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CHINA YUHUA EDUCATION CORPORATION LIMITED

中国宇华教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6169)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of China YuHua Education Corporation Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2021 (the “**Reporting Period**”). These annual results except for the non-IFRs measures have been reviewed by the Company’s audit committee and the Company’s auditors, PricewaterhouseCoopers.

	Year ended 31 August		Change
	2021 (RMB’000)	2020 (RMB’000)	
Revenue	2,258,583	2,031,668	+11.2%
Gross Profit	1,518,626	1,253,908	+21.1%
Adjusted Revenue ¹	2,643,284	2,409,352	+9.7%
Adjusted Gross Profit ²	1,768,876	1,522,029	+16.2%
Adjusted Net Profit attributable to the owners of the Company ³	1,434,682	1,040,718	+37.9%

Notes:

1. The Adjusted Revenue for the years ended 31 August 2021 and 2020 are calculated as revenue for the year presented in the consolidated financial statements, plus the revenue from the K-9 schools of the Group. This is because the financial results of K-9 schools have been classified to discontinued operations and the prior year comparative results have been re-presented throughout the consolidated financial statements (refer to Note 16: Re-presentation of comparative figures).
2. The Adjusted Gross Profit for the years ended 31 August 2021 and 2020 are calculated as gross profit for the year presented in the consolidated financial statements, plus the gross profit from K-9 schools of the Group which have been classified to discontinued operations, and 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 (defined below)), Kaifeng City Yubohui Education International 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). For the calculation of the Adjusted Gross Profit for the year ended 31 August 2020, please refer to the Company’s annual results announcement for the year ended 31 August 2020.

3. 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 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 change on convertible bond recognised during the period; and (v) one-off losses recognized in response to the newly promulgated Implementation Regulations during the year ended 31 August 2021. For the calculation of the Adjusted Net Profit for the year ended 31 August 2020, please refer to the Company's annual results announcement for the year ended 31 August 2020.

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 Revenue, 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	
		2021	2020
		(RMB'000)	(RMB'000)
Gross Profit		1,518,626	1,253,908
Add:	Gross Profit from K-9 schools	197,880	214,707
Add:	Share-based compensation expense in Cost of revenue (including K-9 schools)	12,406	12,406
Add:	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
	— HIEU Schools	10,522	10,016
	— Bowang High School	4,223	8,006
	— Shandong Yingcai University	20,931	18,698
	— Stamford International University	4,288	4,288
Adjusted Gross Profit		1,768,876	1,522,029

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

		Year ended 31 August	
		2021	2020
		(RMB'000)	(RMB'000)
Net Profit attributable to the owners of the Company		824,510	203,838
Add:	Share-based compensation expense in Cost of revenue (including K-9 schools)	12,406	12,406
Add:	Share-based compensation expense in Administrative expenses (including K-9 schools)	11,689	16,586
Add:	Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets		
	— HIEU Schools	10,059	7,011
	— Bowang High School	2,956	5,604
	— Shandong Yingcai University	20,931	16,984
	— Stamford International University	4,288	4,288
Less:	Change in fair value on convertible bond and convertible loan ¹	(459,810)	790,125
Less:	Government grants	(34,612)	(16,124)
Add:	One-off losses recognized in response to the newly promulgated Implementation Regulations during the year ²	1,042,265	—
Adjusted Net Profit attributable to owners of the Company		1,434,682	1,040,718

Notes:

1. Details are set out in Note 4: other gains/(losses) — net.
2. The net assets of the Group's K-9 school business were a total of RMB1,042,265,000 as at 31 August 2021. Due to the impact of the "Implementation Regulations", which became effective from 1 September 2021, the assets and liabilities related to the Group's K-9 schools were deconsolidated from the consolidated financial statements of the Group starting from the end of 31 August 2021. As a result, one-off losses upon deconsolidation of the K-9 schools amounting to RMB1,042,265,000 were recognised and included in the losses from discontinued operations for the year ended 31 August 2021. For further details, refer to Note 13: Discontinued Operations (page 29–30).

Financial Results of the Group by Non K-9 Schools and K-9 Schools

	For the year ended August 31, 2021		
	Non K-9 Schools <i>RMB'000</i>	K-9 Schools <i>RMB'000</i>	Combined Total <i>RMB'000</i>
Revenue	2,258,583	384,701	2,643,284
Cost of revenue	(739,957)	(186,821)	(926,778)
Selling expenses	(41,218)	(959)	(42,177)
Administrative expenses	(194,903)	(40,998)	(235,901)
Net impairment losses on financial assets	(2,375)	—	(2,375)
Other income	22,408	20,573	42,981
Other gains/(losses) — net	459,113	(283)	458,830
Operating profit	1,761,651	176,213	1,937,864
Finance (expenses)/income — net	(52,905)	1,417	(51,488)
Profit before income tax	1,708,746	177,630	1,886,376
Income tax credit	8,665	—	8,665
Profit for the year (before one-off losses upon deconsolidation of the K-9 schools)	1,717,411	177,630	1,895,041
One-off losses upon deconsolidation of the K-9 schools	—	(1,042,265)	(1,042,265)
Profit for the year	1,717,411	(864,635)	852,776

	For the year ended August 31, 2020		
	Non K-9	K-9	Combined
	Schools	Schools	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,031,668	377,684	2,409,352
Cost of revenue	(777,760)	(162,977)	(940,737)
Selling expenses	(46,755)	(370)	(47,125)
Administrative expenses	(200,162)	(39,071)	(239,233)
Net impairment losses on financial assets	(7,192)	—	(7,192)
Other income	21,169	7,902	29,071
Other (losses)/gains — net	(792,424)	414	(792,010)
Finance expenses — net	(82,825)	(18,382)	(101,207)
Profit before income tax	145,719	165,200	310,919
Income tax credit	10,230	—	10,230
Profit for the year	155,949	165,200	321,149

Financial Statements and Notes to the financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 August	
	Note	2021	2020
		RMB'000	RMB'000
Continuing operations			
Revenue	3	2,258,583	2,031,668
Cost of revenue	5	<u>(739,957)</u>	<u>(777,760)</u>
Gross profit		1,518,626	1,253,908
Selling expenses	5	(41,218)	(46,755)
Administrative expenses	5	(194,903)	(200,162)
Net impairment losses on financial assets		(2,375)	(7,192)
Other income		22,408	21,169
Other gains/(losses) – net	4	<u>459,113</u>	<u>(792,424)</u>
Operating profit		1,761,651	228,544
Finance income		18,341	27,954
Finance expenses		<u>(71,246)</u>	<u>(110,779)</u>
Finance expenses — net		<u>(52,905)</u>	<u>(82,825)</u>
Profit before income tax		1,708,746	145,719
Income tax credit	6	<u>8,665</u>	<u>10,230</u>
Profit for the year from continuing operations		1,717,411	155,949
Discontinued operations			
(Loss)/profit for the year from discontinued operations, net of tax	13, 16	<u>(864,635)</u>	<u>165,200</u>
Profit for the year		<u>852,776</u>	<u>321,149</u>

		Year ended 31 August	
	Note	2021	2020
		RMB'000	RMB'000
Profit attributable to:			
Owners of the Company			
— Continuing operations		1,689,145	38,638
— Discontinued operations		(864,635)	165,200
		<u>824,510</u>	<u>203,838</u>
Non-controlling interests			
— Continuing operations		28,266	117,311
— Discontinued operations		—	—
		<u>28,266</u>	<u>117,311</u>
		<u>852,776</u>	<u>321,149</u>
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic earnings per share			
	7		
Continuing operations		0.50	0.01
Discontinued operations		(0.26)	0.05
		<u>0.24</u>	<u>0.06</u>
Diluted earnings per share			
	7		
Continuing operations		0.33	0.01
Discontinued operations		(0.23)	0.05
		<u>0.10</u>	<u>0.06</u>

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		3,624,140	3,792,348
Intangible assets		1,538,351	1,550,944
Right-of-use assets		1,818,941	1,927,981
Other non-current assets		17,713	11,109
Total non-current assets		<u>6,999,145</u>	<u>7,282,382</u>
Current assets			
Trade and other receivables	9	104,726	57,211
Restricted cash		150,523	154,372
Financial assets at fair value through profit or loss		—	50,000
Cash and cash equivalents		1,655,884	2,175,197
Total current assets		<u>1,911,133</u>	<u>2,436,780</u>
Total assets		<u><u>8,910,278</u></u>	<u><u>9,719,162</u></u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		28	28
Share premium		966,087	1,546,308
Other reserves		1,032,364	974,417
Retained earnings		1,758,824	1,109,469
		<u>3,757,303</u>	<u>3,630,222</u>
Non-controlling interests		<u>25,273</u>	<u>459,190</u>
Total equity		<u><u>3,782,576</u></u>	<u><u>4,089,412</u></u>

		As at 31 August	
	Note	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Borrowings	11	639,980	633,326
Deferred tax liabilities	8	502,170	510,835
Lease liabilities		16,492	31,101
Financial liabilities at fair value through profit or loss	12	1,667,555	2,301,148
Deferred income		94,978	97,739
		<hr/>	<hr/>
Total non-current liabilities		2,921,175	3,574,149
		<hr/>	<hr/>
Current liabilities			
Accruals and other payables	10	1,086,820	616,168
Contract liabilities		904,448	924,507
Lease liabilities		4,888	5,833
Borrowings	11	210,371	509,093
		<hr/>	<hr/>
Total current liabilities		2,206,527	2,055,601
		<hr/>	<hr/>
Total liabilities		5,127,702	5,629,750
		<hr/>	<hr/>
Total equity and liabilities		8,910,278	9,719,162
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations (continuing operations)		1,835,491	909,467
Interest paid		(58,306)	(102,295)
Interest received		14,684	4,754
		<u>1,791,869</u>	<u>811,926</u>
Discontinued operations		<u>208,150</u>	<u>175,943</u>
Net cash generated from operating activities		<u>2,000,019</u>	<u>987,869</u>
Cash flows from investing activities			
Payment of prepaid land lease payments		—	(273,807)
Purchases of property, plant and equipment		(236,152)	(303,506)
Purchases of intangible assets		(2,126)	(3,611)
Purchases of financial assets at fair value through profit or loss		(50,665)	(450,000)
Disposal of financial assets at fair value through profit or loss		101,086	400,351
Payments for acquisition of subsidiaries of prior years		(134,712)	(194,900)
Disposal of term deposits with initial term of over three months		—	333,131
Changes in restricted cash		3,849	137,344
Interest received		2,230	30,042
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		1,070	2,300
Proceeds from disposal of intangible assets		9	44
Proceeds from disposal of subsidiaries		533	2,160
Disposals of financial instruments at fair value through other comprehensive income		720	—
		<u>(314,158)</u>	<u>(320,452)</u>
Cash and cash equivalents of the Affected Business over which control is lost		<u>(547,367)</u>	<u>—</u>
Discontinued operations		<u>13,554</u>	<u>(34,767)</u>

		Year ended 31 August	
	Note	2021	2020
		RMB'000	RMB'000
Net cash used in investing activities		<u>(847,971)</u>	<u>(355,219)</u>
Cash flows from financing activities			
Issuance of convertible bonds	12	—	1,876,402
Payment of convertible bonds issuance costs		—	(18,756)
Redemption of convertible bonds	12	—	(1,388,768)
Proceeds from borrowings		440,000	1,090,000
Repayments of borrowings		(602,068)	(1,615,500)
Principal elements of lease payments or finance lease payments		(5,358)	(6,196)
Dividends paid to shareholders of the Company	15	(648,116)	(465,089)
Transactions with non-controlling interests	14	(721,200)	(165,728)
		<u>(1,536,742)</u>	<u>(693,635)</u>
Discontinued operations		<u>(130,400)</u>	<u>129,500</u>
Net cash used in financing activities		<u>(1,667,142)</u>	<u>(564,135)</u>
Net (decrease)/increase in cash and cash equivalents		(515,094)	68,515
Cash and cash equivalents at the beginning of year		2,175,197	2,125,719
Exchange losses on cash and cash equivalents		(4,219)	(19,037)
Cash and cash equivalents at the end of year		<u>1,655,884</u>	<u>2,175,197</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 August	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		852,776	321,149
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>93,089</u>	<u>5,026</u>
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value related to the changes in the liability's credit risk of convertible bonds		48,243	47,418
Changes in the fair value of equity investments at fair value through other comprehensive income		720	(3,323)
Remeasurements of post-employment benefit obligations		<u>2,253</u>	<u>1,403</u>
Other comprehensive income for the year, net of tax		<u>144,305</u>	<u>50,524</u>
Total comprehensive income for the year		<u>997,081</u>	<u>371,673</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		968,815	254,362
Non-controlling interests		<u>28,266</u>	<u>117,311</u>
		<u>997,081</u>	<u>371,673</u>
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		1,833,450	89,162
Discontinued operations		<u>(864,635)</u>	<u>165,200</u>
		<u>968,815</u>	<u>254,362</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

The financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

Key events

(a) *Transaction with non-controlling interests*

On 22 September 2020 and 26 October 2020, the Group acquired the remaining 7.2% and 22.8% of the issued shares of Hunan Lie Ying Industry Co., Ltd. (“**Hunan Lie Ying**”), a previously 70% subsidiary held by the Group, from their respective non-controlling shareholders at purchase considerations of RMB143,200,000 and RMB578,000,000, respectively. Immediately prior to the above transactions, the carrying amount of the existing 7.2% and 22.8% non-controlling interests in Hunan Lieying were RMB108,700,000 and RMB353,483,000 respectively. The Group recognised a decrease in non-controlling interests of RMB462,183,000 and a decrease in equity attributable to owners of the Company of RMB259,017,000. Upon completion of the transactions with non-controlling interests, Hunan Lieying became a wholly owned subsidiary of the Group during the year ended 31 August 2021.

Details were set out in Note 14.

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

On 25 January 2021, the Group awarded a total of 6,684,800 award shares to 103 selected participants who are unconnected grantees under a share award scheme (the “**Share Award Scheme**”). The closing price of the shares on this grant date was HK\$7.39 per share. The award shares issued represent approximately 0.2002% of the total issued shares of the Company immediately prior to the issue of such shares and approximately 0.1998% of the total issued shares of the Company as enlarged by such issue. As at 31 August 2021, all the awarded shares were vested and exercised. The expenses charged to this annual condensed financial information was amounted to HK\$49,401,000 (equivalent to RMB41,304,000).

(c) *Newly promulgated Implementation Regulations during the year*

During the year ended 31 August 2021, Implementation Regulations of the PRC for the Law for Promoting Private Education (the “**Implementation Regulations**”) was 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 the related parties.

The management of the Group assessed that all preschools in the Kindergartens segment of the Group and the compulsory education business which is middle school and primary school business in the Grade 1-12 segment of the Group were affected by the Implementation Regulations (collectively referred to as the “**Affected Business**”).

Details of the impact of the Implementation Regulations on the Affected Business of the Group were set out in Note 13.

2 Summary of significant accounting policies

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

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

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

2.1 Basis of preparation

2.1.1 Going concern

As at 31 August 2021, the Group’s current liabilities exceeded its current assets by RMB295,394,000. Included in the current liabilities as at 31 August 2021 were contract liabilities of RMB904,448,000 relating to tuition and boarding fees received in advance; and current borrowings of RMB210,371,000. In addition, as at 31 August 2021, the Group had non-current borrowings of RMB639,980,000, the principals of which were all repayable more than twelve months from the year end date in accordance with the respective borrowing agreements; and convertible bonds classified under financial liabilities at fair value through profit or loss of RMB1,667,555,000. The Group had cash and cash equivalents of RMB1,655,884,000 as at 31 August 2021.

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern and concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 31 August 2021.

The directors of the Company have reviewed the management’s assessment together with the underlying basis and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.1.2 New and amended standards adopted by the Group

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

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

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

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	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 3	Reference to the conceptual framework	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

The Group has not early adopted the abovementioned new or amended standards and interpretations in this 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 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

As further disclosed in Note 13, since the Affected Business that was deconsolidated represent the Group's Kindertgartens segment and the compulsory education business in the Group's Grade 1–12 segment. Therefore the directors classified the operations relating to the Affected Business as discontinued operations and the results of discontinued operations were presented separately in the consolidated statement of profit or loss for the year ended 31 August 2021.

2.3 Convertible bonds

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

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

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

2.4 Revenue recognition

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

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

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

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

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

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

3 Revenue and segment information

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

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

The CODM considers the business from the service perspective. In the view of CODM, the Group is principally engaged in three different segments which are subject to different business risks and different economic characteristics and the Group's operating and reportable segments for segment reporting purpose are Kindergartens, Grade 1–12 and University respectively. The Kindergartens segment principally derives its revenue by providing tuition and boarding services to students of kindergartens. The Grade 1–12 segment principally derives its revenue by providing tuition and boarding services to students of high schools, middle schools and primary schools. The University segment principally derives its revenue by providing tuition and boarding services to students of universities in China and Thailand.

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 2021 and 31 August 2020.

As further disclosed in Note 13, since the Affected Business represent the Group's Kindergartens segment and the compulsory education business in the Group's Grade 1–12 segment. The Directors classified the Affected Business as discontinued operations and the results of discontinued operations were presented separately in the consolidated statement of profit or loss and in the segment information. The corresponding information for the year ended 31 August 2020 was re-presented to conform to the current year's presentation. The inter-company transactions were eliminated without any adjustments between continuing operations and discontinued operations for both the year ended 31 August 2021 and the year ended 31 August 2020.

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2021 are as follows:

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 August 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 tax credit	—	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						
— 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 the Affected Business						
— Continuing operations	—	—	—	—	—	—
— Discontinued operations (Note 13)	(7,897)	(314,139)	—	—	—	(322,036)
Losses on disposal of property, plant and equipment and disposal of intangible assets						
— Continuing operations	—	(19)	(7,108)	(37)	—	(7,164)
— Discontinued operations	(51)	(232)	—	—	—	(283)
Borrowings (Note 11)	—	—	—	(850,351)	—	(850,351)

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

	Kindergartens <i>RMB'000</i>	Grade 1–12 <i>RMB'000</i>	University <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 August 2020						
Revenue	—	270,893	1,760,775	2,765	(2,765)	2,031,668
Cost of revenue	—	(149,543)	(628,217)	—	—	(777,760)
Gross profit	—	121,350	1,132,558	2,765	(2,765)	1,253,908
Selling expenses	—	(10,752)	(35,995)	(8)	—	(46,755)
Administrative expenses	—	(5,419)	(155,445)	(42,063)	2,765	(200,162)
Net impairment losses on financial assets	—	—	(7,192)	—	—	(7,192)
Other income	—	2,312	13,023	5,834	—	21,169
Other (losses) — net	—	(286)	(778)	(791,360)	—	(792,424)
Operating profit/(loss)	—	107,205	946,171	(824,832)	—	228,544
Finance expenses — net	—	(3,282)	(21,469)	(58,074)	—	(82,825)
Profit before income tax	—	103,923	924,702	(882,906)	—	145,719
Income tax credit	—	2,002	8,228	—	—	10,230
Profit for the year	—	105,925	932,930	(882,906)	—	155,949
Loss for the year from discontinued operations	11,374	153,826	—	—	—	165,200
As at 31 August 2020						
Total assets	196,696	3,282,230	8,601,594	3,672,137	(6,033,495)	9,719,162
Total liabilities	68,951	1,761,489	3,095,822	6,957,296	(6,253,808)	5,629,750
Other segment information						
Additions to non-current assets	792	63,653	506,326	59	—	570,830
Depreciation and amortisation						
— Continuing operations	—	(30,326)	(193,813)	(3,018)	—	(227,157)
— Discontinued operations	(4,596)	(15,253)	—	—	—	(19,849)
Losses on disposal of property, plant and equipment and disposal of intangible assets						
— Continuing operations	—	(209)	(1,926)	(40)	—	(2,175)
— Discontinued operations	1,109	(721)	—	—	—	388
Borrowings (Note 11)	—	(250,000)	(241,733)	(650,686)	—	(1,142,419)

Contract liabilities

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 August 2021 and will be expected to be recognised within one year:

	As at 31 August	
	2021	2020
	RMB'000	<i>RMB'000</i>
Contract liabilities related to tuition and boarding fees (a)	903,670	918,757
Others (b)	778	5,750
	904,448	924,507

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

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

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

	As at 31 August 2021 RMB'000
At the beginning of the year	924,507
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(924,507)
Increases due to cash received, excluding amounts recognised as revenue during the year	1,272,396
Balances related to the Affected Business upon deconsolidation (Note 13)	(367,948)
At the end of the year	904,448

4 Other gains/(losses) — net

	Year ended 31 August	
	2021	2020
	RMB'000	<i>RMB'000</i>
Net gain/(loss) on financial liabilities at fair value through profit or loss	459,810	(499,605)
Write-back of long-aged payables	7,171	—
Gains on disposal of financial assets at fair value through profit or loss	421	351
Losses on disposal of property, plant and equipment	(7,164)	(2,099)
Donation	(1,125)	620
Net gain on conversion of the convertible loans under the IFC Loan	—	6,941
Net loss on redemption of the Prior Convertible Bonds	—	(297,461)
Losses on disposal of subsidiaries	—	(1,095)
Losses on disposal of intangible assets	—	(76)
	459,113	(792,424)

5 Expenses by nature

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	485,731	520,852
— Wages, salaries, bonus and other welfare	452,124	502,603
— Share Award Scheme expenses	20,295	—
— Share-based compensation expenses	13,312	18,249
Depreciation of property, plant and equipment	162,143	154,642
Depreciation of right-of-use assets	53,442	49,889
Office expenses	49,768	46,551
Maintenance expenses	38,247	26,080
Utilities expenses	34,731	34,445
Marketing expenses	34,624	38,552
Students training and scholarship expenses	33,483	42,345
School consumables	19,950	16,434
Amortisation of intangible assets	14,554	22,626
Travel and entertainment expenses	6,707	9,934
Consultancy and professional fee	6,698	19,152
Canteen expenditure	5,408	4,259
Auditors' remuneration	5,509	7,076
— Recurring audit and audit related services	4,759	4,796
— Non-recurring services related to capital market transaction and broader assurance service engagement	750	2,250
— Non-audit services	—	30
Operating lease payments	2,154	5,798
Other expenses	22,929	26,042
	<u>976,078</u>	<u>1,024,677</u>

6 Income tax credit

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Current tax		
Current tax on profits before income tax for the year	—	—
Deferred tax		
Decrease/(increase) in deferred tax assets (Note 8)	1,293	(10)
Decrease in deferred tax liabilities (Note 8)	(9,958)	(10,220)
Total deferred tax benefit	(8,665)	(10,230)
Income tax credit	<u>(8,665)</u>	<u>(10,230)</u>

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

Continuing operations

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>1,708,746</u>	<u>145,719</u>
Tax calculated at domestic tax rate applicable to profits in the respective countries	317,855	266,740
Tax effects of tuition and boarding income not subject to tax	(341,859)	(285,887)
Tax losses for which no deferred income tax asset was recognised	<u>15,339</u>	<u>8,917</u>
	<u>(8,665)</u>	<u>(10,230)</u>

Discontinued operations

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>(144,406)</u>	<u>165,200</u>
Tax calculated at domestic tax rate applicable to profits in the respective countries	(36,102)	41,300
Tax effects of tuition and boarding income not subject to tax	<u>36,102</u>	<u>(41,300)</u>
	<u>—</u>	<u>—</u>

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Tax losses		
Unused tax losses for which no deferred tax asset was recognised	<u>61,355</u>	<u>35,669</u>
Potential tax benefit	<u>15,339</u>	<u>8,917</u>

(a) The Cayman Islands profits tax

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

(b) British Virgin Islands profit tax

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

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the year.

(d) **PRC corporate income tax (“CIT”)**

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the “CIT Law”), which was effective from 1 January 2008, the CIT rate was 25% during the year.

According to the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. All schools of the Group have not elected to require reasonable returns. Thus, all schools of the Group enjoy corporate income tax exemption for the tuition income and boarding income.

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

(e) **Thailand corporate income tax**

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

7 Earnings per share

(a) **Basic**

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

	For the year ended 31 August	
	2021	2020
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	1,689,145	38,638
— Discontinued operations	(864,635)	165,200
Weighted average number of ordinary shares in issue (Thousands)	3,349,018	3,317,846
Basic earnings/(loss) per share (RMB Yuan)		
— Continuing operations	0.50	0.01
— Discontinued operations	(0.26)	0.05

(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	
	2021	2020
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	1,689,145	38,638
— Discontinued operations	(864,635)	165,200
Adjustments for:		
— impact of convertible bonds (thousands)	(443,978)	—
Adjusted profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	1,245,167	38,638
— Discontinued operations	(864,635)	165,200
Weighted average number of ordinary shares in issue (Thousands)	3,349,018	3,317,846
Adjustments for:		
— impact of convertible bonds (thousands)	312,575	—
— Pre-IPO share options (Thousands)	92,929	96,971
Adjusted weighted average number of ordinary shares for diluted earnings per share (Thousands)	3,754,522	3,414,817
Diluted earnings/(loss) per share (RMB Yuan)		
— Continuing operations	0.33	0.01
— Discontinued operations	(0.23)	0.05

8 **Deferred tax assets and liabilities**

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

(a) **Deferred tax assets**

	As at 31 August 2021 RMB'000	As at 31 August 2020 RMB'000
Opening amount	20,194	20,184
(Credited)/Charged to profit or loss (Note 6)	(1,293)	10
Closing amount	18,901	20,194

(b) Deferred tax liabilities

	Right-of- use assets- leasehold land <i>RMB'000</i>	Trademark <i>RMB'000</i>	Software <i>RMB'000</i>	Property, plant and equipment appreciation <i>RMB'000</i>	Other payables and accrued expenses <i>RMB'000</i>	Student base <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at							
1 September 2020	(257,921)	(102,180)	(16)	(126,123)	(44,158)	(631)	(531,029)
Credited/(charged) to profit or loss	<u>7,612</u>	<u>(43)</u>	<u>7</u>	<u>1,751</u>	<u>—</u>	<u>631</u>	<u>9,958</u>
Balance at							
31 August 2021	<u>(250,309)</u>	<u>(102,223)</u>	<u>(9)</u>	<u>(124,372)</u>	<u>(44,158)</u>	<u>—</u>	<u>(521,071)</u>

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

At 31 August 2020 and 2021, no deferred tax has been recognised for withholding taxes payable on the unremitted earnings of the Group's subsidiaries established in mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 August 2021, deferred tax asset amounting to RMB18,901,000 (2020: RMB20,194,000) 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.

9 Trade and other receivables

	As at 31 August	
	2021	2020
	RMB'000	<i>RMB'000</i>
Trade receivables		
Due from students (a)	14,038	14,858
Provision for impairment	(4,227)	(2,891)
	9,811	11,967
Other receivables		
Receivables from local government	75,232	21,953
Staff advance	6,630	7,484
Deposits	3,327	3,451
Interest receivables	122	110
Receivables for disposal of subsidiaries	—	533
Others	4,760	3,310
Provision for impairment	(361)	(38)
	89,710	36,803
Prepayments		
Prepaid expenses	5,205	8,441
	5,205	8,441
	104,726	57,211

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

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

	As at 31 August	
	2021	2020
	RMB'000	<i>RMB'000</i>
Less than 1 year	10,767	14,215
Over 1 year	3,271	643
	14,038	14,858

10 Accruals and other payables

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Net payables to the Affected Business upon deconsolidation	602,030	—
Payables for purchases of property, plant and equipment	140,275	101,494
Salary and welfare payables	85,867	124,204
Miscellaneous expenses received from students	79,594	75,519
Payables for teaching materials and other operating expenditure	38,828	38,591
Government subsidies payable to students and teachers	37,243	32,937
Taxes payable	23,966	16,902
Deposits received	20,044	30,385
Amount due to related parties	10,287	9,567
Interest payables	8,814	3,591
Defined pension benefits	7,866	9,579
Audit and consulting fees	6,800	7,677
Legal claim payables	6,589	6,589
Payables for contracting canteens	235	770
Payables in relation to the acquisitions	—	134,712
Others	18,382	23,651
	<u>1,086,820</u>	<u>616,168</u>

11 Borrowings

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Non-current		
Secured		
Bank loans	639,980	633,326
	<u>639,980</u>	<u>633,326</u>
Current		
Secured		
Bank loans	210,371	509,093
	<u>210,371</u>	<u>509,093</u>
Total borrowings	<u>850,351</u>	<u>1,142,419</u>

(a) **Bank Borrowings**

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

	As at 31 August	
	2021	2020
Bank borrowings	<u>4.20%</u>	<u>4.45%</u>

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

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Guaranteed by related party	849,980	650,000
Guaranteed and pledged by subsidiaries of the Group	371	686
Guaranteed by related party and pledged with right over the tuition fee and accommodation fee	—	250,000
Pledged with right over the tuition fee and accommodation fee	—	200,000
Pledged with land use rights and property, plant and equipment	—	41,733
	<u>850,351</u>	<u>1,142,419</u>

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

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Within 1 year	210,371	509,093
Between 1 and 2 years	210,000	226,814
Between 2 and 5 years	429,980	406,512
	<u>850,351</u>	<u>1,142,419</u>

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

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

(vi) Financial arrangements

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

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Floating rate		
— Expiring within one year	<u>—</u>	<u>240,000</u>

12 Financial liabilities at fair value through profit or loss

	As at 31 August	
	2021	2020
	RMB'000	RMB'000
Non-current		
Convertible Bonds due 2024	<u>1,667,555</u>	<u>2,301,148</u>

Issuance of the Convertible Bonds due 2024

On 27 December 2019 (the “**Issue Date**”), the Company completed the issuance of the convertible bonds due in December 2024 with an aggregate principal amount of HK\$2,088,000,000 at 0.90% per annum (the “**Convertible Bonds due 2024**”). The cash proceeds related to the issuance of RMB1,876,402,000 were received by the Group on 27 December 2019. The issuance cost related to the Convertible Bonds due 2024 of approximately RMB18,756,000 was charged to the finance expenses. The Convertible Bonds due 2024 were recognised and measured as financial liabilities at fair value through profit or loss pursuant to the subscription agreement. The fair value as of 31 August 2020 and 31 August 2021 were of RMB2,301,148,000 and RMB1,667,555,000 respectively. The changes in the fair value that were attributable to the changes in the liability’s credit risk of RMB48,243,000 during the period were credited to other comprehensive income. Other changes in fair value related to the financial liabilities of RMB459,810,000 were credited to other gains (Note 4).

The Convertible Bonds due 2024 bear interest on their outstanding principal amount from and including the Issue Date at the rate of 0.90 per cent per annum, payable semi-annually in arrears on 27 June and 27 December in each year, commencing on 27 June 2020. Pursuant to the subscription agreement, the convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK\$0.00001 each, at the option of the bondholders. Each convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after the Issue Date up to the close of business on the date falling seven days prior to 27 December 2024 (the “**Conversion Period**”) into fully paid ordinary shares with a par value of HK\$0.00001 each of the Company at an initial conversion price of HK\$7.0190 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds due 2024 as at 31 August 2021 is HK\$6.68 per share.

As at 31 August 2021, no conversion related to the Convertible Bonds due 2024 was exercised by the holders.

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

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

13 Discontinued operations

Due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the Consolidated Affiliated Entities through Contractual Agreements.

On 14 May 2021, the Implementation Regulations were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Business were no longer enforceable from 1 September 2021. Management assessed the implications of this new regulation and concluded that, based on the facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Business had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Business. Accordingly, 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 as of 31 August 2021.

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 for the year ended 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year's presentation. (Note 16).

The net assets relating to the Affected Business were RMB1,042,265,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Business was recognised during the year and included in the losses from discontinued operations.

The assets and liabilities relating to the Affected Business as at 31 August 2021 were set out as below:

	As at 31 August 2021 RMB'000
Assets	
Non-current assets	
Property, plant and equipment	275,363
Right-of-use assets	46,673
	<hr/>
Total non-current assets	322,036
	<hr/>
Current assets	
Trade and other receivables	1,098,482
Restricted cash	1,271
Cash and cash equivalents	547,367
	<hr/>
Total current assets	1,647,120
	<hr/>
Total assets	1,969,156
	<hr/> <hr/>
Liabilities	
Non-current liabilities	
Lease liabilities	13,929
	<hr/>
Total non-current liabilities	13,929
	<hr/>
Current liabilities	
Accruals and other payables	543,655
Contract liabilities	367,948
Lease liabilities	1,359
	<hr/>
Total current liabilities	912,962
	<hr/>
Total liabilities	926,891
	<hr/> <hr/>
Net assets	1,042,265
	<hr/> <hr/>

Discontinued operations

Consolidated statement of profit or loss	Financial performance of the Group for the period from September 1, 2020 to August 31, 2021 immediately before the control over the Affected Business ceased <i>RMB'000</i>	Discontinued operation <i>RMB'000</i>	Financial performance of the Group for the year ended August 31, 2021 <i>RMB'000</i>
Revenue	2,643,284	(384,701)	2,258,583
Cost of revenue	<u>(926,778)</u>	<u>186,821</u>	<u>(739,957)</u>
Selling expenses	(42,177)	959	(41,218)
Administrative expenses	(235,901)	40,998	(194,903)
Net impairment losses on financial assets	(2,375)	—	(2,375)
Other income	42,981	(20,573)	22,408
Other (losses)/gains — net	<u>458,830</u>	<u>283</u>	<u>459,113</u>
Operating profit	1,937,864	(176,213)	1,761,651
Finance income/(expenses) — net	<u>(51,488)</u>	<u>(1,417)</u>	<u>(52,905)</u>
Profit before income tax	1,886,376	(177,630)	1,708,746
Income tax credit	<u>8,665</u>	<u>—</u>	<u>8,665</u>
Profit for the year before one-off losses upon deconsolidation of the Affected Business	<u><u>1,895,041</u></u>	<u><u>(177,630)</u></u>	<u><u>1,717,411</u></u>
Discontinued operations			
Loss for the year from discontinued operations	<u>—</u>	<u>(864,635)</u>	<u>(864,635)</u>
Profit for the year	<u><u>1,895,041</u></u>	<u><u>(1,042,265)</u></u>	<u><u>852,776</u></u>

14 Transactions with non-controlling interests

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

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

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

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

	Year ended 31 August	
	2021	2020
	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	462,183	140,632
Consideration paid to non-controlling interests	<u>(721,200)</u>	<u>(165,728)</u>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>(259,017)</u>	<u>(25,096)</u>

15 Dividends

The dividends paid in the years ended 31 August 2021 and 2020 were RMB648,116,000 (HK\$0.23 per share) and RMB465,089,000 (HK\$0.16 per share), respectively. The Board does not recommend the distribution of a final dividend for the year ended 31 August 2021.

	2021	2020
	RMB'000	RMB'000
Dividend declared for the prior year	272,977	216,805
Interim dividend paid of HK\$0.123 (2020: HK\$0.082) per ordinary share	375,139	248,284
Proposed final dividend nil (2020: HK\$0.092) per ordinary share	<u>—</u>	<u>272,977</u>

16 Re-presentation of comparative figures

As a result of the impact of the matters as disclosed in Note 13, prior year financial statements had to be re-presented. The following tables show the adjustments recognised for each individual line item. Line items were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The impact on the current period is not disclosed.

	For the year ended August 31, 2020		
	As previously presented <i>RMB'000</i>	Re-presentation adjustments <i>RMB'000</i>	Re-presented <i>RMB'000</i>
Continuing operations			
Revenue	2,409,352	(377,684)	2,031,668
Cost of revenue	(940,737)	162,977	(777,760)
Selling expenses	(47,125)	370	(46,755)
Administrative expenses	(239,233)	39,071	(200,162)
Other income	29,071	(7,902)	21,169
Other losses — net	(792,010)	(414)	(792,424)
Finance expenses — net	(101,207)	18,382	(82,825)
Profit before income tax	<u>310,919</u>	<u>(165,200)</u>	<u>145,719</u>
Profit for the year from continuing operations	<u>321,149</u>	<u>(165,200)</u>	<u>155,949</u>
Discontinued operations			
Profit for the year from discontinued operations	—	165,200	165,200
Profit for the year	<u>321,149</u>	<u>—</u>	<u>321,149</u>
Basic earnings/(loss) per share			
— Continuing operations	0.06	(0.05)	0.01
— Discontinued operations	—	0.05	0.05
Diluted earnings/(loss) per share			
— Continuing operations	0.06	(0.05)	0.01
— Discontinued operations	—	0.05	0.05

The following tables show the re-presented cash flow information of prior year:

	For the year ended August 31, 2020		
	As previously presented <i>RMB'000</i>	Re-presentation adjustments <i>RMB'000</i>	Re-presented <i>RMB'000</i>
Cash flows from operating activities			
Continuing operations	1,008,650	(196,724)	811,926
Discontinued operations	—	175,943	175,943
	<u>1,008,650</u>	<u>(20,781)</u>	<u>987,869</u>
Net cash generated from operating activities			
	<u>1,008,650</u>	<u>(20,781)</u>	<u>987,869</u>
Cash flows from investing activities			
Continuing operations	(376,000)	55,548	(320,452)
Discontinued operations	—	(34,767)	(34,767)
	<u>(376,000)</u>	<u>20,781</u>	<u>(355,219)</u>
Net cash used in investing activities			
	<u>(376,000)</u>	<u>20,781</u>	<u>(355,219)</u>
Cash flows from financing activities			
Continuing operations	(564,135)	(129,500)	(693,635)
Discontinued operations	—	129,500	129,500
	<u>(564,135)</u>	<u>—</u>	<u>(564,135)</u>
Net cash used in financing activities			
	<u>(564,135)</u>	<u>—</u>	<u>(564,135)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 20 years of operating private schools in Henan province of the People's Republic of China (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 university and K-12 schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

The business of the Group remained relatively stable for the year ended 31 August 2021, 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 2021. The Group will be continuing to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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

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

The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 31 August 2021.

The Group's Schools and Student Enrolment

For the year ended 31 August 2021, the Group operated 26 schools in the PRC and 1 school in Thailand.

The following table sets out a summary of the Group's schools by category for the year ended 31 August 2021 and 2020:

	For the year ended 31 August 2021	For the year ended 31 August 2020
Number of the Group's schools in the PRC		
Universities	3 ^(note 1)	3 ^(note 1)
High schools	5	5
Middle schools	7	7
Primary schools	6	6
Kindergartens	5	5
The Group's school overseas		
University	1 ^(note 2)	1 ^(note 2)
Total	27	27

Notes:

1. As of the date of this announcement, the Group, through LEI Lie Ying Limited, owns 100% of the equity interests in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) (“**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) (together the “**HIEU Schools**”), and the entire equity interests in Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司). Details of the Group's acquisition of the remaining 30% equity interests in Hunan Lie Ying on 25 September 2020 were disclosed in the Company's announcements published on 28 September 2020 and 30 September 2020.
2. This represents Stamford International University, which the Group operates in Thailand.

Events after the Reporting Period

Subsequent Event

On 26 October 2021, the Company entered into a placing and top-up subscription agreement (the “**Placing and Subscription Agreement**”) with Merrill Lynch (Asia Pacific) Limited (the “**Placing Manager**”) and GuangYu Investment Holdings Limited (the “**Seller**”), 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 (defined below), 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 the Company to purchase an aggregate of 220,000,000 shares of the Company with a par value of HK\$0.00001 each (the “**Shares**”) at the placing price of HK\$4.19 per share (the

“**Placing**”), 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 (being the number of Shares actually placed) at the subscription price of HK\$4.19 per share (being the same as the placing price) (the “**Subscription**”). The Placing was completed on 29 October 2021 with all of the 220,000,000 Shares successfully placed at the placing price of HK\$4.19 per share. The Subscription was completed on 3 November 2021 with 220,000,000 new Shares issued and allotted to the Seller at the subscription price of HK\$4.19 per share. For further details, please refer to the Company’s announcements dated 27 October 2021 and 3 November 2021.

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

1. Overview

Following the promulgation of the Implementation Regulations, the Group’s management assessed the impact and concluded that (i) the assets and liabilities related to the Affected Business were deconsolidated from the consolidated financial statements of the Group from the end of 31 August 2021; and (ii) the financial results of the Affected Business were classified to discontinued operations for the year ended 31 August 2021 and the prior year comparative results were re-presented throughout the consolidated financial statements (refer to Note 16: Re-presentation of comparative figures).

The Adjusted Revenue was RMB2,643.3 million and the Adjusted Gross Profit was RMB1,768.9 million for the year ended 31 August 2021. The Adjusted Gross Profit Margin¹ of the Group was 66.9% for the year ended 31 August 2021 as compared with 63.2% for the corresponding period in 2020.

The Adjusted Net Profit attributable to owners of the Company for the year ended 31 August 2021 was RMB1,434.7 million, representing an increase of RMB394.0 million or a 37.9% increase from the corresponding period in 2020. The Adjusted Net Profit Margin² attributable to owners of the Company was 54.3% and 43.2% for the years ended 31 August 2021 and 31 August 2020, respectively.

The net profit attributable to owners of the Company amounted to RMB824.5 million and RMB203.8 million for the years ended 31 August 2021 and 31 August 2020, respectively. The net profit margin attributable to owners of the Company amounted to 36.5% and 10.0% for the years ended 31 August 2021 and 31 August 2020, respectively.

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

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

2. Revenue

For the year ended 31 August 2021, revenue of the Group amounted to RMB2,258.6 million, representing an increase of RMB226.9 million or 11.2% as compared with RMB2,031.7 million for the corresponding period of 2020.

The Adjusted Revenue was RMB2,643.3 million, representing an increase of RMB233.9 million or 9.7% as compared with RMB2,409.4 million for the corresponding period of 2020. The increase was primarily the result of the increase in student enrolment and tuition fees from several schools.

3. Cost of Revenue

For the year ended 31 August 2021, the Adjusted Cost of Revenue³ of the Group amounted to RMB874.4 million, representing a decrease of RMB12.9 million or 1.5% as compared with RMB887.3 million for the corresponding period of 2020. The cost of revenue of the Group amounted to RMB740.0 million and RMB777.8 million for the years ended 31 August 2021 and 31 August 2020, respectively.

4. Gross Profit and Gross Profit Margin

For the year ended 31 August 2021, the Adjusted Gross Profit of the Group amounted to RMB1,768.9 million, representing an increase of RMB246.9 million or 16.2% as compared with RMB1,522.0 million for the corresponding period in 2020. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2021 was 66.9%, compared with 63.2% for the corresponding period in 2020.

The Group's gross profit amounted to RMB1,518.6 million and RMB1,253.9 million for the years ended 31 August 2021 and 31 August 2020, respectively. The Group's gross profit margin amounted to 67.2% and 61.7% for the years ended 31 August 2021 and 31 August 2020, respectively. The improvement in the gross profit margin was mainly due to (i) implementation of cost control measures; and (ii) the increase in revenue as a result of the increase in student enrolment and tuition fees for several schools.

5. Selling Expenses

For the year ended 31 August 2021, selling expenses of the Group amounted to RMB41.2 million, representing a decrease of RMB5.6 million from RMB46.8 million during the corresponding period in 2020. The decrease was primarily due to implementation of cost control measures.

³ The Adjusted Cost of Revenue is calculated based on the Adjusted Revenue and the Adjusted Gross Profit.

6. Administrative Expenses

For the year ended 31 August 2021, the Adjusted Administrative Expenses⁴ of the Group amounted to RMB224.2 million, representing an increase of RMB1.6 million as compared with RMB222.6 million for the corresponding period in 2020. The administrative expenses of the Group amounted to RMB194.9 million and RMB200.2 million for the years ended 31 August 2021 and 31 August 2020, respectively. The increase is due to the expansion of the business scale of the Group.

7. Other Income

For the year ended 31 August 2021, the other income of the Group amounted to RMB22.4 million, representing an increase of RMB1.2 million as compared with RMB21.2 million for the corresponding period in 2020. This increase was primarily due to an increase in government grants and subsidies obtained.

8. Other Gains and Losses

For the year ended 31 August 2021, the other gains and losses of the Group amounted to a gain of RMB459.1 million as compared with a loss of RMB792.4 million for the corresponding period in 2020. The gain during the Reporting Period was primarily contributed from fair value gains on convertible bond.

9. Operating Profit

The Adjusted Operating Profit of the Group amounted to RMB1,507.5 million for the year ended 31 August 2021, representing an increase of RMB251.4 million or 20.0% as compared with RMB1,256.1 million for the corresponding period in 2020. The Adjusted Operating Profit Margin amounted to 57.0% and 52.1% for the years ended 31 August 2021 and 31 August 2020, respectively.

10. Finance Income

Finance income decreased from RMB28.0 million for the year ended 31 August 2020 to RMB18.3 million for the corresponding period in 2021 due to a decrease in cash and cash equivalents.

11. Finance Expenses

Finance expenses decreased from RMB110.8 million for the year ended 31 August 2020 to RMB71.2 million for the corresponding period in 2021 due to (i) a decrease in foreign exchange losses; and (ii) a decrease in interest expenses.

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

12. Profit for the Reporting Period

As a result of the above factors, the Adjusted Net Profit attributable to owners of the Company was RMB1,434.7 million for the year ended 31 August 2021, representing an increase RMB394.0 million or 37.9% as compared with RMB1,040.7 million for the corresponding period in 2020. In addition, the Adjusted Net Profit Margin attributable to owners of the Company amounted to 54.3% and 43.2% for the years ended 31 August 2021 and 31 August 2020, respectively.

The increase in the Adjusted Net Profit was mainly due to (i) an increase in student enrolment and tuition fees for several schools; and (ii) implementation of cost control measures.

The Group recorded a net profit attributable to owners of the Company of RMB824.5 million for the year ended 31 August 2021, representing an increase of RMB620.7 million or 304.6% as compared with RMB203.8 million for the corresponding period in 2020. The net profit margin attributable to owners of the Company for the year ended 31 August 2021 was 36.5%, compared to 10.0% for the corresponding period in 2020.

13. Liquidity and Source of Funding and Borrowing

The Group's cash and cash equivalents decreased from RMB2,175.2 million as at 31 August 2020 to RMB1,655.9 million as at 31 August 2021. Including restricted cash, the Group's total bank balances and cash decreased from RMB2,329.6 million as at 31 August 2020 to RMB1,806.4 million as at 31 August 2021. The decrease was primarily due to acquisition of the remaining shares of Hunan Lie Ying.

As at 31 August 2021, the current assets of the Group amounted to RMB1,911.1 million, including RMB1,655.9 million in cash and cash equivalents and RMB255.2 million in other current assets. The current liabilities of the Group amounted to RMB2,206.5 million, of which RMB1,086.8 million was accruals and other payables, RMB904.4 million was contract liabilities, RMB210.4 million was borrowings, and RMB4.9 million was lease liabilities. As at 31 August 2021, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 0.87 (31 August 2020: 1.19).

14. Gearing Ratio

As at 31 August 2021, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 22.5% (31 August 2020: 27.9%).

15. Material Investments

On 25 September 2020, the Group received a notification from the Changsha court that its bid in the court-sanctioned public action process to acquire Chen Zhengxian's 7.2% non-controlling interests in Hunan Lie Ying, a non-wholly owned subsidiary of the Company and the holding company of the Company's interests in HIEU Schools, was successful (the "**First Acquisition**"). On the same day, the Company entered into an agreement with Guangdong Nanbo Education Investment Pte Ltd. (廣東南博教育投資有限公司) ("**Guangdong Nanbo**") to acquire its 22.8% non-controlling interests in Hunan Lie Ying (the "**Second**").

Acquisition” and together with the First Acquisition, the “**Acquisitions**”). Upon completion of the Acquisitions, Hunan Lie Ying became a wholly owned subsidiary of the Company. The total consideration paid for Chen Zhengxian’s 7.2% and Guangdong Nanbo’s 22.8% non-controlling interests in Hunan Lie Ying was approximately RMB721.2 million (equivalent to approximately HK\$819.1 million). Details of the Group’s acquisition of the remaining 30% equity interests in Hunan Lie Ying on 25 September 2020 were disclosed in the Company’s announcements published on 28 September 2020 and 30 September 2020.

Other than the above, the Group did not make any material investments during the year ended 31 August 2021.

16. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2021.

17. Pledge of Assets

As at 31 August 2021, the bank borrowings of the Group amounting to RMB850.0 million were guaranteed by related party and 0.4 million were guaranteed and pledged by subsidiaries of the Group.

18. Contingent Liabilities

The Group had no contingent liabilities as at 31 August 2021.

19. Foreign Exchange Exposure

During the year ended 31 August 2021, the Group mainly operated in the PRC and majority of the transactions were settled in Renminbi (“**RMB**”), the Company’s primary consolidated affiliated entities’ functional currency. The Group’s acquisition of a university in Thailand exposes the Group to foreign exchange risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. As at 31 August 2021, except for the bank deposits and convertible bonds denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

20. Employee and Remuneration Policy

As at 31 August 2021 and 2020, the Group had 7,002 and 6,938 employees, respectively. The number of employees employed by the Group varies from time to time depending on need. Employees’ remuneration is determined in accordance with prevailing industry practice and employees’ educational backgrounds, experiences and performance. The remuneration policy and package of the Group’s employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

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

The Company also has a pre-IPO share option scheme and a share award scheme. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V to the prospectus of the Company dated 16 February 2017 (the "**Prospectus**") for further details.

The total remuneration cost incurred by the Group for the year ended 31 August 2021 was RMB485.7 million (for the year ended 31 August 2020: RMB520.9 million).

The following table sets forth the total number of employees by function as at 31 August 2021:

Function	Number of employees	% of total
Teachers	4,945	70.6%
Administrative staff	322	4.6%
Other staff	1,735	24.8%
Total	<u>7,002</u>	<u>100.0%</u>

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 August 2021 (2020: HK\$0.092).

CLOSURE OF THE REGISTER OF MEMBERS

The Company's annual general meeting will be held on 24 January 2022. The register of members of the Company will be closed from 19 January 2022 to 24 January 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 January 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

1. Compliance with the Code on Corporate Governance Practices

For the year ended 31 August 2021, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

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

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

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2021.

3. Scope of Work of the Company’s Auditors

The figures contained in this announcement of the Group’s consolidated results for the year ended 31 August 2021 have been agreed by the Company’s auditors (the “**Auditors**”), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 August 2021. The Auditors performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The work performed by the Auditors in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on this announcement.

4. Audit Committee

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

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 August 2021 and has met with the independent auditor, PricewaterhouseCoopers. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

5. Other Board Committees

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

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

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2021.

7. Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of 31 August 2021.

8. Building Certificates and Permits

As at 31 August 2021, in relation to owned buildings or groups of buildings other than those associated with the HIEU Schools (the “**Non-HIEU Schools Owned Buildings**”), the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 Non-HIEU Schools Owned Buildings, due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group’s management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. Please also refer to the section headed “Business — Properties — Owned Properties — Buildings or Groups of Buildings” in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus.

As at 31 August 2021, the Company was in the process of applying for, but had not yet obtained, the proper certificates in relation to 48 buildings currently occupied by the HIEU Schools. The Company understands that the lack of certificates in relation to these buildings will not prejudice the ability of the Company to operate the HIEU Schools and that the buildings are fit and safe for education purposes. For further details, please refer to the Company’s circular dated 29 June 2018.

9. Use of Proceeds

(a) Use of Net Proceeds from Global Offering

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

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

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

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

As at 31 August 2021, the Company had drawn US\$75 million from the loan facility and had not utilized any amount drawn from the loan facility; US\$50.0 million of the total principal amount had been repaid to International Finance Corporation and US\$0.1 million of the total principal amount was transferred to borrowings; and US\$24.9 million of the total principal amount had been converted into ordinary shares of the Company and issued to International Finance Corporation in February 2020. For further details, please refer to the Company's announcements dated 4 February 2020 and 23 November 2020.

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

On 27 December 2019, the Company completed the issuance of the convertible bonds, being the 0.90% convertible bonds due 2024 in an aggregate principal amount of HK\$2,088 million, of which the net proceeds amounted to approximately HK\$2,062 million. As of 31 August 2021, the net proceeds of the issue of these convertible bonds had been utilised as set out in the announcement of the Company dated 23 November 2020.

(d) Use of Net Proceeds from the Placing and the Subscription

On 26 October 2021, the Company entered into the Placing and Subscription Agreement with GuangYu Investment Holdings Limited (“**GuangYu Investment**”) and a third party placing agent, pursuant to which (a) the placing agent has agreed to place 220,000,000 shares at a price of HK\$4.19 per share on behalf of GuangYu Investment to independent third parties; and (b) GuangYu Investment has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to GuangYu Investment, up to 220,000,000 new shares at the same price. The net proceeds from the Subscription amount to approximately HK\$914 million, which the Company intends to use in the manner as set out in the announcement of the Company dated 3 November 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuhuachina.com. The annual report of the Group for the year ended 31 August 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's Shareholders in due course.

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

Hong Kong, 30 November 2021

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