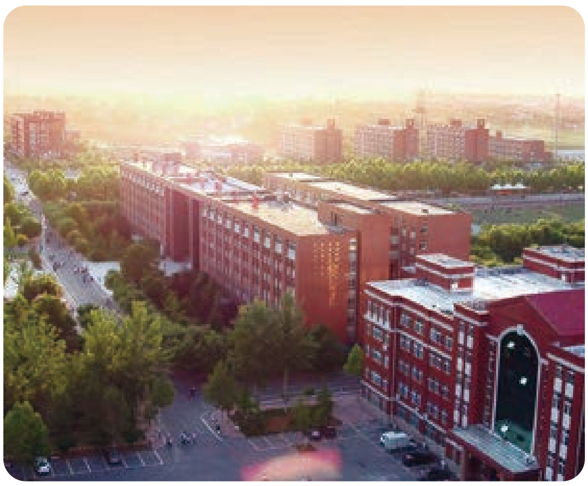
中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Annual Report

2022

CONTENTS

COMPANY PROFILE

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

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

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.

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. Ng Ka Man

AUTHORISED REPRESENTATIVES

Ms. Li Hua
Mr. Xu Bin

AUDITOR

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

LEGAL ADVISERS

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

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10/F, China Pacific Insurance Plaza
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Xicheng District
Beijing 100032
PRC

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Zhengdong New District
Zhengzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

China Construction Bank Corporation
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Zhengzhou, Henan Province
PRC

COMPANY WEBSITE

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STOCK CODE

6169

FINANCIAL INFORMATION

The following table sets out a comparison between key financial figures for the years ended 31 August 2022 and 2021:

	Year ended 31 August		
	2022 (RMB'000)	2021 (RMB'000)	Change
Revenue	**2,380,372**	2,258,583	+5.4%
Gross Profit	**1,418,942**	1,518,626	–6.6%
Adjusted Gross Profit[1]	**1,463,139**	1,564,445	–6.5%
Adjusted Net Profit attributable to owners of the Company[2]	**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; (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 the Adjusted Gross Profit

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

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

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

Note:

1. Details are set out in Note 7: Other (losses)/gains — net.

FINANCIAL SUMMARY

Results of operations	For the year ended 31 August				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Revenue	**2,380,372**	2,258,583	2,031,668	1,714,485	1,195,110
Cost of revenue	**(961,430)**	(739,957)	(777,760)	(714,592)	(524,387)
Gross profit	**1,418,942**	1,518,626	1,253,908	999,893	670,723
Operating profit	**1,145,926**	1,761,651	228,544	566,855	579,365
Profit before tax	**1,126,299**	1,708,746	145,719	541,523	591,960
Profit for the year	**1,134,953**	852,776	321,149	555,065	588,234
Non-IFRS Measure:					
Adjusted Gross Profit[1]	**1,463,139**	1,564,445	1,522,029	1,048,761	700,349
Adjusted Net Profit attributable to owners of the Company[2]	**1,242,516**	1,266,857	1,040,718	792,538	609,100

Adjusted items	For the year ended 31 August				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Net loss from K-9 schools	**—**	864,635	—	—	—
Share-based compensation expenses (in cost of revenue)	**6,375**	5,855	12,406	12,406	16,823
Share-based compensation expenses (in administration expenses)	**10,924**	7,457	16,586	27,714	45,715
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets					
— HIEU	**11,153**	10,059	7,011	16,693	12,803
— Bowang High School	**1,190**	2,956	5,604	15,573	—
— Shandong Yingcai University	**20,947**	20,931	16,984	1,695	—
— Stamford International University	**4,288**	4,288	4,288	2,501	—
Accrued but not paid interest associated with Prior Convertible	**—**	—	—	12,209	—
Change in fair value on Convertible Bond and Convertible Loan	**73,436**	(459,810)	790,125	250,215	—
Derecognition of deferred tax assets due to the changes in applied taxation rate of LEI Lie Ying Limited from 1 January 2018	**—**	—	—	—	9,018
Government grants	**(11,502)**	(14,024)	(16,124)	(21,573)	(13,442)
Compensation for the realisation of security interests	**—**	—	—	—	(134,797)
Waiver of the payable by the selling shareholder	**—**	—	—	—	(108,275)

Financial ratio	For the year ended 31 August				
	2022	2021	2020	2019	2018
Gross profit margin	**59.6%**	67.2%	61.7%	58.3%	56.1%
Net profit margin attributable to owners of the Company	**47.3%**	36.5%	10.0%	28.3%	44.4%
Adjusted net profit margin attributable to owners of the Company	**52.2%**	56.1%	43.2%	46.2%	51.0%

Notes:

1. The Adjusted Gross Profit for the years 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 HIEU Schools), Yubohui Education and its subsidiaries (including Kaifeng City Xiangfu District Bowang High School, TEDCO and its subsidiaries (including Stamford International University) and Jinan Shuangsheng Education Consulting Co., Ltd. and its subsidiaries (including Shandong Yingcai University).

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; (v) fair value changes on convertible bond and convertible loan recognised during the period.

FINANCIAL SUMMARY (CONTINUED)

Assets and liabilities	As at 31 August				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Non-current assets	**7,164,172**	6,999,145	7,282,382	6,948,178	3,826,136
Current assets	**4,328,631**	1,911,133	2,436,780	2,835,120	2,305,924
Current liabilities	**4,561,038**	2,206,527	2,055,601	4,456,572	2,034,644
Net current assets (liabilities)	**(232,407)**	(295,394)	381,179	(1,621,452)	271,280
Total assets less current liabilities	**6,931,765**	6,703,751	7,663,561	5,326,726	4,097,416
Non-current liabilities	**1,108,708**	2,921,175	3,574,149	1,183,151	338,233
Total equity	**5,823,057**	3,782,576	4,089,412	4,143,575	3,759,183
Property, plant and equipment	**3,706,284**	3,624,140	3,792,348	3,705,965	2,239,853
Cash and cash equivalents	**4,240,783**	1,655,884	2,175,197	2,125,719	1,593,177
Deferred revenue	**—**	—	—	—	956,541
Contract liabilities	**1,471,401**	904,448	924,507	1,301,163	—
Bank borrowings	**640,198**	850,351	1,142,419	1,093,743	505,000

Financial ratio	As at/for the year ended 31 August				
	2022	2021	2020	2019	2018
Current ratio	**0.95**	0.87	1.19	0.64	1.13
Gearing ratio[3]	**11.0%**	22.5%	27.9%	26.4%	13.4%

Cash flows	For the year ended 31 August				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Net cash from operating activities	**2,183,244**	1,791,869	811,926	1,249,592	749,782

Notes (cont'd):

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 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 the PRC 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, 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 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 31 August 2022 and 2021:

	As at 31 August 2022	As at 31 August 2021
Number of the Group's schools in the PRC		
Universities	**3**	3
High schools	**5**	5
Middle schools	**–**	7
Primary schools	**–**	6
Kindergartens	**–**	5
The Group's School overseas		
University	**1 (note 1)**	1 (note 1)
Total	**9**	27

Note:

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

For the school year 2022/2023, the Group has enrolled a total of 125,631 students at its schools and universities. The following table sets out the Group's student enrollment by category for the school year ended 2022/2023 and 2021/2022:

	2022/2023 (as at 28 February 2023)	2021/2022 (as at 23 November 2021)
K9 schools	**–**	–
Universities and high schools	**125,631**	129,838
Total	**125,631**	129,838

EVENTS AFTER THE REPORTING PERIOD

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

On 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 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. At the same time, 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

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[1] 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[2] attributable to owners of the Company was 52.2% and 56.1% for the years ended 31 August 2022 and 31 August 2021, respectively.

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.

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.

Cost of Revenue

For the year ended 31 August 2022, the Adjusted Cost of Revenue[3] 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.

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

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

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

Gross Profit and Gross Profit Margin

For the year ended 31 August 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.

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.

Administrative Expenses

For the year ended 31 August 2022, the Adjusted Administrative Expenses[4] 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.

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.

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.

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

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 year ended 31 August 2022 and 31 August 2021, respectively.

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.

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.

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.

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 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).

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%).

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.

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.

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.

Contingent Liabilities

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

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 (the "**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

Future Plans for Material Investments or Capital Assets

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

REPORT OF DIRECTORS

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 August 2022.

DIRECTORS

The Directors who held office during the year ended 31 August 2022 and up to the date of this Annual Report are:

Executive Directors:

Mr. Li Guangyu *(Chairman)*
Ms. Li Hua *(Vice Chairman)*
Ms. Qiu Hongjun

Independent Non-executive Directors:

Mr. Chen Lei
Mr. Xia Zuoquan
Mr. Zhang Zhixue

Biographical details of the Directors and senior management of the Group are set out in the section headed “Directors and Senior Management” on pages 51 to 55 of this Annual Report.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The Group has optimized its operating structure to mitigate the impact of the Implementation Regulations. The Group is 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.

Analysis of the principal activities of the Group during the year ended 31 August 2022 is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events after the Reporting Period" in this report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report 2022".

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 August 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily consist of its students and their parents. The Group did not have any single customer who accounted for more than 5% of the Group's revenue for the two years ended 31 August 2021 and 2022.

The Group's suppliers primarily comprise decoration services, meal catering companies, suppliers for text books, uniforms and teaching equipment vendors. For the year ended 31 August 2022, purchases from the Group's five largest suppliers amounted to RMB207.8 million (2021: RMB174.7 million) which represented 30.5% (2021: 32.5%) of the Group's total purchases. During the year, purchases from the Group's largest supplier amounted to RMB57.6 million (2021: RMB46.8 million), which represented 8.4% (2021: 8.7%) of the Group's total purchases in the same year. The Group's largest supplier during the year ended 31 August 2022 is an independent third party construction service provider who provides construction services to certain of its schools.

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

During the year ended 31 August 2022, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

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

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 August 2022 are set out in note 13 to the consolidated financial statements.

The book value of the properties held by the Group for owner occupation at 31 August 2022 as included in the financial statements in this Annual Report was RMB3,706.3 million.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 August 2022 and details of the Shares issued during the year ended 31 August 2022 are set out in note 20 to the consolidated financial statements.

DONATION

During the year ended 31 August 2022, the Group made donations of RMB2.6 million (2021: RMB1.2 million) and received donations of RMB0.1 million (2021: RMB0.1 million).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 August 2022.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Share Award Scheme and the Loan Agreement, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 August 2022.

DIVIDENDS

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

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended 31 August 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year ended 31 August 2022 are set out in consolidated statement of changes in equity. The distributable reserves of the Company as at 31 August 2022 were RMB2,763.0 million.

TAX RELIEF AND EXEMPTION

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2022 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and note 24 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Continuing Connected Transactions" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 August 2022.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance, including contracts of significance for the provision of services, has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 August 2022.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 August 2022.

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

As at 31 August 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company(%)[1]	Long Position/ Short Position/ Lending pool
Mr. Li	Beneficial owner/ Founder of a discretionary trust/ Other	1,937,249,000[2]&[3]	53.89%	Long position
Ms. Li	Beneficiary of a discretionary trust/ Beneficial owner/ Other	1,941,826,000[2]&[4]	54.02%	Long position
Ms. Qiu Hongjun	Beneficial owner	3,261,000[5]	0.09%	Long position

Notes:

1. The calculation is based on the total number of 3,594,493,833 Shares in issue as at 31 August 2022.

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

Notes (cont'd):

3. On 17 September 2021, a total of 3,949,800 Shares were exercised pursuant to the exercise of options granted to Mr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

4. On 17 September 2021, a total of 4,865,200 Shares were exercised pursuant to the exercise of options granted to Ms. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

5. Includes Ms. Qiu Hongjun's entitlement to receive up to 2,934,900 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

Interest in Associated Corporations

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Amount of registered capital	% of interest in the corporation	Long Position/ Short Position/ Lending pool
Mr. Li	YuHua Investment Management	Beneficial owner	RMB40,000,000	80%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB18,000,000	36%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB30,000,000	60%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB400,000	40%	Long position
Ms. Li	YuHua Investment Management	Beneficial owner	RMB10,000,000	20%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB32,000,000	64%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB20,000,000	40%	Long position
	Zhengzhou Qinfeng Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Zhengzhou Hanchen Education Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position
	Changsha Jiuzhao Information Technology Co., Ltd.	Beneficial owner	RMB600,000	60%	Long position

Save as disclosed above, as at 31 August 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 August 2022, 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 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[4]	53.89%	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner/ Other	1,941,826,000[5]	54.02%	Long position
Baikal Lake Investment[2]	Interest in controlled corporation/Other	1,917,500,000	53.35%	Long position
GuangYu Investment[2]	Beneficial owner/Other	1,917,500,000	53.35%	Long position
TMF (Cayman) Ltd.[3]	Trustee/Other	1,917,500,000	53.35%	Long position
Bank of America Corporation	Interest in controlled corporation	393,113,996	10.94%	Long position
		391,226,099	10.88%	Short position

Notes:

1. The calculation is based on the total number of 3,594,493,833 Shares in issue as at 31 August 2022.

2. The entire share capital of GuangYu Investment 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. On 17 September 2021, a total of 3,949,800 Shares were exercised pursuant to the exercise of options granted to Mr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

5. On 17 September 2021, a total of 4,865,200 Shares were exercised pursuant to the exercise of options granted to Ms. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 31 August 2022 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 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.

The Group believes in the importance of attracting, recruiting and retaining of quality employees (in particular teachers) in achieving the Group's success. The Group provides training for teachers to equip them with teaching skills and techniques and stay abreast of the changes in student demands and teaching methodologies, changing testing and admission standards and other trends. During each school year, the Group monitors the teaching quality of its teachers and evaluates the performance of its teachers from time to time. During the year ended 31 August 2022, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

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

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and recommends to the Board 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:

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

SHARE SCHEMES

The Company has one expired share scheme with options outstanding and one existing share scheme, namely the Pre-IPO Share Option Scheme and the Share Award Scheme. From January 1, 2023, the Company will rely on the transitional arrangements provided for the share schemes and will comply with the new Chapter 17 accordingly (effective from January 1, 2023).

Pre-IPO Share Option Scheme

In order to incentivise the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 1 September 2016.

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

Purpose of the Pre-IPO Share Option Scheme

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

Eligible Participants

Our Board (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may determine the persons belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any directors and employees of any member of our Group (including nominees and/or trustees of any employee benefit trusts established for them); and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

The eligibility of any of these classes of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

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

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 180,000,000 Shares.

No further options have been granted under the Pre-IPO Share Option Scheme after the Listing.

Given that no further options would be granted under the Pre-IPO Share Option Scheme, the outstanding number of options would be equivalent to the maximum number of new Shares available for issue under the Pre-IPO Share Option Scheme. As of the date of this Annual Report, outstanding options representing 109,795,440 underlying Shares, being approximately 3.05% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are set out in Note 22 to the consolidated financial statements.

Maximum Entitlement of Each Participant

Under the Pre-IPO Share Option Scheme, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant but unvested under the Pre-IPO Share Option Scheme.

Exercise Period and Vesting Period

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

Payment on Acceptance of Share Option

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

Determination of Exercise Price

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

Life of the Pre-IPO Share Option Scheme

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

Outstanding Pre-IPO Options granted under the Pre-IPO Share Option Scheme

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of 31 August 2022. The Company has not granted further Pre-IPO Options under the Pre-IPO ESOP since 28 February 2017 and up to the date of this Annual Report. For further details on the movement of the options during the Reporting Period, please see note 22(a) to the consolidated financial statements.

Grantee	Position Held	Date of grant	Vesting Period[1]	Outstanding as at 1 September 2021	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 August 2022	Exercise price per Share	Weighted average closing price of the Company's shares immediately before the exercise date during the Reporting Period
Directors and associates										
Mr. Li	Executive Director; chairman of the Board	1 September 2016	5 years from the date of grant	3,949,800	3,949,800	–	–	–	HK$0.00001	HK$3.6
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	1 September 2016	5 years from the date of grant	4,865,200	4,865,200	–	–	–	HK$0.00001	HK$3.6
Ms. Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	1 September 2016	15 years from the date of grant	2,934,900	–	–	–	2,934,900	HK$0.00001	–
Subtotal:				11,749,900	8,815,000	–	–	2,934,900		
Other grantees in category										
326 Employee Participants		1 September 2016	Up to 20 years from the date of grant	111,804,390	4,943,850	–	–	106,860,540	HK$0.00001	HK$3.6
Subtotal:				111,804,390	4,943,850	–	–	106,860,540		
TOTAL				123,554,290	13,758,850	–	–	109,795,440		

Notes:

(1) The exercise period the options granted shall end in any event not later than 20 years from the date of grant of the options subject to the provisions for early termination under the Pre-IPO Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the resolutions in writing of the then sole shareholder of the Company on 8 February 2017. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023).

5,595,000 new Shares, representing approximately 0.16% of the weighted average of issued share capital of the Company, may be issued in respect of all awards granted during the Reporting Period to eligible participants pursuant to the Share Award Scheme. Since all the Awards granted during the Reporting Period were vested with immediate effect, all 5,595,000 Shares have been issued as at 31 August 2022.

Purpose

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

Eligible Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award (the "**Award**"). However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Share Award Scheme.

Number of Shares Available for issue under the Share Award Scheme

The aggregate number of Shares underlying all grants made (which also represents the number of Shares available for issue) pursuant to the Share Award Scheme (excluding share which have been forfeited in accordance with the Share Award Scheme) will not exceed 270,000,000 Shares (representing 9% of the aggregate nominal amount of the issued share capital of the Company (excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme) as of the Listing Date without further Shareholders' approval) (the "**Share Award Scheme Limit**").

As of September 1, 2021, 263,315,200 new Shares were available for issue under the Share Award Scheme Limit. During the Reporting Period, 5,595,000 new Shares were issued pursuant to the Share Award Scheme. It follows that, as of August 31, 2022 and the date of this Annual Report, 257,720,200 new Shares and 257,720,200 new Shares (representing approximately 7.2% of the issued share capital of the Company as of the date of this Annual Report) were available for issue under the Share Award Scheme Limit, respectively.

Maximum Entitlement of Participant

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

Vesting and Lapse

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

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

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

Consideration and purchase price

Pursuant to the Share Award Scheme, there is no amount payable on application or acceptance of the Award and no purchase price of Shares awarded. The purchase price is determined by the Board in its absolute discretion.

Restrictions

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

Duration and Termination

The Share Award Scheme shall be valid and effective for a period of 30 years (after which no further Awards will be granted), and thereafter for so long as there are any non-vested Awards Shares granted hereunder prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme Rules, unless early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant. The remaining life of the Share Award Scheme is approximately over 23 years as of the date of this Annual Report.

Share Award Grants

The table below shows details of the outstanding Awards granted to all grantees under the Share Award Scheme as of 31 August 2022. As at 31 August 2022, 5,595,000 shares had been granted to 31 selected participants under the Share Award Scheme. For further details on the movement of the awards during the Reporting Period, please see note 22(b) to the consolidated financial statements.

Name or category of grantees	Date of grant	Vesting period	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant(1)	Unvested Awards as at 1 September 2021	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at 31 August 2022
31 Employees in aggregate	17 September 2021	Immediate effect	HK$0.00001	N/A	HK$3.64	HK$20,366,000	–	5,595,000	5,595,000	HK$3.64	–	–	–
Total							–	5,595,000	5,595,000		–	–	–

Note:

(1) The fair value of Awards is determined by the total shares awarded and exercised multiplied by the closing price of the shares on this grant date, in accordance with the accounting standards and policies adopted for preparing the Company's financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the remuneration committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme and the senior management personnel are eligible participants of the Share Award Scheme. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 31(a) and note 9(b) to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of the Controlling Shareholders in the Group, during the year ended 31 August 2022, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended 31 August 2022.

Non-exempt continuing connected transactions

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

Contractual Arrangements

Background to the Contractual Arrangements

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

Regulatory framework relating to foreign ownership in the education industry in the PRC

Foreign investment activities in the PRC are subject to the restrictions as set out in the Administrative Measures of Foreign Investment Admission (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"), which is promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC and Ministry of Commerce of the PRC. The latest version of the Negative List was released on 27 December 2021 and became effective on 1 January 2022. Foreign investments in industries falling within the Negative List are subjected to special administrative measures as set forth therein.

According to the Negative List, operation of kindergartens, high schools and higher education institutions (the "**Relevant Business**") shall be restricted to Sino-foreign cooperation, which means that foreign investors may only operate kindergartens, high schools and higher education institutions through joint ventures with PRC incorporated entities that are in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools of the People's Republic of China (《中華人民共和國中外合作辦學條例》), promulgated by the State Council in 2003 and amended on 2 March 2019 (the "**Sino-Foreign Cooperation Regulation**"). The Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

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

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

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

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

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

Efforts and Actions Undertaken to Comply with the Qualification Requirement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's PRC Legal Adviser has advised that while Sino-foreign cooperative schools are to be jointly established by both foreign and domestic educational institutions, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate that it meets the Qualification Requirement. Based on the interviews conducted with the Education Department of Henan Province and the steps that the Group has undertaken as mentioned above, the Company's PRC Legal Adviser is of the view that the Group has taken all reasonable steps towards fulfilling the Qualification Requirement.

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

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

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 40 to 48 of the Prospectus.

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

- substantial uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- the Contractual Arrangements may not be as effective in providing control over the Group's consolidated affiliated entities as direct ownership.
- the beneficial owners of the Group's consolidated affiliated entities may have conflicts of interests with us, which may materially and adversely affect the Group's business and financial situation.
- the exercise of the option to acquire the equity interest of the Group's consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs.
- any failure by the Group's consolidated affiliated entities or their respective shareholders to perform their obligations under the Group's Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the Group's part to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to the Group's primary sources of revenue.
- the Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation and value of the Shareholders' investment.
- certain terms of the Contractual Arrangements may not be enforceable under PRC laws, in particular, the significant impact brought by the Implementation Regulations.
- the Company relies on dividend and other payments from WFOE to pay dividends and other cash distribution to the Shareholders and any limitation on the ability of the WFOE to pay dividends to the Company would materially and adversely limit its ability to pay dividends to the Shareholders.
- the Group's consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.
- if any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which would negatively impact the Group's business and materially and adversely affect its ability to generate revenue.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2022 are as follows:

The 2016 Contractual Arrangements

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

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

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

(c) equity pledge agreements dated 7 September 2016 and entered into by and between (i) WFOE, YuHua Investment Management and the Registered Shareholders; (ii) WFOE, Zhengzhou YuHua Education Investments and the Registered Shareholders; and (iii) WFOE, Zhengzhou Zhongmei Education Investments and the Registered Shareholders (the "**2016 Equity Pledge Agreements**"), pursuant to which the Registered Shareholders unconditionally and unequivocally pledged all of the equity interests in YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments respectively, to WFOE to guarantee (i) the performance of the obligations of YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments and their respective subsidiaries under the 2016 Exclusive Management Consultancy and Business Cooperation Agreements, (ii) performance of their and the Registered Shareholders' obligations under the 2016 Exclusive Call Option Agreements and the 2016 Powers of Attorney (as defined below); and

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

The 2018 Contractual Arrangements

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

(a) an exclusive management consultancy and business cooperation agreement dated 1 September 2018 between (i) WFOE, (ii) Zhengzhou Qinfeng Education Technology Co., Ltd. (鄭州秦風教育科技有限公司) ("**Zhengzhou Qinfeng**"), (iii) Yubohui Education, (iv) Bowang High School and (v) the Registered Shareholders (the "**2018 Exclusive Management Consultancy and Business Cooperation Agreement**"), pursuant to which Zhengzhou Qinfeng, Yubohui Education, Bowang High School and the Registered Shareholders agreed to engage WFOE as the exclusive service provider to provide Zhengzhou Qinfeng, Yubohui Education and Bowang High School with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

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

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

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

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

The 2019 Contractual Arrangements

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

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

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

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

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

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

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

The 2020 Contractual Arrangements

On 19 June 2020, WFOE, Changsha Jiuzhao Information Technology Co., Ltd. (長沙久照信息科技有限公司), the Registered Shareholders entered into the 2020 Contractual Arrangements, which consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 19 June 2020 (the "**2020 Exclusive Management Consultancy and Business Cooperation Agreement**") between (i) WFOE, (ii) Changsha Jiuzhao Information Technology Co., Ltd. and (iii) the Registered Shareholders, pursuant to which Changsha Jiuzhao Information Technology Co., Ltd. and the Registered Shareholders agreed to engage WFOE as the exclusive service provider to provide the Changsha Jiuzhao Information Technology Co., Ltd. with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 19 June 2020 (the "**2020 Exclusive Call Option Agreement**") between (i) WFOE, (ii) Changsha Jiuzhao Information Technology Co., Ltd. and (iii) the Registered Shareholders, pursuant to which the Registered Shareholders granted WFOE an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders all or part of the equity interests in Changsha Jiuzhao Information Technology Co., Ltd.;

(c) an equity pledge agreement dated 19 June 2020 (the "**2020 Equity Pledge Agreements**") between (i) WFOE, (ii) Changsha Jiuzhao Information Technology Co., Ltd. and (iii) the Registered Shareholders, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of his or her equity interest in Changsha Jiuzhao Information Technology Co., Ltd. to WFOE; and

(d) powers of attorney executed on 19 June 2020 by each of Mr. Li and Ms. Li (the "**2020 Powers of Attorney**") appointing WFOE (or any person designated by WFOE, excluding Mr. Li, Ms. Li or any other non-independent persons or persons who may give rise to conflicts of interests) as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of the Changsha Jiuzhao Information Technology Co., Ltd. requiring shareholders' approval under its articles of association and under the relevant PRC laws and regulations.

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended 31 August 2022. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2022.

The Implementation Regulations effective from 1 September 2021 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. The Company has been advised by its PRC legal adviser that according to the Implementation Regulations and the confirmation by relevant education authority, as of the date of this Annual Report, except for the Contractual Arrangements over the Affected Business, the Contractual Arrangements do not violate the relevant PRC regulations. For further details, please refer to the announcements dated 5 January 2022.

Mitigation actions taken by the Company

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

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

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

Revenue and Assets subject to the Contractual Arrangements

For the year ended 31 August 2022, revenue of the Group subject to the Contractual Arrangements amounted to approximately RMB1,418,983,000 (2021: RMB1,765,963,000). As at 31 August 2022, total assets of the Group subject to the Contractual Arrangements amounted to approximately RMB4,085,887,000 (2021: RMB3,160,460,000).

The annual transaction amount of continuing connected transactions for the year ended 31 August 2022 is set out below.

Continuing Connected Transactions

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

	Annual Transactions RMB'000	Annual Cap RMB'000
Service fee	945	Not applicable, waived

Listing Rules Implications

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

Waiver from the Stock Exchange and Annual Review

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

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

As the terms and conditions of the 2018 Contractual Arrangements, the 2019 Contractual Arrangements and the 2020 Contractual Arrangements are substantially the same as those of the contractual arrangements described under the section headed "Contractual Arrangements" in the Prospectus, and the underlying businesses are within the scope of the Group's principal businesses — the provision of private education services from kindergarten to university, the 2018 Contractual Arrangements, the 2019 Contractual Arrangements and the 2020 Contractual Arrangements therefore fall within the parameters of the Waiver Conditions.

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2022, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2022, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2022:

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

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

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

(d) nothing has come to their attention that causes the Auditor to believe that dividents or other distributions have been made by YuHua Investment Management Co., Ltd 宇華投資管理有限公司, Zhengzhou YuHua Education Investments Co., Ltd 鄭州宇華教育投資有限公司, Zhengzhou Hanchen Education Science and Technology Limited 鄭州漢晨教育科技有限公司, Zhengzhou Qinfeng Education Science and Technology Limited 鄭州秦風教育科技有限公司 (collectively the "**VIE Entities**") to the respective holders of the equity interest of the VIE Entities which are not otherwise subsequently assigned or transferred to the Group.

During the year ended 31 August 2022, no related party transactions disclosed in note 28 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 26 October 2021, the Company, GuangYu Investment (the "**Seller**") and Merrill Lynch (Asia Pacific) Limited (the "**Placing Manager**") entered into a placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which (a) the Seller has agreed to appoint the Placing Manager to act as its agent for the purpose of effecting the Placing, and the Placing Manager has agreed to, as agent of the Seller, procure on a best effort basis purchasers who and whose ultimate beneficial owners shall be Independent Third Parties to purchase an aggregate of 220,000,000 Sale Shares at the placing price, that is, HK$4.19 per share, and (b) the Seller has agreed to subscribe for, and the Company has agreed to issue to the Seller, up to 220,000,000 new Shares (and such number shall be equivalent to the number of Sale Shares actually placed by the Placing Manager pursuant to the Placing and Subscription Agreement) at the subscription price (being the same as the placing price), in each case on the terms and subject to the conditions set out in the Placing and Subscription Agreement.

On 29 October 2021, an aggregate of 220,000,000 Shares had been successfully placed to not fewer than six placees, who and whose ultimate beneficial owners are Independent Third Parties, at a price of HK$4.19 per Share in accordance with the terms and conditions of the Placing and Subscription Agreement.

Further details of the issue and completion of the Placing and Subscription Agreement are set out in the announcements of the Company dated 27 October 2021 and 3 November 2021.

Save for the placing under the Placing and Subscription Agreement, 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.

MATERIAL LITIGATION

The Directors are not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2022.

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.

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 placees 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
Total	914	914	496	418	

PUBLIC FLOAT

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

LOAN AGREEMENT COVENANTS

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

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

AUDITOR

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

By the order of the Board
Mr. Li Guangyu
Chairman

Hong Kong
27 February 2023

DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Li Guangyu (李光宇), aged 59, was first appointed as a Director on 25 April 2016. He was re-designated as an executive Director and appointed as the chairman of the Board and the chairman of the nomination committee on 7 September 2016. Mr. Li also holds the following positions with other members of the Group:

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

Mr. Li has more than 18 years of experience in the education industry, and is the chairman of the board of directors of the Zhengzhou Technology and Business University and Hunan International Economics University, and all of the Group's 25 private schools for grades K-12. In 2004, he was selected as one of the ten outstanding figures in the private education industry in China (中國民辦教育十大傑出人物) by Guangming Daily (光明日報). In April 2010, Mr. Li received the National Outstanding Worker Award (全國先進工作者) from the State Council of the PRC. Mr. Li was also a member of the National People's Congress and the vice chairman of the China Association for Non-Government Education (中國民辦教育協會).

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

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

Ms. Li Hua (李花), aged 35, was first appointed as an executive Director and as the vice chairman of the Board on 7 September 2016. Ms. Li is also the Company's chief executive officer and holds the following positions with other members of the Group:

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

Ms. Li has more than 11 years of experience in the education industry, and is a member of the board of directors of the Zhengzhou Technology and Business University and Hunan International Economics University, and all of the Group's 25 private schools of grades K-12. Ms. Li worked as an officer at Zhengzhou YuHua Elite School between March to July 2009, where she was responsible for managing the daily operations and strategic planning of the school. From July 2009 to July 2010, Ms. Li was a teaching assistant and counsellor at Zhengzhou Technology and Business University, where she was responsible for lecturing and managing the counselling programme and student activities.

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

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

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

Ms. Qiu Hongjun (邱紅軍), aged 56, was first appointed as an executive Director on 7 September 2016. Ms. Qiu is also the Group's financial controller and vice president. She is responsible for overseeing the Group's financial affairs. Ms. Qiu also holds the following positions with other members of the Group:

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

Ms. Qiu has more than 16 years of experience in the education industry, and is a member of the board of directors of all the Group's 25 private schools of grades K-12. From 2002 to 2004, she was the deputy branch president of Nanjing branch of Shenzhen Development Bank (currently known as Pingan Bank). Since joining the Group, Ms. Qiu has been overseeing the Group's financial affairs and has since then accumulated substantial financial experience.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Lei (陳磊), aged 50, was appointed as an independent non-executive Director and the chairman of the audit committee effective on 16 February 2017. Mr. Chen is primarily responsible for supervising and providing independent judgement to the Board. Mr. Chen is the Director who has the appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experience listed below.

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

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

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

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

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

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

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

Mr. Xia Zuoquan (夏佐全), aged 59, was appointed as an independent non-executive Director effective on 16 February 2017. Mr. Xia is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Xia is one of the founders of the BYD Group (比亞迪集團), and currently serves as a non-executive director of BYD Company Limited, a rechargeable battery, handset components and automobile manufacture listed on the Stock Exchange (stock code: 1211) (since March 2008) and the Shenzhen Stock Exchange (stock code: 002594) (since June 2002). He also currently serves as a director of Guangdong Beizhi Cepin Network Technology Co., Ltd. (廣東倍智測聘網絡科技股份有限公司) (since June 2015), a technology company listed on the PRC National Equities Exchange and Quotations (stock code: 833907). Mr. Xia is also the vice chairman (副理事長) of the BYD Charity Foundation (比亞迪慈善基金會). Mr. Xia served as an independent non-executive director of China Baofeng (International) Limited (中國寶豐(國際)有限公司), a company formerly listed on the Stock Exchange which was subsequently delisted in September 2020 (stock code: 3966), from 19 February 2016 to 7 September 2020.

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

Mr. Zhang Zhixue (張志學), aged 55, was appointed as an independent non-executive Director and the chairman of the remuneration committee effective on 16 February 2017. Mr. Zhang is primarily responsible for supervising and providing independent judgement to the Board.

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

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

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

SENIOR MANAGEMENT

Mr. Xu Bin (徐斌), aged 39, was appointed as the Company's chief financial officer on 1 January 2016 and joint company secretary on 7 September 2016. He is responsible for overseeing the Company's financial affairs.

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

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

JOINT COMPANY SECRETARIES

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

Ms. Ng Ka Man (吳嘉雯), was appointed as one of the Group's joint company secretaries with effect from 30 November 2021. Ms. Ng is a manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 15 years of experience in the company secretarial field. She is a Chartered Secretary, a Corporate Governance Professional and a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

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

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 August 2022.

CORPORATE GOVERNANCE PRACTICES

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

For the year ended 31 August 2022, the Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code, except as disclosed in this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as followings:

Executive Directors

Mr. Li Guangyu *(Chairman)*
Ms. Li Hua *(Vice Chairman)*
Ms. Qiu Hongjun

Independent non-executive Directors

Mr. Chen Lei
Mr. Xia Zuoquan
Mr. Zhang Zhixue

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 51 to 55 of this Annual Report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended 31 August 2022, four Board meetings and one general meeting were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the Corporate Governance Code.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 August 2022				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors:					
Mr. Li Guangyu	4/4	2/2	1/1	1/1	1/1
Ms. Li Hua	4/4	2/2	1/1	1/1	1/1
Ms. Qiu Hongjun	4/4	2/2	1/1	1/1	1/1
Independent Non-executive Directors:					
Mr. Chen Lei	4/4	2/2	1/1	1/1	1/1
Mr. Xia Zuoquan	4/4	2/2	1/1	1/1	1/1
Mr. Zhang Zhixue	4/4	2/2	1/1	1/1	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Pursuant to article 16.18 of the Articles of Association, Mr. Xia Zuoquan and Mr. Zhang Zhixue will be subject to re-election at the forthcoming annual general meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

DIVIDEND POLICY

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

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

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The audit committee comprises three independent non-executive Directors, namely Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue. Mr. Chen Lei is the chairman of the audit committee.

For the year ended 31 August 2022, the audit committee convened two meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 57.

During the meeting(s), the audit committee:

- reviewed final results of the Company and its subsidiaries for the year ended 31 August 2021 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit;

- reviewed interim results of the Group for the six months ended 28 February 2022; and

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

Remuneration Committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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

For the year ended 31 August 2022, the remuneration committee convened one meeting. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 57.

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

Details of the remuneration payable to each Director of the Company for the year ended 31 August 2022 are set out in note 31 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended 31 August 2022 is set out below:

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

Nomination Committee

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

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

For the year ended 31 August 2022, the nomination committee convened one meeting. The attendance record of the Directors at meetings of the nomination committee is set out in the table on page 57.

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

Board Diversity Policy

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

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

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

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board currently has two female Directors out of six Directors, and is committed to improving gender diversity as and when suitable candidates are identified. The Company is of the view that gender diversity in respect of the Board has been achieved. Of the 7,376 employees (including senior management) of the Group as at 31 August 2022, 4,940 are female. Accordingly, the Company considers that gender diversity is also achieved in its workforce generally.

During the Reporting Period, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of the Diversity Policy and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

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

Nomination Policy

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

NOMINATION POLICY (THE "POLICY")

1. OBJECTIVE

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

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

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

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

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

2. SELECTION CRITERIA

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

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

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

3. NOMINATION PROCEDURES

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

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

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

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

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

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

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

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

4. SUCCESSION PLANNING

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

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

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

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

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

4.2.4 Continuity through a smooth succession of Directors; and

4.2.5 Compliance with the relevant legal and regulatory requirements.

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

5. CONFIDENTIALITY

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

6. MONITORING AND REPORTING

The nomination committee will report annually a summary of the Policy including the nomination procedures, criteria for selection, the diversity policy and the progress made towards achieving these objectives in the Company’s corporate governance report.

7. REVIEW OF THE POLICY

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

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

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

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

ANTI-CORRUPTION

The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Company has adopted an anti-corruption policy (the "**Anti-corruption Policy**") which sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. The Group has also formulated the Measures for Anti-embezzlement and Reporting Management Mechanism to prevent bribery, extortion, fraud, money laundering and other types of embezzlement.

Please refer to the section headed "Anti-Corruption" in the "Environment, Social and Governance Report 2022" for further details.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2022.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the year ended 31 August 2022, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

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

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended 31 August 2022. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 71 to 79.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 August 2022 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Audit and audit related services	3,863
Total	3,863

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted an annual review of the effectiveness of the risk management and internal control system of the Company in respect of the year ended 31 August 2022 and considered the system effective and adequate.

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

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

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

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

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

JOINT COMPANY SECRETARIES

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Ka Man, as the joint company secretary to assist Mr. Xu in discharging the duties of a company secretary of the Company. Ms. Leung's primary contact person at the Company is Mr. Xu Bin, the chief financial officer of the Company. For the year ended 31 August 2022, Mr. Xu and Ms. Ng's have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Ms. Ng is a manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 15 years of experience in the company secretarial field. She is a Chartered Secretary, a Corporate Governance Professional and a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders and Putting Forward Proposal

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

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

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

Putting Forward Enquiries to the Board and Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 August 2022, the Company has not made any significant changes to its constitutional documents.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China YuHua Education Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 80 to 183, comprise:

- the consolidated balance sheet as at 31 August 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F:+852 2810 9888, www.pwchk.com

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

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

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

- Assessment of control over the consolidated affiliated entities through contractual arrangements
- Income taxes for schools in People's Republic of China ("**China**" or the "**PRC**")
- Impairment assessment of goodwill and trademark with indefinite useful lives

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of control over the consolidated affiliated entities through contractual arrangements Refer to Note 2.2.1(a) Subsidiaries — Consolidation — Subsidiaries controlled through Contractual Arrangements and Note 4(a) Critical accounting estimates and judgments — Contractual Arrangements to the consolidated financial statements. The Group conducts a substantial portion of its business through the Consolidated Affiliated Entities in mainland China due to the regulatory requirements that restrict foreign ownership in the high school and university education service industry in the People's Republic of China ("**PRC**"). The Group does not have any direct legal ownership of equity interest in the Consolidated Affiliated Entities. Nonetheless, through the establishment and implementation of a series of contractual arrangements ("**Contractual Arrangements**"), the Group has rights to exercise power over the Consolidated Affiliated Entities, has exposure, or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to affect those returns through its power over the Consolidated Affiliated Entities, and the Directors considered that the Group has control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities under IFRS and consolidates these entities as its indirect subsidiaries in the consolidated financial statements of the Group.	In addressing this matter, we had performed the following procedures: — Discussed with management to understand the latest regulatory development and whether there were any changes in facts and circumstances which might have an impact on the Contractual Arrangements; — Evaluated the Company's assessment and judgments on the validity and enforceability of the Contractual Arrangements with the assistance of our internal legal expert and the assessment of the Group's control over Consolidated Affiliated Entities through the Contractual Arrangements; — Obtained the written opinion from the Company's PRC external legal counsel and discussed with them to understand their analysis and views as to the validity and enforceability of the Contractual Arrangements with respect to all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and evaluated whether these evidences support the relevant judgments made by the Directors; — Assessed the competency, capabilities and objectivity of the Company's PRC external legal counsel; and — Assessed the adequacy of related disclosures in the consolidated financial statements. Based on the procedures performed, we found the management's judgments on continue to control over the Consolidated Affiliated Entities and therefore consolidate these entities in the consolidated financial statements were supported by the evidence we obtained.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
During the year, the Directors reassessed, with the involvement of an external legal counsel appointed by the Company, whether there were any changes in facts and circumstances that may impact the validity and enforceability of the Contractual Arrangements. Based on the results of the assessment, it was concluded that the Contractual Arrangements among the wholly foreign owned entity of the Group, the Consolidated Affiliated Entities and their equity shareholders 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 the consolidated financial statements of the Group as at and for the year ended 31 August 2022. We focus on this area due to the complexity and high level of judgments involved in determining the validity and enforceability of the Contractual Arrangements in order to evaluate whether it is appropriate for the Company to consolidate the Consolidated Affiliated Entities under IFRS, which could have significant and pervasive implications to the consolidated financial statements.	

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes for schools in China Refer to Note 4(b) Critical accounting estimates and judgments — Current and deferred income taxes and Note 11 Income taxation to the consolidated financial statements. Each of the schools in China within the Group have elected to be a private school whose sponsors do not require reasonable returns. Pursuant to the Implementation Rules for the Law for Promoting Private Education, private schools whose sponsors do not require reasonable returns shall be entitled to the same preferential tax treatments as public schools, which are exempt from PRC corporate income tax based on historical experience. However, there have been no rule specifying the eligibility of preferential tax treatments for public schools in Corporate Income Tax Law of the People's Republic of China or other relevant tax rules and regulations. Based on the assessment made by management, they considered all these private schools in China within the Group are eligible to the preferential tax treatments and no PRC corporate income tax has been provided for these schools for the year ended 31 August 2022. Significant management judgments are required in determining the provision for PRC corporate income taxes for such schools in China as there are uncertainties in interpreting and practical application of the relevant tax rules and regulations in respect of the eligibility preferential tax treatments by such schools. Therefore, we focus on this area due to the high level of management judgments involved in determining whether the Group is eligible to the preferential tax treatments on the PRC corporate income tax.	In addressing this matter, we had performed the following procedures: — Evaluated the Group's schools registration as private schools whose sponsors do not require reasonable returns by: • Checked the legal documents such as the latest registration documents and articles of all schools; • Reviewed the board meeting minutes and financial statements of the schools to make sure no dividend was declared or paid by all schools; — Discussed with the Group's PRC legal counsel and obtained their legal opinions which confirmed each of the schools is not required to pay PRC corporate income tax to its respective tax authorities and this is in compliance with applicable laws and regulations in China that those schools are eligible to such preferential tax treatments; — Interviewed the responsible officials of the local tax bureaus of selected schools to confirm that the selected schools are eligible to the preferential income tax treatments and are exempt from the corporate income tax, also there is no violation of PRC tax laws; — Assessed the eligibility of the preferential tax treatments of selected schools with the assistance of our internal tax experts by inspecting and understanding the applicable tax laws and regulations, new policies or rules if any, and historical tax returns filed to assess if management's understanding and interpretation could be supported. Based on the procedures performed, we found management's judgments on the schools eligibility to preferential tax treatments were supported by the evidence we obtained.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and trademark with indefinite useful lives Refer to Note 4(c) Critical accounting estimates and judgments — Estimation of goodwill impairment and trademark impairment and Note 14(b) Intangible assets-Impairment tests of goodwill and trademark to the consolidated financial statements. The Group recognised goodwill and trademark with indefinite useful lives of RMB1,085 million and RMB409 million (Note 14(b)) respectively, as at 31 August 2022 arising from a number of prior years' acquisitions. Management performed impairment assessment of goodwill and trademark with indefinite useful lives annually. The recoverable amounts of the cash-generating units ("**CGUs**") have been determined by management based on the value in use calculations. The value in use calculations use cash flow forecast based on financial budgets approved by the Board which involve the use of judgments applied by management, such as revenue growth rates, earnings before interest and tax margin ("**EBIT margin**"), long-term growth rate and discount rate. Based on the impairment assessment, management considered no impairment of goodwill and trademark with indefinite useful lives was considered necessary. Due to the high level of management judgments and estimation applied in the impairment assessment of goodwill and trademark with indefinite useful lives, we considered it as a key audit matter.	In addressing this matter, we had performed the following procedures: — Understood and evaluated key controls over management's impairment assessment of goodwill and trademark with indefinite useful lives; — Evaluated management's future cash flow forecasts and compared the management's forecasts to the Board's approved budget; — Tested the mathematical accuracy of the underlying value in use calculations of the CGUs; — Assessed the appropriateness of the valuation models and the discount rate, with the assistance of our internal valuation experts, taking into consideration of the cost of capital of the Group and comparable entities in the similar industry; — Assessed the appropriateness of the revenue growth rates and EBIT margin by considering the latest five-year strategic plans, historical financial information, budget and revenue growth rates and EBIT margin of comparable companies; — Assessed the appropriateness of the long-term growth rates by considering the economic forecasts in China and Thailand; — Reviewed management's sensitivity analysis on the key drivers of the cash flow forecast, including revenue growth rates, EBIT margin, long-term growth rate and discount rate. Based on the procedures performed, we found management's judgments and estimation applied in the impairment assessment of goodwill and trademark with indefinite useful lives were supported by the evidence we obtained.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the financial information and management discussion and analysis other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information prior to the date of this auditor's report. The remaining other information, including the company profile, corporate information, directors and senior management information, report of directors, corporate governance report, environmental, social and governance report and financial summary and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

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

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

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

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

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

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA YUHUA EDUCATION CORPORATION LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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

The engagement partner on the audit resulting in this independent auditor's report is LEONG Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August 2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue	5	**2,380,372**	2,258,583
Cost of revenue	8	**(961,430)**	(739,957)
Gross profit		**1,418,942**	1,518,626
Selling expenses	8	**(27,893)**	(41,218)
Administrative expenses	8	**(198,847)**	(194,903)
Net impairment losses on financial assets	3.1	**(3,102)**	(2,375)
Other income	6	**20,336**	22,408
Other (losses)/gains — net	7	**(63,510)**	459,113
Operating profit		**1,145,926**	1,761,651
Finance income	10	**41,153**	18,341
Finance expenses	10	**(60,780)**	(71,246)
Finance expenses — net	10	**(19,627)**	(52,905)
Profit before income tax		**1,126,299**	1,708,746
Income taxation	11	**8,654**	8,665
Profit for the year from continuing operations		**1,134,953**	1,717,411
Discontinued operations			
Loss for the year from discontinued operations, net of tax	1	**—**	(864,635)
Profit for the year		**1,134,953**	852,776
Profit attributable to:			
Owners of the Company			
— Continuing operations		**1,125,705**	1,689,145
— Discontinued operations		**—**	(864,635)
		1,125,705	824,510
Non-controlling interests			
— Continuing operations		**9,248**	28,266
— Discontinued operations		**—**	—
		9,248	28,266
		1,134,953	852,776
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings/(loss) per share	12		
Continuing operations		**0.32**	0.50
Discontinued operations		**—**	(0.26)
		0.32	0.24
Diluted earnings/(loss) per share	12		
Continuing operations		**0.31**	0.33
Discontinued operations		**—**	(0.23)
		0.31	0.10

The accompanying notes on pages 87 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 August 2022 RMB'000	2021 RMB'000
Profit for the year		**1,134,953**	852,776
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(72,510)**	93,089
Items that will not be reclassified to profit or loss			
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	9	**932**	2,253
Currency translation differences		**43,763**	—
Other comprehensive income for the year, net of tax		**11,756**	144,305
Total comprehensive income for the year		**1,146,709**	997,081
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,137,461**	968,815
Non-controlling interests		**9,248**	28,266
		1,146,709	997,081
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**1,137,461**	1,833,450
Discontinued operations		**—**	(864,635)
		1,137,461	968,815

The accompanying notes on pages 87 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13(a)	**3,706,284**	3,624,140
Intangible assets	14	**1,531,545**	1,538,351
Right-of-use assets	13(b)	**1,892,066**	1,818,941
Other non-current assets	16	**34,277**	17,713
Total non-current assets		**7,164,172**	6,999,145
Current assets			
Trade and other receivables	17	**76,272**	104,726
Restricted cash	18(b)	**11,576**	150,523
Cash and cash equivalents	18(a)	**4,240,783**	1,655,884
Total current assets		**4,328,631**	1,911,133
Total assets		**11,492,803**	8,910,278
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	20	**30**	28
Share premium	20	**1,741,528**	966,087
Reserves	21	**1,283,979**	1,032,364
Retained earnings		**2,762,999**	1,758,824
		5,788,536	3,757,303
Non-controlling interests		**34,521**	25,273
Total equity		**5,823,057**	3,782,576

	Note	As at 31 August 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	24	**430,000**	639,980
Deferred income tax liabilities	15	**493,516**	502,170
Lease liabilities	13(b)	**12,564**	16,492
Financial liabilities at fair value through profit or loss	25	**—**	1,667,555
Deferred income		**172,628**	94,978
Total non-current liabilities		**1,108,708**	2,921,175
Current liabilities			
Accruals and other payables	23	**1,077,602**	1,086,820
Contract liabilities	5	**1,471,401**	904,448
Lease liabilities	13(b)	**4,732**	4,888
Borrowings	24	**210,198**	210,371
Financial liabilities at fair value through profit or loss	25	**1,797,105**	—
Total current liabilities		**4,561,038**	2,206,527
Total liabilities		**5,669,746**	5,127,702
Total equity and liabilities		**11,492,803**	8,910,278

The accompanying notes on pages 87 to 183 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 80 to 183 were approved by the Board of Directors on 27 February 2023 and were signed on its behalf.

Li Hua	**Qiu Hongjun**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital (Note 20) RMB'000	Share premium (Note 20) RMB'000	Capital reserve (Note 21(a)) RMB'000	Statutory surplus reserve (Note 21(b)) RMB'000	Share-based payments reserve RMB'000	Treasury shares reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 September 2020		28	1,546,308	124,950	846,034	129,428	(134,721)	8,726	1,109,469	3,630,222	459,190	4,089,412
Total comprehensive income												
Profit for the year		–	–	–	–	–	–	–	824,510	824,510	28,266	852,776
Other comprehensive income		–	–	–	–	–	–	144,305	–	144,305	–	144,305
Total comprehensive income for the year		–	–	–	–	–	–	144,305	824,510	968,815	28,266	997,081
Transfer of accumulated net losses on disposal of equity investments at fair value through other comprehensive income to retained earnings		–	–	–	–	–	–	2,280	(2,280)	–	–	–
Transaction with owners in their capacity as owners:												
Issuance for share award scheme		–	41,304	–	–	–	–	–	–	41,304	–	41,304
Profit appropriation to statutory surplus reserves	21	–	–	–	172,875	–	–	–	(172,875)	–	–	–
Share-based compensation	22	–	–	–	–	24,095	–	–	–	24,095	–	24,095
Exercise of share options		–	26,591	–	–	(26,591)	–	–	–	–	–	–
Transactions with non-controlling interests		–	–	(259,017)	–	–	–	–	–	(259,017)	(462,183)	(721,200)
Dividends distribution	32	–	(648,116)	–	–	–	–	–	–	(648,116)	–	(648,116)
		–	(580,221)	(259,017)	172,875	(2,496)	–	–	(172,875)	(841,734)	(462,183)	(1,303,917)
At 31 August 2021		28	966,087	(134,067)	1,018,909	126,932	(134,721)	155,311	1,758,824	3,757,303	25,273	3,782,576
At 1 September 2021		**28**	**966,087**	**(134,067)**	**1,018,909**	**126,932**	**(134,721)**	**155,311**	**1,758,824**	**3,757,303**	**25,273**	**3,782,576**
Total comprehensive income												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,125,705**	**1,125,705**	**9,248**	**1,134,953**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**11,756**	**–**	**11,756**	**–**	**11,756**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**11,756**	**1,125,705**	**1,137,461**	**9,248**	**1,146,709**
Transaction with owners in their capacity as owners:												
Issue of ordinary shares	20	**2**	**752,741**	**–**	**–**	**–**	**–**	**–**	**–**	**752,743**	**–**	**752,743**
Profit appropriation to statutory surplus reserves	21	**–**	**–**	**–**	**121,530**	**–**	**–**	**–**	**(121,530)**	**–**	**–**	**–**
Share-based compensation	22	**–**	**–**	**–**	**–**	**17,299**	**–**	**–**	**–**	**17,299**	**–**	**17,299**
Disposal of treasury shares	20	**–**	**(27,897)**	**–**	**–**	**–**	**134,721**	**–**	**–**	**106,824**	**–**	**106,824**
Issuance for share award scheme	22	**–**	**16,906**	**–**	**–**	**–**	**–**	**–**	**–**	**16,906**	**–**	**16,906**
Exercise of share options		**–**	**33,691**	**–**	**–**	**(33,691)**	**–**	**–**	**–**	**–**	**–**	**–**
		2	**775,441**	**–**	**121,530**	**(16,392)**	**134,721**	**–**	**(121,530)**	**893,772**	**–**	**893,772**
At 31 August 2022		**30**	**1,741,528**	**(134,067)**	**1,140,439**	**110,540**	**–**	**167,067**	**2,762,999**	**5,788,536**	**34,521**	**5,823,057**

The accompanying notes on pages 87 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations (continuing operations)	26(a)	**2,205,241**	1,835,491
Interest paid		**(56,004)**	(58,306)
Interest received		**34,007**	14,684
		2,183,244	1,791,869
Discontinued operations		**–**	208,150
Net cash generated from operating activities		**2,183,244**	2,000,019
Cash flows from investing activities			
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	26(a)	**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
		(294,285)	(314,158)
Cash and cash equivalents of the Affected Business over which control was lost		**–**	(547,367)
Discontinued operations		**–**	13,554
Net cash used in investing activities		**(294,285)**	(847,971)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Year ended 31 August 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	20	**752,743**	–
Proceeds from borrowings		**209,000**	440,000
Repayments of borrowings		**(419,153)**	(602,068)
Principal elements of lease payments or finance lease payments		**(5,106)**	(5,358)
Dividends paid to shareholders of the Company	32	**–**	(648,116)
Proceeds from disposal of treasury shares		**106,824**	–
Transactions with non-controlling interests		**–**	(721,200)
		644,308	(1,536,742)
Discontinued operations		**–**	(130,400)
Net cash generated from/(used in) financing activities		**644,308**	(1,667,142)
Net increase/(decrease) in cash and cash equivalents		**2,533,267**	(515,094)
Cash and cash equivalents at beginning of the year		**1,655,884**	2,175,197
Exchange gains/(losses) on cash and cash equivalents		**51,632**	(4,219)
Cash and cash equivalents at end of the year		**4,240,783**	1,655,884

The accompanying notes on pages 87 to 183 are an integral part of these consolidated financial statements.

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, Ugland 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**").

As set out in Note 4(a) to the consolidated financial statements for the year ended 31 August 2022, 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.

1 GENERAL INFORMATION (CONTINUED)

On 14 May 2021, Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (中華人民共和國民辦教育促進法實施條例, "**Implementation Regulations**") were promulgated. The Implementation Regulations were effective on 1 September 2021. The Implementation Regulations include rules that 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. The Directors assessed that all preschools in the Kindergartens segment of the Group and the compulsory education programs which is middle schools programs and primary schools programs in the Grade 1–12 segment of the Group were affected by the Implementation Regulations (collectively referred to as the "**Affected Business**"). As of 31 August 2021, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group. The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss. Loss for the year ended 31 August 2021 from discontinued operations, net of tax was amounting to RMB864,635,000, more details were set out in Note 26 to the consolidated financial statements for the year ended 31 August 2021.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1 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 25); contract liabilities of RMB1,471,401,000 (being annual tuition and boarding fees received in advance which do not involve future cash outflows (Note 5)); and a current borrowing of RMB210,198,000 (Note 24). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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:

		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	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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.3 New standards and interpretations not yet adopted (Continued)

The Group has not early adopted the abovementioned 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 Subsidiaries

2.2.1 Consolidation

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

(a) Subsidiaries controlled through Contractual Arrangements

The Group conducts a substantial portion of its business through YuHua Investment Management Co., Ltd, Zhengzhou YuHua Education Investments Co., Ltd, Zhengzhou Hanchen Education Science and Technology Limited, Zhengzhou Qinfeng Education Science and Technology Limited (collectively the "**Mainland China Investment Holding Companies**") and their wholly owned subsidiaries (collectively the "**Consolidated Affiliated Entities**") in mainland China through the contractual agreements entered into by Xizang Yuanpei Information Technology Management Company Limited, the wholly foreign owned enterprise of the Group ("**WFOE**"), the Consolidated Affiliated Entities and their equity shareholders ("**Contractual Agreements**"). The Contractual Agreements enable the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities, in consideration for the technical and consulting services provided by the WFOEs, at the WFOEs' discretion;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

- obtain the irrevocable and exclusive right for the WFOEs or their designated persons to purchase all or part of the equity interests in the Consolidated Affiliated Entities from their equity shareholders at a minimum purchase price permitted under the PRC laws and regulations at such WFOE's sole and absolute discretion to the extent permitted by PRC law. The equity shareholders shall return the amount of purchase consideration they have received to the WFOE. In addition, the equity shareholders are not allowed to sell, assign, transfer, or otherwise disposed of or create encumbrance over their interests in any of the Consolidated Affiliated Entities directly or indirectly without prior written consent of the WFOE; and

- obtain a pledge over the entire equity interest in the Consolidated Affiliated Entities from their equity shareholders to secure the performance of their obligations under the Contractual Agreements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements under IFRS.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. During the year ended 31 August 2022, the Directors, based on the advice of its legal counsel, consider that the contractual agreements among the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Business combination

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Business combination (Continued)

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

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

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

(d) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Goodwill

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

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

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

(b) Trademarks

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(c) Software

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

(d) Student base

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

2.7 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets

(a) Classification

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

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

- those to be measured at amortised cost.

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

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

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

(b) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (Continued)

(c) *Measurement*

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

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

Debt instruments

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

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

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

(d) Impairment

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

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

2.9 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial guarantee contracts

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

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

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

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

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

2.11 Trade and other receivables

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

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

2.12 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

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

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

2.14 Accruals and other payables

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

2.15 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings (Continued)

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

2.16 Borrowing costs

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

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

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

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Convertible bonds (Continued)

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.

2.18 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

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

2.19 Employee benefits

(a) Liabilities for wages and salaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19Employee benefits (Continued)

(b) Pension obligations

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

(c) Housing funds

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

(d) Post-employment obligations

Pension obligations

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(d) *Post-employment obligations (Continued)*

Pension obligations (Continued)

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

2.20 Share-based payments

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

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

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

2.21 Revenue recognition

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Dividend distribution

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

2.25 Government grants

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

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

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

2.26 Interest income

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

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

Risk	Exposure arising from	Measurement
Market risk — foreign exchange	Recognised financial assets and liabilities not denominated in RMB	Sensitivity analysis
Market risk — interest rate	Borrowings carried at floating rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, restricted cash, trade and other receivables and financial assets at fair value through profit or loss	Aging analysis Credit ratings
Liquidity risk	Borrowings and other liabilities	Maturity analysis

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group primarily operates in mainland China with most of the transaction settled in RMB. The functional currencies of Group's subsidiaries in mainland China and Thailand is RMB and THB respectively, while the functional currency of the Company and subsidiaries outside mainland China and Thailand is HK$. Both the entities in and outside mainland China have assets and liabilities like cash at bank and on hand, short-term bank deposits. Foreign exchange risk arises from the fluctuation in exchange rates.

The Group has continued to closely monitor and manage its exposure to fluctuation in foreign exchange rates during the year. The Group did not enter into any forward contract to manage its exposure to foreign exchange risk for the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currency of the respective group entities are as follows:

	As at 31 August 2022	
	US$ (functional currency-HK$) RMB'000	**US$ (functional currency-RMB) RMB'000**
Cash at bank and on hand	**110,264**	**9,105**
Short-term bank deposits	**47,999**	**—**
Cash and cash equivalents	**158,263**	**9,105**
Interest receivables	**200**	**—**
Accruals and other payables	**—**	**—**

	As at 31 August 2021	
	US$ (functional currency-HK$) RMB'000	US$ (functional currency-RMB) RMB'000
Cash at bank and on hand	121,053	8,546
Short-term bank deposits	22,854	—
Cash and cash equivalents	143,907	8,546
Interest receivables	324	—
Accruals and other payables	—	2,131

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Impact on post tax profit		
US$/RMB exchange rate — weaken 5%	**(455)**	(321)
US$/RMB exchange rate — strengthen 5%	**455**	321
US$/HK$ exchange rate — weaken 5%	**(7,923)**	(7,212)
US$/HK$ exchange rate — strengthen 5%	**7,923**	7,212

(ii) Interest rate risk

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

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

	As at 31 August 2022		As at 31 August 2021	
		% of total		% of total
	RMB'000	**borrowings**	RMB'000	borrowings
Variable rate borrowings	**640,198**	**100.00%**	850,351	100.00%

An analysis by maturities is provided in Note 3.1(c). The percentage of total loans shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings. At 31 August 2022, if the interest rates on bank borrowings and cash and cash equivalents had been 50 basis points higher/lower, with all other variables held constant, the Group's net profit for the year would have been RMB3,201,000 (2021: RMB4,252,000) lower/higher.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and financial assets at fair value through profit or loss shown on consolidated balance sheets.

As at 31 August 2022, 96% (2021: 90%) of the Group's cash and cash equivalents, restricted cash were held in reputable and listed banks, which management believes are of high credit quality. The rest are deposited in local banks or financial institutions with good reputation. Management does not expect any losses from non-performance by these counterparties.

(ii) Impairment of financial assets

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

- trade receivables for provision of services;

- other receivables carried at amortised cost.

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

Trade receivables

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Impairment of financial assets (Continued)*

Trade receivables (Continued)

On that basis, the loss allowance was determined as follows for trade receivables:

As at 31 August 2022	Within 1 year past due	1–2 years past due	More than 2 years past due	Total
Expected loss rate	10.53%	100%	100%	
Gross carrying amount — trade receivables (RMB'000)	12,188	2,241	1,408	15,837
Loss allowance (RMB'000)	1,284	2,241	1,408	4,933

As at 31 August 2021	Within 1 year past due	1–2 years past due	More than 2 years past due	Total
Expected loss rate	9%	100%	100%	
Gross carrying amount — trade receivables (RMB'000)	10,767	1,898	—	12,665
Loss allowance (RMB'000)	956	1,898	—	2,854

As at 31 August 2022, there was no specific provisions (2021: specific provision of RMB1,373,000) has been provided against trade receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

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

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Loss allowance		
At beginning of the year	**(4,227)**	(2,891)
Increase in loss allowance recognised in profit or loss	**(2,896)**	(3,012)
Provision reversed	**1,806**	960
Receivables written off as uncollectible	**384**	716
At end of the year	**(4,933)**	(4,227)

Other receivables carried at amortised cost

The Group assesses the expected credit losses of other receivables on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Other receivables at amortised cost include receivables from local government, staff advance and others. The loss allowance for other receivables at amortised cost for the year was not material.

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Impairment losses		
Movement in loss allowance for trade receivables	**1,090**	2,052
Movement in loss allowance for other receivables	**2,012**	323
Net impairment losses on financial assets	**3,102**	2,375

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents 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 financing from bank borrowings and convertible bonds.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 24. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

As at 31 August 2022, the Group has cash and cash equivalents of approximately RMB4,240,783,000 (2021: RMB1,655,884,000) (Note 18), trade receivables of approximately RMB15,837,000. (2021: RMB14,038,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk.

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

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 August 2022					
Borrowings (principal plus interests)	232,546	224,627	226,740	–	683,913
Convertible bonds	1,841,304	–	–	–	1,841,304
Lease liabilities	4,819	5,141	7,324	1,586	18,870
Accruals and other payables (excluding non-financial liabilities)	965,584	–	–	–	965,584
	3,044,253	229,768	234,064	1,586	3,509,671

Note: for the convertible bonds, details related to the maturity information were further analyzed in Note 2.1.1. Due to the impact of the Amendments Documents effective on 19 January 2023, the contractual maturity date of the convertible bonds became in December 2024 and therefore fell in the band between 1 and 2 years subsequent to the balance sheet date.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 August 2021					
Borrowings (principal plus interests)	244,965	234,696	449,399	–	929,060
Convertible bonds	15,611	1,770,927	–	–	1,786,538
Lease liabilities	4,978	6,142	10,788	1,718	23,626
Accruals and other payables (excluding non-financial liabilities)	969,121	–	–	–	969,121
	1,234,675	2,011,765	460,187	1,718	3,708,345

3.2 Capital management

The Group's objectives when managing capital are to:

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

The liability-to-asset ratios of the Group were as follows:

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Total liabilities	**5,669,746**	5,127,702
Total assets	**11,492,803**	8,910,278
The liability-to-asset ratio	**49.3%**	57.5%

3.3 Fair value estimation

(a) Fair value hierarchy

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

Recurring fair value measurements At 31 August 2022	**Level 3 RMB'000**	**Total RMB'000**
Liabilities		
Financial liabilities at fair value through profit or loss (Note 25)	**1,797,105**	**1,797,105**

Recurring fair value measurements At 31 August 2021	Level 3 RMB'000	Total RMB'000
Liabilities		
Financial liabilities at fair value through profit or loss (Note 25)	1,667,555	1,667,555

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

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

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

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

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

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

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

The following table presents the changes in level 3 financial assets:

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	–	50,000
Additions	–	50,665
Settlements	–	(101,086)
Gains and losses recognised in profit or loss (Note 7)	–	421
At end of the year	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

Note:

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

The following table presents the movement in level 3 financial liabilities for the year ended 31 August 2022:

	Convertible Bonds (Level 3) RMB'000
At beginning of the year	1,667,555
Gains recognised in profit or loss (Note 7)	73,436
Gains recognised in other comprehensive income — changes in fair value that is attributable to changes to the liability's credit risk	(39,571)
Exchange difference	95,685
At end of the year	**1,797,105**

As at 31 August 2022, 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 liabilities at fair value through profit or loss is determined by reference to the valuation performed by an independent valuer engaged by management of the company using the Binomial Method.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

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

Convertible bonds due	Fair value RMB'000	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 August 2022	**1,797,105**	Dividend yield: 2.00% Volatility: 43.00% Risk free rate: 1.03% Bond yield: 7.87%	Increased bond yield 1% would decrease FV by RMB5,169,000; FV is insensitive to dividend yield, volatility and risk free rate.
As at 31 August 2021	**1,667,555**	Dividend yield: 3.00% Volatility: 44.54% Risk free rate: 0.28% Bond yield: 5.93%	Increased dividend yield 1% would decrease FV by RMB11,630,000; Increased volatility 1% would increase FV by RMB6,504,000; Increased risk free rate 0.03% would increase FV by RMB75,000; Increased bond yield 1% would decrease FV by RMB38,752,000.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Group's valuation processes

For the financial assets, including level 3 fair values, the Group's Finance Department performs the valuations. The Finance Department reports directly to the Chief Financial Officer ("**CFO**"). Discussions of valuation processes and results are held between the CFO and Finance Department semi-annually, in line with the Group's semi-annual reporting dates.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Contractual Arrangements

The Group conducts a substantial portion of its business through YuHua Investment Management Co., Ltd, Zhengzhou YuHua Education Investments Co., Ltd, Zhengzhou Hanchen Education Science and Technology Limited, Zhengzhou Qinfeng Education Science and Technology Limited (collectively the "**Mainland China Investment Holding Companies**") and their wholly owned subsidiaries (collectively the "**Consolidated Affiliated Entities**") in mainland China due to regulatory restrictions on the foreign ownership in the Group's schools in mainland China. The Group does not have any equity interest in the Consolidated Affiliated Entities and the Directors have assessed whether or not the Group has control over the Consolidated Affiliated Entities, i.e. whether has existing rights that give it the current ability to direct the relevant activities; rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities through the contractual agreements entered into by Xizang Yuanpei Information Technology Management Company Limited, the wholly owned foreign enterprise of the Group ("**WFOE**"), the Consolidated Affiliated Entities and their equity shareholders ("**Contractual Agreements**"). Based on the assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities, as a result of the Contractual Agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Contractual Arrangements (Continued)

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. During the year ended 31 August 2022, the Directors, based on the advice of its legal counsel, consider that the contractual agreements among the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Current and deferred income taxes

All schools in mainland China within the Group are private schools do not require reasonable returns under Law for Promoting Private Education. Pursuant to the former effective Law for Promoting Private Education and its implementation regulations, private schools whose sponsors do not require reasonable returns under the former effective Law for Promoting Private Education shall be entitled to the same preferential tax treatment as public schools, which are exempt from PRC corporate income tax based on historical experiences. No PRC corporate income tax has been provided on the tuition and boarding income during the year for all schools in China within the Group as those schools are eligible to the preferential tax treatment based on the assessment made by the management.

However, there have been no rules specifying the preferential tax treatment enjoyed by public schools in Corporate Income Tax Law of the People's Republic of China or other relevant tax rules and regulations. Significant judgment is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax rules and regulations in respect to the preferential tax treatment enjoyed by the schools. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Estimation of goodwill impairment and trademark impairment

The goodwill and the trademark arose from the acquisition of subsidiaries. Trademark is typically not a CGU and should not normally be tested alone. The Group tests whether goodwill and trademark have suffered any impairment on an annual basis in accordance with the accounting policy stated in Note 2.7. The recoverable amount of a CGU is determined based on the higher of FVLCD and VIU which requires the use of estimates and valuation techniques. When applying valuation technique, the Group relies on judgments on key assumptions including revenue growth rates, earnings before interest and tax margin ("**EBIT margin**"), long-term growth rate and discount rate.

Details of key assumptions are disclosed in Note 14.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of private formal education 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 performance.

The CODM considers the business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group's operating segments are aggregated. During the 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.

The accounting policies of the operating segments are described in Note 2.3.

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	High School RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Year ended 31 August 2022					
Revenue	228,185	2,152,187	945	(945)	2,380,372
Cost of revenue	(137,087)	(824,343)	–	–	(961,430)
Gross profit	91,098	1,327,844	945	(945)	1,418,942
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)
Operating profit	76,033	1,176,356	(106,463)	–	1,145,926
Finance income/(expenses) – net	4,291	28,162	(52,080)	–	(19,627)
Profit before income tax	80,324	1,204,518	(158,543)	–	1,126,299
Income taxation	425	8,229	–	–	8,654
Profit for the year	80,749	1,212,747	(158,543)	–	1,134,953
Loss for the year from discontinued operations	–	–	–	–	–
As at 31 August 2022					
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
Other segment information					
Additions to non-current assets	13,127	405,895	2	–	419,024
Depreciation and amortisation (Note 8)					
— 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 7)					
— Continuing operations	(139)	(4,461)	(2)	–	(4,602)
— Discontinued operations	–	–	–	–	–
Borrowings (Note 24)	–	–	(640,198)	–	(640,198)

5 REVENUE AND 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
Year ended 31 August 2021						
Revenue	–	234,535	2,024,048	2,186	(2,186)	2,258,583
Cost of revenue	–	(154,989)	(584,968)	–	–	(739,957)
Gross profit	–	79,546	1,439,080	2,186	(2,186)	1,518,626
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
Operating profit	–	69,782	1,261,211	430,658	–	1,761,651
Finance income/expenses – net	–	2,134	6,621	(61,660)	–	(52,905)
Profit before income tax	–	71,916	1,267,832	368,998	–	1,708,746
Income taxation	–	1,055	7,610	–	–	8,665
Profit for the year	–	72,971	1,275,442	368,998	–	1,717,411
Loss for the year from discontinued operations	(127,745)	(736,890)	–	–	–	(864,635)
As at 31 August 2021						
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
Other segment information						
Additions to non-current assets	445	10,725	301,672	3	–	312,845
Depreciation and amortisation (Note 8)						
– 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 7)						
– Continuing operations	–	(19)	(7,108)	(37)	–	(7,164)
– Discontinued operations	(51)	(232)	–	–	–	(283)
Borrowings (Note 24)	–	–	–	(850,351)	–	(850,351)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information by location is set out below.

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Revenue from external customers		
Mainland China	**2,235,913**	2,109,938
Thailand	**144,459**	148,645
	2,380,372	2,258,583

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Mainland China	**6,900,981**	6,723,441
Thailand	**263,191**	275,704
	7,164,172	6,999,145

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:

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

(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 service and training programs.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities (Continued)

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

	Year ended 31 August 2022 RMB'000
At beginning of the year	904,448
Revenue recognised that was included in the balance of contract liabilities at beginning of the year	(904,448)
Increases due to cash received, excluding amounts recognised as revenue during the year	1,471,401
At end of the year	1,471,401

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 August 2022 RMB'000
Revenue recognised that was included in the balance of contract liabilities at beginning of the year	
Tuition and boarding fees	903,670
Others	778
	904,448

(ii) Unsatisfied contracts

	Year ended 31 August 2022 RMB'000
Expected to be recognised within one year	
Tuition and boarding fees	1,465,290
Others	6,111
	1,471,401

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities (Continued)

(ii) Unsatisfied contracts (Continued)

The contract liabilities as at 31 August 2022 were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at 31 August 2022.

6 OTHER INCOME

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Government grants and subsidies	**11,502**	14,024
Examination fee income	**2,203**	3,290
Others	**6,631**	5,094
	20,336	22,408

7 OTHER (LOSSES)/GAINS — NET

		Year ended 31 August	
		2022	2021
	Note	**RMB'000**	RMB'000
Net (loss)/gain on financial liabilities at fair value through profit or loss	3.3	**(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	3.3	**—**	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)
		(63,510)	459,113

8 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 (Note 9)	**516,310**	452,124
— Share Award Scheme expenses (Note 22(b))	**16,906**	20,295
— Share-based compensation expenses (Note 22(a))	**17,299**	13,312
Depreciation expenses		
— Depreciation of property, plant and equipment (Note 13)	**165,356**	162,143
— Depreciation of right-of-use assets (Note 13 (b))	**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 (Note 14)	**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 (Note 13 (b))	**2,238**	2,154
Other expenses	**21,439**	22,929
	1,188,170	976,078

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**441,156**	384,347
Pension costs — defined contribution plans (a)	**33,519**	27,156
Pension costs — defined benefit plans (b)	**1,204**	1,307
Welfare and other expenses	**40,431**	39,314
	516,310	452,124

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	**437,303**	371,092
Administrative expenses	**73,787**	74,438
Selling expenses	**5,220**	6,594
	516,310	452,124

(a) Contributions to pension plan

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. During the year ended 31 August 2022, there were no forfeited contributions under the Group's defined contribution plans.

(b) Defined benefit plans

	As at 31 August 2022		
	Current	**Non-current**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Defined pension benefits	**–**	**7,772**	**7,772**

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

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Defined benefit plans (Continued)

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

	Present value of obligation RMB'000
At 31 August 2021	**7,866**
Current service costs	**1,204**
Interest expenses	**167**
Total amount recognised in profit or loss	**1,371**
Remeasurements — gain from change in actuarial assumptions	**(932)**
Total amount recognised in other comprehensive income	**(932)**
Payments	**(145)**
Exchange differences	**(388)**
At 31 August 2022	**7,772**

The significant actuarial assumptions were as follows:

	As at 31 August 2022
Retirement age	60.88 to 61 years old
Discount rate	3.28%–3.85%
Future salary increase rate	5.00%
Employee turnover rate	1.91%–34.38%
Mortality rate	105% of TMO[1] 2017
Disability rate	Insignificant, included in mortality rate

Note 1: Thai Mortality Ordinary

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Defined benefit plans (Continued)

The defined benefit under the Group's defined benefit plans is determined based on an actuarial valuation performed by Actuarialbiz Company Limited (ABS), an independent actuary in Thailand. The undersigned actuary of the actuarial valuation is Tommy Pichet Jiaramaneetaweesin, a fellow of the Society of Actuaries from the United States, a fellow of the Institute of Actuaries of the United Kingdom, a fellow of the Society of Actuaries of Thailand, and a certifying actuary from Office of Insurance Commission of Thailand.

(c) Five highest paid individuals

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Five highest paid individuals		
Directors	**3**	3
Non-director individual	**2**	2
	5	5

Details of the remunerations of the highest paid non-director individuals during the year are set out as below:

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**588**	194
Share-based compensation	**—**	507
Share award scheme	**—**	7,415
Contributions to pension plan	**13**	13
Welfare and other expenses	**15**	20
	616	8,149

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals (Continued)

	Year ended 31 August	
	2022	2021
	No. of employees	No. of employees
Non-director individual		
Emolument band		
Nil to HK$1,000,000	**2**	1
HKD8,500,000 to HK$9,000,000	**—**	1

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

10 FINANCE EXPENSES — NET

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Interest income from deposits	**36,354**	16,926
Net foreign exchange gains	**4,799**	1,415
	41,153	18,341
Finance expenses:		
Interest expenses	**(53,563)**	(63,701)
Net foreign exchange losses	**(6,432)**	(6,698)
Interest and finance charges for lease liabilities	**(785)**	(847)
	(60,780)	(71,246)
Finance expenses — net	**(19,627)**	(52,905)

11 INCOME TAXATION

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Current tax		
Current tax on profits before income tax for the year	**–**	–
Deferred income tax		
Decrease in deferred income tax assets (Note 15)	**836**	1,293
Decrease in deferred income tax liabilities (Note 15)	**(9,490)**	(9,958)
Total deferred income tax benefit	**(8,654)**	(8,665)
Income taxation	**(8,654)**	(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:

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

11 INCOME TAXATION (CONTINUED)

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

(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 (2021:Nil).

(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.

11 INCOME TAXATION (CONTINUED)

(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.

12 EARNINGS PER SHARE

(a) Basic

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

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

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

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

13 PROPERTY, PLANT AND EQUIPMENT, AND LEASES

(a) Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 August 2021							
Opening net book amount	3,468,978	18,771	7,678	112,451	67,624	116,846	3,792,348
Exchange differences	(7,085)	(84)	(28)	(213)	(131)	–	(7,541)
Additions	229	6,161	2,775	15,066	14,415	260,166	298,812
Transfer upon completion	360,132	–	–	–	2,876	(363,008)	–
Disposals	(6,577)	–	(524)	(1,157)	(743)	–	(9,001)
Depreciation charge (Note 8)							
– Continuing operations	(109,923)	(4,433)	(2,093)	(24,800)	(20,894)	–	(162,143)
– Discontinued operations	(7,678)	(1,773)	(366)	(1,854)	(1,301)	–	(12,972)
Loss upon the deconsolidation of the Affected Business	(262,746)	(2,775)	(1,196)	(4,965)	(3,681)	–	(275,363)
Closing net book amount	3,435,330	15,867	6,246	94,528	58,165	14,004	3,624,140
At 31 August 2021							
Cost	3,889,745	31,881	10,154	217,390	147,068	14,004	4,310,242
Accumulated depreciation	(454,415)	(16,014)	(3,908)	(122,862)	(88,903)	–	(686,102)
Net book amount	3,435,330	15,867	6,246	94,528	58,165	14,004	3,624,140
Year ended 31 August 2022							
Opening net book amount	**3,435,330**	**15,867**	**6,246**	**94,528**	**58,165**	**14,004**	**3,624,140**
Exchange differences	**(2,983)**	**–**	**(10)**	**(50)**	**(40)**	**(2)**	**(3,085)**
Additions	**11,177**	**91,408**	**1,116**	**51,701**	**40,099**	**60,321**	**255,822**
Transfer upon completion	**36,336**	**–**	**–**	**6,132**	**5,876**	**(48,344)**	**–**
Disposals	**(1,658)**	**–**	**(1,169)**	**(800)**	**(1,610)**	**–**	**(5,237)**
Depreciation charge (Note 8)							
– Continuing operations	**(113,460)**	**(9,275)**	**(1,768)**	**(24,445)**	**(16,408)**	**–**	**(165,356)**
– Discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing net book amount	**3,364,742**	**98,000**	**4,415**	**127,066**	**86,082**	**25,979**	**3,706,284**
At 31 August 2022							
Cost	**3,928,540**	**123,018**	**8,047**	**264,930**	**176,986**	**25,979**	**4,527,500**
Accumulated depreciation	**(563,798)**	**(25,018)**	**(3,632)**	**(137,864)**	**(90,904)**	**–**	**(821,216)**
Net book amount	**3,364,742**	**98,000**	**4,415**	**127,066**	**86,082**	**25,979**	**3,706,284**

13 PROPERTY, PLANT AND EQUIPMENT, AND LEASES (CONTINUED)

(a) Property, plant and equipment (Continued)

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

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Cost of revenue		
— Continuing operations	**124,668**	123,479
— Discontinued operations	**—**	9,703
	124,668	133,182
Administrative expenses		
— Continuing operations	**40,688**	38,664
— Discontinued operations	**—**	3,269
	40,688	41,933
	165,356	175,115

(ii) Construction-in-progress as at 31 August 2022 and 2021 mainly comprised buildings being constructed in mainland China.

(iii) As at 31 August 2022, the carrying amount of buildings without building ownership certificates was RMB1,929,769,000 (2021: RMB1,966,960,000). The Group is in the process to obtain the certificates except for the buildings of Kaifeng Yuhua Elite High School with a carrying amount of RMB20,974,000 (2021: RMB21,625,000).

(iv) As at 31 August 2022, the Group had no property, plant and equipment which was pledged as security (2021: nil).

13 PROPERTY, PLANT AND EQUIPMENT, AND LEASES (CONTINUED)

(b) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 August 2022 RMB'000	As at 31 August 2021 RMB'000
Right-of-use assets		
— Buildings	**21,444**	27,341
— Leasehold land	**1,870,256**	1,791,462
— Vehicles	**366**	138
	1,892,066	1,818,941
Lease liabilities		
— Current	**4,732**	4,888
— Non-current	**12,564**	16,492
	17,296	21,380

During the year, additions to the right-of-use assets were RMB133,699,000 (2021: RMB4,190,000).

13 PROPERTY, PLANT AND EQUIPMENT, AND LEASES (CONTINUED)

(b) Leases (Continued)

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

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

	Notes	Year ended 31 August 2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets			
Continuing operations			
— Buildings		**5,749**	5,367
— Leasehold land		**49,986**	47,768
— Vehicles		**156**	307
	8	**55,891**	53,442
Discontinued operations			
— Buildings		**—**	2,528
— Leasehold land		**—**	633
		—	3,161
		55,891	56,603

	Notes	Year ended 31 August 2022 RMB'000	2021 RMB'000
Loss upon the deconsolidation of the Affected Business			
Discontinued operations			
— Leasehold land		**—**	46,673
		—	46,673
Interest expense (included in finance expense)	10	**785**	847
Expense relating to short-term leases (included in cost of revenue and administrative expenses)	8	**2,238**	2,104
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	8	**—**	50

13 PROPERTY, PLANT AND EQUIPMENT, AND LEASES (CONTINUED)

(b) Leases (Continued)

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

During the year, the total cash outflow for leases was RMB5,106,000 (2021: 5,758,000).

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

The Group leases various offices, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 20 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iv) As at 31 August 2022, land use right allocated by the government with a carrying value of RMB481,498,000 (2021: RMB495,614,000), has no definite life of use stated in the relevant land use right certificates. The estimated useful life is 50 years which is the best estimate based on the normal terms in mainland China. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

(v) As at 31 August 2022, the carrying amount of leasehold land without land use right certificates was RMB18,142,000 (2021: RMB19,116,000). The Group is in the process of applying for the certificates except for the leasehold land of Kaifeng Yuhua Elite High School with a carrying amount of RMB10,085,000 (2021: RMB10,789,000).

14 INTANGIBLE ASSETS

	Trademark (i) RMB'000	Student base RMB'000	Goodwill RMB'000	Other intangible assets RMB'000	Total RMB'000
Year ended 31 August 2021					
Opening net book amount	445,302	2,522	1,084,625	18,495	1,550,944
Exchange differences	(28)	–	–	(128)	(156)
Additions	–	–	–	2,126	2,126
Disposals	–	–	–	(9)	(9)
Amortisation (Note 8)	(4,260)	(2,522)	–	(7,772)	(14,554)
Closing net book amount	441,014	–	1,084,625	12,712	1,538,351
At 31 August 2021					
Cost	455,606	22,700	1,084,625	36,332	1,599,263
Accumulated depreciation	(14,592)	(22,700)	–	(23,620)	(60,912)
Net book amount	441,014	–	1,084,625	12,712	1,538,351
Year ended 31 August 2022					
Opening net book amount	**441,014**	**–**	**1,084,625**	**12,712**	**1,538,351**
Exchange differences	**–**	**–**	**–**	**(30)**	**(30)**
Additions	**–**	**–**	**–**	**4,433**	**4,433**
Disposals	**–**	**–**	**–**	**(161)**	**(161)**
Amortisation (Note 8)	**(4,288)**	**–**	**–**	**(6,760)**	**(11,048)**
Closing net book amount	**436,726**	**–**	**1,084,625**	**10,194**	**1,531,545**
At 31 August 2022					
Cost	**455,606**	**22,700**	**1,084,625**	**40,574**	**1,603,505**
Accumulated depreciation	**(18,880)**	**(22,700)**	**–**	**(30,380)**	**(71,960)**
Net book amount	**436,726**	**–**	**1,084,625**	**10,194**	**1,531,545**

(i) As at 31 August 2022, the trademark consisted of trademark with indefinite useful lives of RMB409,400,000 and trademark with useful lives of 10 years of RMB27,326,000.

14 INTANGIBLE ASSETS (CONTINUED)

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

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	**8,818**	12,358
Administrative expenses	**2,230**	2,196
	11,048	14,554

(b) Impairment tests of goodwill and trademark

	Hunan International Economics University RMB'000	Jinan Shuangsheng RMB'000	Yubohui Education RMB'000	Stamford International University RMB'000	Total RMB'000
Year ended 31 August 2022					
Goodwill	**528,703**	**432,925**	**81,437**	**41,560**	**1,084,625**
Trademark with indefinite useful lives (i)	**219,000**	**190,400**	**–**	**–**	**409,400**
Year ended 31 August 2021					
Goodwill	528,703	432,925	81,437	41,560	1,084,625
Trademark with indefinite useful lives (i)	219,000	190,400	–	–	409,400

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment tests of goodwill and trademark (Continued)

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

	Hunan International Economics University	Jinan Shuangsheng	Yubohui Education	Stamford International University
Year ended 31 August 2022				
Revenue growth rates (%)	**1.8–9.2**	**0–21**	**(2.3)–8.5**	**(7.3)–2.9**
EBIT margin (% of revenue) (%)	**45**	**40**	**40**	**22**
Long-term growth rate (%)	**2**	**2**	**2**	**2**
Discount rate (%)	**15**	**15**	**16**	**16**
Year ended 31 August 2021				
Revenue growth rates (%)	2.2–14.5	0–10.5	1.4–8.7	1–5.5
EBIT margin (% of revenue) (%)	50	45	47	25
Long-term growth rate (%)	2	2	2	2
Discount rate (%)	15	15	16	16

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

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

14 INTANGIBLE ASSETS (CONTINUED)

(c) Impact of possible changes in key assumptions

If one key assumption was to change as follows while the others remain the same, the recoverable amount of CGUs would equal to its carrying amount:

	Hunan International Economics University		Jinan Shuangsheng		Yubohui Education		Stamford International University	
	From	To	From	To	From	To	From	To
Year ended 31 August 2022								
Revenue growth rates (%)	1.8–9.2	(10.5)–(3.1)	0–21	(0.2)–20.7	(2.3)–8.5	(10.9)–(0.3)	(7.3)–2.9	(6.3)–4
EBIT margin (% of revenue) (%)	45	23.6	40	39.5	40	27.3	22	20.1
Long term growth rate (%)	2	(14.2)	2	1.8	2	(8.4)	2	0.1
Pre-tax discount rate (%)	15	24.5	15	15.1	16	22	16	17.3
Year ended 31 August 2021								
Revenue growth rates (%)	2.2–14.5	(16.1)–(3.8)	0–10.5	(1.9)–8.6	1.4–8.7	(9.6)–(2.3)	1–5.5	(4.4)–0.1
EBIT margin (% of revenue) (%)	50	19	45	41.2	47	29	25	19
Long term growth rate (%)	2	(36.2)	2	0.5	2	(14)	2	(5.2)
Pre-tax discount rate (%)	15	30.8	15	16.1	16	24	16	20.2

15 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
	RMB'000	RMB'000
As at beginning of the year	**18,901**	20,194
Credited to profit or loss (Note 11)	**(836)**	(1,293)
As at end of the year	**18,065**	18,901

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.

15 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred income tax liabilities

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

(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 income tax assets and liabilities after offset are listed as below:

	Year ended 31 August	
	2022 **RMB'000**	2021 RMB'000
Deferred income tax liabilities	**493,516**	502,170

16 OTHER NON-CURRENT ASSETS

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Prepayments for prepaid land lease payments	**6,571**	6,571
Rental deposits	**2,282**	2,822
Prepayments for purchases of property, plant and equipment	**25,424**	8,320
	34,277	17,713

17 TRADE AND OTHER RECEIVABLES

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

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group's students are required to pay tuition fees and boarding fees in advance for every 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:

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	**12,188**	10,767
Over 1 year	**3,649**	3,271
	15,837	14,038

(b) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. The loss allowance increased from RMB4,227,000 to RMB4,933,000 for trade receivables and decreased from RMB361,000 to RMB151,000 for other receivables during the current reporting period. The impaired trade receivables relate to students that were in financial difficulties or default in payments, and the impaired other receivables relate to staff advances and deposits.

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk is set out in note 3.1.

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

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**4,588**	2,929
Provision for impairment recognised during the year	**5,118**	3,335
Provision reversed	**(2,016)**	(960)
Receivables written off during the year as uncollectible	**(2,606)**	(716)
At end of the year	**5,084**	4,588

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
HK$	**—**	576
US$	**200**	324
RMB	**67,075**	98,626
THB	**8,997**	5,200
	76,272	104,726

(d) As at 31 August 2022 and 2021, the fair values of trade and other receivables, except the prepayments which are not financial assets of the Group, approximated their carrying amounts.

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Cash at bank and on hand		
— RMB	**2,920,828**	1,342,681
— HK$	**971,339**	2,858
— US$	**119,369**	129,599
— THB	**138,611**	98,540
Short-term bank deposits		
— HK$	**—**	47,350
— US$	**47,999**	22,854
Cash at financial institutions other than bank		
— RMB	**42,637**	12,002
Cash and cash equivalents	**4,240,783**	1,655,884

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

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

(b) Restricted cash

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Restricted cash	**11,576**	150,523

As at 31 August 2022, the restricted cash comprises of the following deposits: (i) the cash in a dormant account amounting to RMB526,000; (ii) the deposit in an account opened by Shandong Yingcai Advanced Technical School, a school of the Group, subject to litigation freezing funds to RMB1,050,000; (iii) the deposit in an account opened by Hunan International Economics University subject to litigation freezing funds to RMB10,000,000.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables excluding prepayments (Note 17)	**72,478**	99,521
Restricted cash (Note 18)	**11,576**	150,523
Cash and cash equivalents (Note 18)	**4,240,783**	1,655,884
	4,324,837	1,905,928

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Accruals and other payables excluding non-financial liabilities	**965,584**	969,121
Borrowings	**640,198**	850,351
Lease liabilities	**17,296**	21,380
Financial liabilities at fair value through profit or loss	**1,797,105**	1,667,555
	3,420,183	3,508,407

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

20 SHARE CAPITAL AND SHARE PREMIUM

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

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Issued and paid:					
As at 1 September 2020	3,339,640,183	33,396	28	1,546,308	1,546,336
Share issued upon exercise of share-based compensation (Note 22)	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)
As at 31 August 2021	3,355,139,983	33,551	28	966,087	966,115
As at 1 September 2021	3,355,139,983	33,551	28	966,087	966,115
Share issued upon exercise of share-based compensation (Note 22)	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)
As at 31 August 2022	3,594,493,833	35,945	30	1,741,528	1,741,558

20 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(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.

21 OTHER RESERVES

(a) Capital reserve

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

21 OTHER RESERVES (CONTINUED)

(b) Statutory surplus reserves

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

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

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

(iii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 10% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in mainland China. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

22 SHARE-BASED PAYMENTS

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

	31 August 2022 Average exercise price in HK$ per share option	Number of share options
As at beginning of the year	**0.00001**	**123,554,290**
Share options exercised	**0.00001**	**(13,758,850)**
As at end of the year	**0.00001**	**109,795,440**
Exercisable at period end	**0.00001**	**2,169,990**

	31 August 2021 Average exercise price in HK$ per share option	Number of share options
As at beginning of the year	0.00001	132,369,290
Share options exercised	0.00001	(8,815,000)
As at end of the year	0.00001	123,554,290
Exercisable at period end	0.00001	637,190

Options exercised for the year ended 31 August 2022 resulted in 13,758,850 shares being issued at a weighted average price of HK$3.82 each. Options exercised for the year ended 31 August 2021 resulted in 8,815,000 shares being issued at a weighted average price of HK$7.23 each.

22 SHARE-BASED PAYMENTS (CONTINUED)

As at 31 August 2022, outstanding share options have the following expiry date and exercise prices:

	31 August 2022	
	Exercise price in HK$ per share option	Number of share options
Expiry date		
1 September 2036	**0.00001**	**109,795,440**

(a) Pre-IPO Share Option Scheme

On 1 September 2016, 102,621,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 31 August 2022, 15,393,150 share options have been vested, and 2,140,700 share options have not yet exercised.

On 1 September 2016, 15,658,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 31 August 2022, 2,348,700 share options have been vested, and 29,290 share options have not yet exercised.

On 1 September 2016, 4,402,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 31 August 2022, 660,300 share options have been vested and exercised.

On 1 September 2016, 1,636,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 31 August 2022, 245,400 share options have been vested and exercised.

22 SHARE-BASED PAYMENTS (CONTINUED)

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

On 1 September 2016, 2,608,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 31 August 2022, 652,000 share options have been vested and exercised.

On 1 September 2016, 44,075,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 31 August 2022, 44,075,000 share options have been vested and exercised.

On 1 September 2016, 9,000,000 share options were granted under the Pre-IPO Share Option Scheme which have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 31 August 2022, 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 consolidated statement of profit or loss for the year ended 31 August 2022 amounted to HK$20,093,000 (equivalent to RMB17,299,000, which comprises RMB17,299,000 for continuing operations and nil for discontinued operations) (2021: HK$27,986,000 (equivalent to RMB24,095,000, which comprises RMB13,312,000 for continuing operations and RMB10,783,000 for discontinued operations)).

(b) Share Award Scheme

On 17 September 2021, the Group awarded a total of 5,595,000 award shares to 31 selected participants who are unconnected grantees under the Share Award Scheme, and all the award shares were vested and exercised at the same day. The closing price of the shares on this grant date was HK$3.64 per share.

22 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Award Scheme (Continued)

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 annual condensed financial information was amounted to HK$20,366,000 (equivalent to RMB16,906,000, which comprises RMB16,906,000 for continuing operations and nil for discontinued operations). (2021: HK$49,401,000 (equivalent to RMB41,304,000, which comprises RMB20,295,000 for continuing operations and RMB21,009,000 for discontinued operations)).

23 ACCRUALS AND OTHER PAYABLES

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Net payables to the Affected Business upon deconsolidation (Note 28(b))	**594,030**	602,030
Payables for purchases of property, plant and equipment	**99,635**	140,275
Salary and welfare payables	**76,434**	85,867
Miscellaneous expenses received from students (a)	**102,125**	79,594
Payables for teaching materials and other operating expenditure	**58,819**	38,828
Government subsidies payable to students and teachers	**46,146**	37,243
Taxes payable	**27,812**	23,966
Deposits received	**18,683**	20,044
Amount due to related parties (Note 28(b))	**11,003**	10,287
Interest payables	**6,526**	8,814
Defined pension benefits	**7,772**	7,866
Audit and consulting fees	**3,796**	6,800
Legal claim payables	**6,589**	6,589
Payables for contracting canteens	**912**	235
Others	**17,320**	18,382
	1,077,602	1,086,820

(a) The amounts represent the miscellaneous expenses received from students which are payable out on behalf of students.

23 ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
US$	**–**	2,131
RMB	**1,041,584**	1,051,508
THB	**36,018**	33,181
	1,077,602	1,086,820

24 BORROWINGS

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

24 BORROWINGS (CONTINUED)

(a) Bank borrowings

(i) The weighted average effective interest rates are set out as follows:

	Year ended 31 August	
	2022	2021
Bank borrowings	**4.09%**	4.20%

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

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Guaranteed by related party	**640,000**	849,980
Secured by equity interests of a subsidiary	**198**	371
	640,198	850,351

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

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**210,198**	210,371
Between 1 and 2 years	**210,000**	210,000
Between 2 and 5 years	**220,000**	429,980
	640,198	850,351

(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$.

24 BORROWINGS (CONTINUED)

(a) Bank borrowings (Continued)

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

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

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Non-current		
Convertible Bonds	–	1,667,555
Current		
Convertible Bonds	**1,797,105**	–

Issuance of the Convertible Bonds

On 27 December 2019, the Company issued Convertible Bonds with an aggregate principal 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 (Note 3.3). 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 7).

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

Issuance of the Convertible Bonds (Continued)

The Convertible Bonds bear an interest at 0.9% 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 a 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 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 a 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.

Further details of the Convertible Bonds subsequent to the year end are set out in Note 33.

26 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 (Note 13(b))	**55,891**	53,442
— Depreciation of property, plant and equipment (Note 13)	**165,356**	162,143
— Amortisation of intangible assets (Note 14)	**11,048**	14,554
— Provision for impairment of trade and other receivables (Note 17(b))	**3,102**	2,375
— Write-off long-aged payables (Note 7)	**(2,643)**	(7,171)
— Losses on disposal of property, plant and equipment (Note 7)	**4,602**	7,164
— Net loss/(gain) on financial liabilities at fair value through profit or loss as at year end (Note 7)	**73,436**	(459,810)
— Gains on disposal of financial assets at fair value through profit or loss (Note 7)	**—**	(421)
— Share-based compensation expenses (Note 8)	**17,299**	13,312
— Share award scheme expenses (Note 8)	**16,906**	20,295
— Finance expenses — net	**20,505**	51,841
— Gains on disposal of leasehold land (Note 7)	**(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)
Cash generated from operations (Continuing operations)	**2,205,241**	1,835,491

26 CASH FLOW INFORMATION (CONTINUED)

(a) Cash generated from operations (Continued)

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 (Note 13)	**5,237**	8,234
Losses on disposal of property, plant and equipment (Note 7)	**(4,602)**	(7,164)
Proceeds from disposal of property, plant and equipment	**635**	1,070

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	**4,240,783**	1,655,884
Borrowings (Note 24)	**(640,198)**	(850,351)
Convertible bonds (Note 25)	**(1,797,105)**	(1,667,555)
Lease liabilities	**(17,296)**	(21,380)
Net debt	**1,786,184**	(883,402)
Cash and cash equivalents	**4,240,783**	1,655,884
Gross debt — fixed interest rates	**(1,814,401)**	(1,688,935)
Gross debt — variable interest rates	**(640,198)**	(850,351)
Net debt	**1,786,184**	(883,402)

26 CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation (Continued)

	Assets	Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Net debt RMB'000
As at 31 August 2020	2,175,197	(1,142,419)	(2,301,148)	(36,934)	(1,305,304)
Cash flows					
– Continuing operations	(59,031)	162,068	–	5,358	108,395
– Discontinued operations	91,304	130,000	–	400	221,704
Foreign exchange adjustments	(4,219)	–	125,540	–	121,321
Other non-cash movements	–	–	508,053	(5,492)	502,561
Loss related to disposal group upon deconsolidation	(547,367)	–	–	15,288	(532,079)
As at 31 August 2021	1,655,884	(850,351)	(1,667,555)	(21,380)	(883,402)
Cash flows					
– Continuing operations	**2,533,267**	**210,153**	**–**	**5,106**	**2,748,526**
– Discontinued operations	**–**	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**51,632**	**–**	**(95,685)**	**–**	**(44,053)**
Other non-cash movements	**–**	**–**	**(33,865)**	**(1,022)**	**(34,887)**
As at 31 August 2022	**4,240,783**	**(640,198)**	**(1,797,105)**	**(17,296)**	**1,786,184**

27 COMMITMENTS

(a) Capital commitments

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

	As at 31 August	
	2022 RMB'000	2021 RMB'000
Construction project of a new campus	**633,392**	863,240

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties:

Names of the related parties	**Nature of relationship**
Mr. Li Guangyu	The Controlling Shareholder
Zhengzhou Corn Culture Communication Co. Ltd.	A company controlled by the Controlling Shareholder

(a) Transactions with related parties

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Purchases of services from related parties	**716**	720

(b) Balances with related parties

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Amounts due to related parties		
— The Affected Business upon deconsolidation	**594,030**	602,030
— The Controlling Shareholder	**8,704**	8,372
— Zhengzhou Corn Culture Communication Co., Ltd.	**2,299**	1,915
	605,033	612,317

As at 31 August 2022, all balances with the Controlling Shareholder and the related companies are non-interest bearing. All balances with the Controlling Shareholder and related parties are unsecured and repayable on demand.

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees for borrowings

	As at 31 August	
	2022	2021
	RMB'000	RMB'000
Borrowings guaranteed by the Controlling Shareholder (Note 24(a)(ii))	**640,000**	849,980

(d) Key management compensation

Key management includes directors of the Company and senior managements of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,803**	4,634
Share-based compensation	**674**	5,346
Share award scheme	**—**	7,415
Contributions to pension plans	**107**	116
Welfare and other expenses	**93**	109
	3,677	17,620

29 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance Sheet of the Company

	Note	As at 31 August 2022 RMB'000	2021 RMB'000
Non-current assets			
Investments in subsidiaries		**119,927**	235,831
Total non-current assets		**119,927**	235,831
Current assets			
Trade and other receivables		**1,285,271**	1,209,044
Cash and cash equivalents		**1,103,777**	192,202
Total current assets		**2,389,048**	1,401,246
Total assets		**2,508,975**	1,637,077
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		**30**	28
Share premium	(a)	**1,741,528**	966,087
Other reserves	(a)	**330,695**	263,754
Accumulated losses	(a)	**(1,394,436)**	(1,297,150)
Total equity		**677,817**	(67,281)
Liabilities			
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**—**	1,667,555
Other non-current liabilities		**4,931**	10,193
Total non-current liabilities		**4,931**	1,677,748
Current liabilities			
Accruals and other payables		**28,924**	26,239
Financial liabilities at fair value through profit or loss		**1,797,105**	—
Short-term borrowings		**198**	371
Total current liabilities		**1,826,227**	26,610
Total liabilities		**1,831,158**	1,704,358
Total equity and liabilities		**2,508,975**	1,637,077

The balance sheet of the Company was approved by the Board of Directors on 27 February 2023 and was signed on its behalf:

Li Hua
Director

Qiu Hongjun
Director

29 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2020	1,546,308	46	129,428	57,709	(1,671,623)	61,868
Profit for the year	–	–	–	–	374,473	374,473
Other comprehensive income						
Currency translation differences	–	–	–	79,067	–	79,067
Transactions with owners						
Issuance for share award scheme	41,304	–	–	–	–	41,304
Share-based compensation	–	–	24,095	–	–	24,095
Exercise of share options	26,591	–	(26,591)	–	–	–
Dividends distribution	(648,116)	–	–	–	–	(648,116)
At 31 August 2021	966,087	46	126,932	136,776	(1,297,150)	(67,309)
At 1 September 2021	**966,087**	**46**	**126,932**	**136,776**	**(1,297,150)**	**(67,309)**
Loss for the year	**–**	**–**	**–**	**–**	**(97,286)**	**(97,286)**
Other comprehensive income						
Currency translation differences	**–**	**–**	**–**	**83,333**	**–**	**83,333**
Transactions with owners						
Issue of ordinary shares	**752,741**	**–**	**–**	**–**	**–**	**752,741**
Issuance for share award scheme	**16,906**	**–**	**–**	**–**	**–**	**16,906**
Disposal of treasury shares	**(27,897)**	**–**	**–**	**–**	**–**	**(27,897)**
Exercise of share options	**33,691**	**–**	**(33,691)**	**–**	**–**	**–**
Share-based compensation	**–**	**–**	**17,299**	**–**	**–**	**17,299**
At 31 August 2022	**1,741,528**	**46**	**110,540**	**220,109**	**(1,394,436)**	**677,787**

30 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 August 2022:

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Directly held:						
China YuHua Education Investment Limited (中國宇華教育投資有限公司)	BVI/ 28 April 2016	US$1.00	100%	100%	Holding company	BVI
LEI Lie Ying Limited	Hong Kong/ 26 March 2009	HK$1	100%	100%	Holding company	Hong Kong
Indirectly held:						
China HongKong Yuhua Education Limited (中國香港宇華教育有限公司)	Hong Kong/ 12 May 2016	HK$1,000.00	100%	–	Holding company	Hong Kong
Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司)	Mainland China/ 22 July 2016	US$500,000.00	100%	–	Holding company	Mainland China
Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司)	Mainland China/ 9 April 2004	RMB50,000,000	100%	–	Holding company	Mainland China
Zhengzhou Technology and Business University (鄭州工商學院)	Mainland China/ 9 April 2013	RMB100,000,000	100%	–	University	Mainland China
Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司)	Mainland China/ 17 December 1996	RMB113,333,334	100%	–	Holding company	Mainland China
Hunan International Economics University ("**HIEU**") (湖南涉外經濟學院)	Mainland China/ 13 May 1997	RMB10,000,000	100%	–	University	Mainland China
Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司)	Mainland China/ 29 July 2002	RMB2,000,000	100%	–	Property management	Mainland China

30 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Hunan Lie Ying Mechanic School (湖南獵鷹技工學校)	Mainland China/ 10 September 2007	RMB500,000	100%	–	Vocational school	Mainland China
Zhengzhou Qinfeng Education Science and Technology Limited (鄭州秦風教育科技有限公司)	Mainland China/ 19 June 2019	RMB1,000,000	100%	–	Holding company	Mainland China
Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司)	Mainland China/ 2 February 2018	RMB33,000,000	100%	–	Holding company	Mainland China
Kaifeng Yuhua Elite High School (開封宇華實驗高中)	Mainland China/ 12 July 2000	RMB8,000,000	100%	–	High school	Mainland China
Thai Education Holdings Co., Ltd.	Thailand/ 12 October 2011	THB3,591,000	100%	–	Holding company	Thailand
Fareast Stamford International Co., Ltd.	Thailand/ 4 March 1994	THB400,000,000	99.9999%	–	Holding company	Thailand
Stamford International University	Thailand/ 29 November 1995	RMB1,000,000	99.9999%	–	University	Thailand
Zhengzhou Hanchen Education Science and Technology Limited (鄭州漢晨教育科技有限公司)	Mainland China/ June 2018	RMB1,000,000	100%*	–	Holding company	Mainland China
Jinan Shuangsheng Education Consulting Co., Ltd. (濟南雙勝教育諮詢有限公司)	Mainland China/ October 2016	RMB25,500,000	100%	–	Holding company	Mainland China

30 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Shandong Yingcai University (山東英才學院)	Mainland China/ May 1998	RMB20,000,000	100%	–	University	Mainland China
Shandong Yingcai Highly Mechanic School (山東英才高級技工學校)	Mainland China/ August 2014	RMB5,000,000	100%	–	Vocational school	Mainland China

(a) Non-controlling interests ("NCI")

Set out below is summarised financial information of the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

	Kaifeng City Yubohui Education	
	31 August 2022 RMB'000	31 August 2021 RMB'000
Current assets	**113,668**	69,624
Current liabilities	**(32,705)**	(22,036)
Current net assets	**80,963**	47,588
Non-current assets	**40,805**	43,781
Non-current liabilities	**(4,027)**	(4,452)
Non-current net assets	**36,778**	39,329
Net assets	**117,741**	86,917
Accumulated NCI	**35,364**	26,116

30 PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests ("NCI")

Summarised statement of comprehensive income

	Kaifeng City Yubohui Education **Year ended 31 August 2022 RMB'000**	 Year ended 31 August 2021 RMB'000
Revenue	**58,600**	53,271
Profit for the year	**30,824**	22,680
Other comprehensive income	**—**	—
Total comprehensive income	**30,824**	22,680
Profit allocated to NCI	**9,248**	6,804
Dividends paid to NCI	**—**	—

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Salaries RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 August 2022				
Executive director				
Li Guangyu	340	12	—	352
Li Hua	961	31	—	992
Qiu Hongjun	68	—	544	612
Independent non-executive director				
Chen Lei	180	—	—	180
Xia Zuoquan	180	—	—	180
Zhang Zhixue	180	—	—	180
	1,909	43	544	2,496

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Salaries RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 August 2021				
Executive director				
Li Guangyu	1,281	9	1,755	3,045
Li Hua	961	31	2,162	3,154
Qiu Hongjun	68	–	616	684
Independent non-executive director				
Chen Lei	180	–	–	180
Xia Zuoquan	180	–	–	180
Zhang Zhixue	180	–	–	180
	2,850	40	4,533	7,423

Note:

No emoluments have been paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

(b) Directors' termination benefits

During the year, no payments was made to directors as compensation for early termination of the appointment (2021: nil).

(c) Consideration provided to third parties for making available directors' service

During the year, no payment was made to the former employer of directors or third parties for making available the services as a director of the Company (2021: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there was no loan, quasi-loan and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors (2021: nil).

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(e) Directors' material interests in transactions, arrangements or contracts

During the year, no significant transaction, arrangement and contract in relation to the Group's business to which the Group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the years except for the transactions disclosed in Note 30(a) (2021: nil).

32 DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended 31 August 2022.

	2022 **RMB'000**	2021 RMB'000
Interim dividend, nil (2021: HK$0.123) per ordinary share	–	375,139
Proposed final dividend, nil (2021: HK$0.00) per ordinary share	–	–

33 POST BALANCE SHEET 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 25. 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.

DEFINITIONS

"2016 Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Li, Ms. Li and the Group's consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"2018 Contractual Arrangements"	a series of contracts and documents entered into in September 2018 between the WFOE, Zhengzhou Qinfeng Education Technology Co., Ltd., Kaifeng City Yubohui Education Information Technology Consulting Co., Ltd., Kaifeng City Xiangfu District Bowang High School and the Registered Shareholders, details of which are described in the section headed "2018 Contractual Arrangements" in this Annual Report
"2019 Contractual Arrangements"	a series of contracts and documents entered into in July 2019 between the WFOE, the Transferee and the Registered Shareholders, details of which are described in the section headed "The 2019 Contractual Arrangements" in the circular of the Company dated 2 December 2019
"2020 Contractual Arrangements"	a series of contracts and documents entered into in June 2020 between the WFOE, Changsha Jiuzhao Information Technology Co., Ltd. and the Registered Shareholders
"2024 Convertible Bonds"	convertible bonds with an aggregate principal amount of HK$2,088 million in 0.90% due in 2024 issued by the Company in 2019
"Affiliate"	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company

"Amended Conversion Price"	The conversion price to the shares of the Company under terms of the Convertible Bonds was amended to HK$1.65 per share
"Articles of Association"	the articles of association of the Company adopted on 8 February 2017 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Auditor"	PricewaterhouseCoopers
"Award"	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Share Award Scheme Rules
"Award Shares"	the Shares granted to a Selected Participant in an Award
"Baikal Lake Investment"	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2016 and the sole shareholder of GuangYu Investment and one of the Controlling Shareholders
"Board" or "Board of Directors"	the board of directors of the Company
"Bondholder(s)"	holder(s) of the Convertible Bond(s) from time to time
"Bowang High School"	Kaifeng City Xiangfu District Bowang High School (開封市祥福區博望高中)
"BVI"	the British Virgin Islands
"Capital Stock"	with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such person, whether outstanding on the Issue Date of issued thereafter, including, without limitation, all common stock and preferred stock, but excluding debt securities convertible into such equity

“Change of Control” the occurrence of one or more of the following events:

(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders or any of the Company’s subsidiaries;

(ii) the merger, amalgamation or consolidation of the Company with or into another person or the merger or amalgamation of another person with or into the Company, or the sale of all or substantially all the assets of the Company to another person;

(iii) the Permitted Holders are the beneficial owners within the meaning of Rule 13d-3 under the Exchange Act of less than 40% of the total voting power of the Voting Stock of the Company;

(iv) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(v) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(vi) the adoption of a plan relating to the liquidation or dissolution of the Company.

"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this Annual Report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term "Chinese" has a similar meaning
"China YuHua Education Investment"	China YuHua Education Investment Limited, a company incorporated in the BVI with limited liability on 28 April 2016 and a wholly-owned subsidiary of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our "Company"	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"Conditions"	the terms and conditions in relation to the Convertible Bonds
"Contractual Arrangements"	together, the 2016 Contractual Arrangements, 2018 Contractual Arrangements and 2019 Contractual Arrangements
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
"Conversion Date"	the conversion date in respect of the Convertible Bonds, which must fall at a time when the Conversion Right attaching to the Convertible Bond is expressed in the Conditions to be exercisable
"Conversion Price"	the price at which the Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments in the manner provided in the Conditions)
"Conversion Right"	the right of a Bondholder to convert its Convertible Bond(s) into Shares credited as fully paid subject as provided in the Conditions

"Conversion Share(s)"	the Share(s) to be issued by the Company upon conversion of the Convertible Bonds
"Corporate Governance Code", or "CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company from time to time
"Early Redemption Date"	27 December 2022
"EGM"	Extraordinary General Meetings
"Eligible Person(s)"	any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person
"Events of Default"	The Group was also not able to arrange financing facilities outside mainland China before 27 December 2022 and 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 27 December 2022
"Exchange Act"	U.S. Securities Exchange Act of 1934, as amended
"Extraordinary Resolution"	An extraordinary resolution in accordance with the Trust Deed regarding certain revised terms and waivers of the Convertible Bonds, which was approved by the requisite Bondholders on 18 January 2023
"DGMS"	Daejeon Girls' Middle School (大田女子中學校) of the Republic of Korea

"Firm Bonds"	convertible bonds with an initial aggregate principal amount of HK$2,024 million due 2024 to be issued by the Company, convertible into the Conversion Shares
"General Mandate"	the general mandate granted to the Directors pursuant to ordinary resolution of the Shareholders of the Company passed on 24 January 2022 to allot, issue and deal with up to 718,898,766 Shares or options, warrants or similar rights to subscribe for such Shares
"Group"	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"GuangYu Investment"	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
"HIEU Schools"	Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心)
"high school(s)"	schools that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HongKong Yuhua"	China HongKong Yuhua Education Limited (中國香港宇華教育有限公司), a company incorporated in Hong Kong with limited liability on 12 May 2016 and a wholly-owned subsidiary of the Company
"Hunan Lie Ying"	Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司)

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Implementation Opinions"	the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) promulgated by the Ministry of Education on 18 June 2012
"Independent College"	(獨立學院) a type of private higher education institution offering undergraduate courses that are run by non-governmental institutions or individuals through cooperation with public universities
"IPO"	initial public offering of the Shares on 16 February 2017
"Issue Date"	27 December 2019, being the date the Convertible Bonds are constituted by the Trust Deed
"January 2020 Convertible Bonds"	Company's previously existing 3.00% convertible bonds due January 2020
"K-9"	kindergarten to grade 9
"K-12"	kindergarten to grade 12
"kindergarten(s)"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"Laureate Education"	Laureate Education Inc., a Delaware public benefit corporation, the shares of which are listed on the Nasdaq Global Select Market under the symbol "LAUR"
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
"Listing Date"	28 February 2017, the date the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Loan" or "Loan Agreement"	the loan agreement between China YuHua Education Investment and HongKong YuHua, and the International Finance Corporation on 31 May 2018, pursuant to which the International Financial Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of an initial US$50 million tranche and a US$25 million tranche which shall, at the option of the International Finance Corporation, be convertible into the ordinary share of the Company at a conversion price of HK$5.75 per Share (subject to the adjustments as set out in the loan agreement) within the conversion period
"Luohe YuHua Elite School"	Luohe YuHua Elite School (漯河市宇華實驗學校), a campus established in September 2013 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Luohe Campus" (北京大學附屬中學河南分校漯河校區)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mandatory Redemption Date"	30 January 2023
"Maturity Date"	27 December 2024, being the date on which the Convertible Bonds mature
"middle school(s)"	schools that provide education for students in grade seven through grade nine
"Mr. Li"	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
"Ms. Li"	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Notice"	a notice of extraordinary resolution to request Bondholders to consider and, if thought fit, approve and pass the Extraordinary Resolution
"Original Terms and Conditions"	the terms and conditions of the Convertible Bonds due 2024 issued in December 2019
"Permitted Holders"	any or all of the following: (i) Mr. Li and Ms. Li, their spouses or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members; (ii) any affiliate of the persons specified in clause (i) of this definition of Permitted Holders; and (iii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by persons specified in clauses (i) and (ii) of this definition of Permitted Holders
"PRC Holdcos"	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
"PRC Legal Adviser"	Tian Yuan Law Firm
"Pre-IPO Share Option Scheme"	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus
"Pre-School Opinions"	the "Certain Opinions on Deepening the Reform and Regulating Development of Pre-school Education" (《關於學前教育深化改革規範發展的若干意見》) issued by the Central Committee of the Communist Party of China and the State Council of the PRC on 15 November 2018

"primary school(s)"	schools that provide education for students in grade one through grade six
"private education"	the term "private education" used in this Annual Report refers to private formal education
"Private Education Draft Law"	the "Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (Revised Draft) (Draft Submitted for Approval)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the Ministry of Justice of the PRC on 10 August 2018
"Private HEI"	(民辦普通高校) a type of private higher education institution offering junior college, undergraduate and/or post-graduate course that are operated by non-governmental institutions or individuals and not affiliated with any public university
"private school(s)"	schools which are not administered by local, provincial or national governments
"Prospectus"	the prospectus of the Company published on 16 February 2017 in connection with the IPO on the Stock Exchange
"Registered Shareholder(s)"	Mr. Li and Ms. Li, and each of them a Registered Shareholder
"Reporting Period"	the year ended 31 August 2022
"RMB"	Renminbi, the lawful currency of PRC
"school year"	exception for the Group's kindergartens, the school year for all of the Group's schools, which generally starts on or around 1 September of each calendar year and ends on 31 August of the next calendar year
"SDR"	Special Drawing Right
"Selected Participant"	any Eligible Person approved for participation in the Share Award Scheme
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) in the Company of par value of HK$0.00001 each
"Share Award Scheme"	the share award scheme approved and adopted by the sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme" in Appendix V to the Prospectus
"Share Award Scheme Rules"	the rules relating to the Share Award Scheme as amended from time to time
"Share Retention Agreement"	the agreement entered into, among others, Mr. Li Guangyu, Ms. Li Hua and the International Finance Corporation pursuant to which Mr. Li Guangyu and Ms. Li Hua will be required to maintain control over GuangYu Investment and the Company while any amount under the Loan remains outstanding
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Supplemental Trust Deed"	A supplemental trust deed approved by the Extraordinary Resolution, which was effective and became irrevocable on 19 January 2023
"TEDCO"	Thai Education Holdings Co., Ltd., a private company limited by shares incorporated under the laws of Thailand
"Thailand"	the Kingdom of Thailand
"Transferee"	Zhengzhou Hanchen Education Technology Co., Ltd.* (鄭州漢晨教育科技有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of the Company
"Trustee"	The Bank of New York Mellon, London Branch
"Trust Deed"	the trust deed to be entered into by the Company and the Trustee on or before the Closing Date as amended and/or supplemented from time to time

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"university" or "universities"	the term "university" used in this Annual Report refers to tertiary education
"US$"	United States dollars, the lawful currency of the United States
"VIE Entities"	YuHua Investment Management Co., Ltd宇華投資管理有限公司, Zhengzhou YuHua Education Investments Co., Ltd鄭州宇華教育投資有限公司, Zhengzhou Hanchen Education Science and Technology Limited鄭州漢晨教育科技有限公司, Zhengzhou Qinfeng Education Science and Technology Limited鄭州秦風教育科技有限公司
"Volume Weighted Average Prices"	in respect of a Share on any trading day, the order book volume weighted average price of a Share appearing on or derived from Bloomberg (or its successor page) for such Share or such other source as shall be determined to be appropriate by an independent investment bank on such trading day, provided that if on any such trading day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such trading day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding trading day on which the same can be so determined
"Voting Stock"	with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person
"Wanfang College"	Wanfang College of Science & Technology of Henan Polytechnic University, Zhengzhou campus (河南理工大學萬方科技學院鄭州校區), an Independent College of which the Group established in September 2009
"WFOE" or "Xizang Yuanpei"	Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司), a company established in the PRC with limited liability on 22 July 2016 and a wholly-owned subsidiary of the Company

"Xuchang YuHua Elite School"	Xuchang YuHua Elite School (許昌宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Xuchang Campus" (北京大學附屬中學河南分校許昌校區)
"Yubohui Education"	Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司)
"YuHua Investment Management"	YuHua Investment Management Co., Ltd. (宇華投資管理有限公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos
"Zhengzhou Qinfeng"	Zhengzhou Qinfeng Education Technology Co., Ltd. (鄭州秦風教育科技有限公司), a limited liability company established in the PRC on 19 June 2019 and one of the PRC Holdcos
"Zhengzhou Technology and Business University"	Zhengzhou Technology and Business University (鄭州工商學院), a Private HEI, or where the context requires, Wanfang College
"Zhengzhou YuHua Education Investments"	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos
"Zhengzhou YuHua Elite School"	Zhengzhou YuHua Elite School (鄭州市宇華實驗學校), a campus established in September 2001 for private middle and high school and formerly known as "the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校)
"Zhengzhou Zhongmei Education Investments"	Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos
"%"	percent

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

中国宇华教育集团有限公司
China YuHua Education Corporation Limited