2021. This decrease was primarily due to reduced government grants and subsidies recognised as income over the period.

## **8. *Other Gains and Losses***

For the year ended 31 August 2022, the other gains and losses of the Group amounted to a loss of RMB63.5 million as compared with a gain of RMB459.1 million for the corresponding period in 2021. The loss was primarily due to fair value changes on convertible bonds.

## **9. *Operating Profit***

The Adjusted Operating Profit of the Group amounted to RMB1,262.7 million for the year ended 31 August 2022, representing a decrease of RMB78.4 million or 5.8% as compared with RMB1,341.1 million for the corresponding period in 2021. The Adjusted Operating Profit Margin amounted to 53.0% and 59.4% for the years ended 31 August 2022 and 31 August 2021, respectively.

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



## **10. Finance Income**

Finance income increased from RMB18.3 million for the year ended 31 August 2021 to RMB41.2 million for the corresponding period in 2022 due to an increase in cash and cash equivalents.

## **11. Finance Expenses**

Finance expenses decreased from RMB71.2 million for the year ended 31 August 2021 to RMB60.8 million for the corresponding period in 2022 mainly due to a decrease in interest expenses from borrowings.

## **12. Profit for the Reporting Period**

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB1,242.5 million for the year ended 31 August 2022, representing a decrease of RMB24.4 million or 1.9% as compared with RMB1,266.9 million for the corresponding period in 2021. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 52.2% and 56.1% for the years ended 31 August 2022 and 31 August 2021, respectively.

The decrease in the Adjusted Net Profit attributable to owners of the Company was mainly due to the decline in gross profit as a result of the Group's expanded investment in teaching and facility to improve the quality of education we provide and enhance students' learning experience.

The Group recorded a net profit attributable to owners of the Company of RMB1,125.7 million for the year ended 31 August 2022, representing an increase of RMB301.2 million or 36.5% as compared with RMB824.5 million for the corresponding period in 2021. The net profit margin attributable to owners of the Company for the year ended 31 August 2022 was 47.3%, compared to 36.5% for the corresponding period in 2021.

## **13. Liquidity and Source of Funding and Borrowing**

On 26 October 2021, the Company entered into a placing and top-up subscription agreement with GuangYu Investment Holdings Limited ("**GuangYu Investment**") and a third party placing agent, pursuant to which (a) the placing agent has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to independent third parties; and (b) GuangYu Investment has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price (the "**2021 Placing and Subscription**"). The 2021 Placing and Subscription was completed on 3 November 2021. For further details, please refer to the Company's announcements dated 27 October 2021 and 3 November 2021.

The Group's cash and cash equivalents increased from RMB1,655.9 million as at 31 August 2021 to RMB4,240.8 million as at 31 August 2022. The increase primarily resulted from the cash flows generated from (i) issuance of shares; and (ii) operating activities.

As at 31 August 2022, the current assets of the Group amounted to RMB4,328.6 million, including RMB4,240.8 million in bank balances and RMB87.8 million in other current assets. The current liabilities of the Group amounted to RMB4,561.0 million, of which RMB1,077.6 million was accruals and other payables, RMB1,471.4 million was contract liabilities, RMB210.2 million was borrowings, RMB1,797.1 million was financial liabilities at fair value through profit or loss, and RMB4.7 million was lease liabilities. As at 31 August 2022, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.95 (31 August 2021: 0.87).

#### **14. *Gearing Ratio***

As at 31 August 2022, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 11.0% (31 August 2021: 22.5%).

#### **15. *Material Investments***

The Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 August 2022) during the year ended 31 August 2022.

#### **16. *Material Acquisitions and Disposals***

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2022.

#### **17. *Pledge of Assets***

As at 31 August 2022, the bank borrowings of the Group amounting to RMB640.2 million were guaranteed by certain subsidiaries of the Group.

#### **18. *Contingent Liabilities***

The Group had no contingent liabilities as at 31 August 2022.

## **19. Foreign Exchange Exposure**

During the year ended 31 August 2022, the Group mainly operated in China and majority of the transactions were settled in Renminbi (“**RMB**”), the Company’s primary consolidated affiliated entities’ functional currency. The Group’s acquisition of a university in Thailand exposes the Group to foreign exchange risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. As at 31 August 2022, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

## **20. Employee and Remuneration Policy**

As at 31 August 2022 and 2021, we had 7,376 and 7,002 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 of the Company dated 16 February 2017 (the “**Prospectus**”) for further details.

The total remuneration cost incurred by the Group for the year ended 31 August 2022 was RMB550.5 million (for the year ended 31 August 2021: RMB485.7 million).

The following table sets forth the total number of employees by function as at 31 August 2022:

<b>Function</b>	<b>Number of employees</b>	<b>% of total</b>
Teachers	5,705	77.3%
Administrative staff	300	4.1%
Other staff	1,371	18.6%
<b>Total</b>	<b>7,376</b>	<b>100.0%</b>

## **21. Future Plans for Material Investments and Capital Assets**

As of 31 August 2022, the Group did not have other plans for material investments and capital assets.

## **FINAL DIVIDEND**

The Board does not recommend the distribution of a final dividend for the year ended 31 August 2022 (2021: Nil).

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Company's annual general meeting will be held on 17 April 2023. The register of members of the Company will be closed from 12 April 2023 to 17 April 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch 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 not later than 4:30 p.m. on 11 April 2023.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Company was incorporated in the Cayman Islands on 25 April 2016 with limited liability, and the Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 February 2017.

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

### **1. Compliance with the Code on Corporate Governance Practices**

For the year ended 31 August 2022, the Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

In light of the amendments to the CG Code which came into effect on 1 January 2022 and imposed additional requirements applicable to corporate governance reports for the financial year commencing on or after 1 January 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the CG Code, and maintain high corporate governance standards. The Company will report on the compliance with the applicable version of the CG Code in the corporate governance report in the annual report of the Company for the year ended 31 August 2022.

### **2. Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2022.

### **3. Scope of Work of the Company’s Auditors**

The figures contained in this announcement of the Group’s consolidated results for the year ended 31 August 2022 have been agreed by the Company’s auditors (the “**Auditors**”), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 August 2022. The Auditors performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The work performed by the Auditors in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on this announcement.

### **4. 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 audited consolidated financial statements of the Group for the year ended 31 August 2022 and has met with the independent auditor, PricewaterhouseCoopers. 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 Company.

### **5. Other Board Committees**

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

### **6. Purchase, Sale or Redemption of the Company’s Listed Securities**

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2022.

## 7. Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2022.

## 8. Building Certificates and Permits

As at 31 August 2022, in relation to owned buildings or groups of buildings other than those associated with the HIEU Schools (the “**Non-HIEU Schools Owned Buildings**”), the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 Non-HIEU Schools Owned Buildings, due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group’s management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. Please also refer to the section headed “Business — Properties — Owned Properties — Buildings or Groups of Buildings” in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus.

As at 31 August 2022, 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.

## 9. Use of Proceeds

### *(a) Use of Net Proceeds from the 2021 Placing and Subscription*

The 2021 Placing and Subscription was completed on 3 November 2021. An aggregate of 220,000,000 placing shares had been successfully placed to not fewer than six places and accordingly 220,000,000 subscription shares were allotted and issued by the Company to GuangYu Investment.

The net proceeds received by the Company from the 2021 Placing and Subscription were approximately HK\$914 million. The Company intends to use the estimated net proceeds for (a) transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future); (b) opening a new campus for Hunan International Economics University (湖南涉外經濟學院); and (c) increasing investment in launching vocational undergraduate education at the existing three universities.

As of 31 August 2022, approximately HK\$496 million of the net proceeds of the completion of the 2021 Placing and Subscription had been utilised and HK\$418 million remained unutilised. There has been no change in the intended use of net proceeds as previously disclosed and the Company expects to fully utilised the residual amount of the net proceed in accordance with such intended purpose by 31 December 2023. For further details, please refer to the announcements dated 27 October 2021 and 3 November 2021.

As of 31 August 2022, the Group had utilised the net proceeds as set out in the table below:

	Net proceeds from 2021 Placing and subscription (HK\$ million)	Unutilised amount as of 31 August 2021 (HK\$ million)	Utilisation during the Reporting Period (HK\$ million)	Unutilised amount as of 31 August 2022 (HK\$ million)	Expected timeline of full utilisation of the unutilised proceed
Transforming existing K-12 schools into higher vocational colleges (and in preparation of launching vocational university in the future)	360	360	190	170	By 31 December 2023
Opening a new campus for Hunan International Economics University (湖南涉外經濟學院)	454	454	206	248	By 31 December 2023
Increasing investment in launching vocational undergraduate education at the existing three universities	100	100	100	—	By 31 December 2023
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>914</u>	<u>914</u>	<u>496</u>	<u>418</u>	



## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.yuhuachina.com](http://www.yuhuachina.com). The annual report of the Group for the year ended 31 August 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares and the debt securities of the Company (Debt Securities Stock Code: 40109) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 December 2022. As the annual results for the year ended 31 August 2022 have been published, an application has been made by the Company to the Stock Exchange for the resumption of trading in such shares and securities with effect from 9:00 a.m. on 28 February 2023.

By order of the Board  
**China YuHua Education Corporation Limited**  
**Li Guangyu**  
*Chairman and Executive Director*

Hong Kong, 27 February 2023

*As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive Directors; and Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue as independent non-executive Directors.*