The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of China Education Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-59, which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statement of financial position of the Company as at 30 June 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-59 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 5 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, of the Company's financial position as at 30 June 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations						
Revenue	*5*	821,934	846,016	861,289	417,976	405,375
Cost of revenue		(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit		413,251	430,119	456,712	237,948	240,267
Other income	*6*	38,772	58,388	73,879	32,476	17,961
Investment income	*7a*	4,154	9,786	17,861	8,784	9,304
Other gains and losses	*7b*	3,233	(3,918)	2,627	(587)	4,544
Selling expenses		(21,573)	(14,289)	(9,367)	(4,953)	(579)
Administrative expenses		(111,265)	(103,385)	(101,523)	(48,889)	(57,424)
Listing expenses		–	–	–	–	(10,146)
Finance costs	*8*	(13,210)	(12,294)	(14,889)	(6,130)	(10,011)
Profit before taxation		313,362	364,407	425,300	218,649	193,916
Taxation	*9*	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit and total comprehensive income for the year/period from continuing operations		309,426	361,901	423,351	217,416	193,013
Discontinued operations						
Profit (loss) and total comprehensive income (expenses) for the year/period from discontinued operations	*11*	93	(13,642)	(10,836)	(4,605)	7,407
Profit and total comprehensive income for the year/period	*10*	309,519	348,259	412,515	212,811	200,420
Profit (loss) and total comprehensive income (expenses) for the year/period attributable to owners of the Company						
– from continuing operations		309,426	361,901	423,351	217,416	193,013
– from discontinued operations		(541)	(14,318)	(11,997)	(4,790)	7,419
		308,885	347,583	411,354	212,626	200,432
Profit (loss) and total comprehensive income (expense) for the year/period attributable to non-controlling interests						
– from discontinued operations		634	676	1,161	185	(12)
		309,519	348,259	412,515	212,811	200,420
From continuing and discontinued operations						
Earnings per share						
Basic (RMB cents)	*14*	20.59	23.17	27.42	14.18	13.36
From continuing operations						
Earnings per share						
Basic (RMB cents)	*14*	20.63	24.13	28.22	14.49	12.87

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group			
		At 31 December			At 30 June
	NOTES	2014	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	1,969,425	2,230,679	2,415,697	2,358,662
Prepaid lease payments	*16*	53,305	51,984	50,663	50,003
Available-for-sale investment	*18(a)*	1,000	1,000	–	–
Amounts due from related parties	*27*	28,056	49,619	1,526	–
Amounts due from directors	*27*	54,729	153,445	–	–
Deposits paid for prepaid lease payments	*20*	30,412	34,416	66,130	66,130
Deposits paid for acquisition of property, plant and equipment		6,354	4,186	3,147	5,200
		2,143,281	2,525,329	2,537,163	2,479,995
CURRENT ASSETS					
Inventories		213	337	316	257
Trade receivables, deposits, prepayments and other receivables	*21*	30,489	28,684	39,612	49,252
Amounts due from shareholders	*27*	–	–	–	1
Amounts due from related parties	*27*	38,084	52,325	168,952	190,283
Amounts due from directors	*27*	122,857	191,296	446,032	476,016
Held for trading investments	*18(b)*	12,142	10,260	7,356	6,820
Structured deposits	*19*	207,001	257,001	418,201	298,900
Prepaid lease payments	*16*	1,321	1,321	1,321	1,321
Bank balances and cash	*22*	332,081	373,854	247,133	192,129
		744,188	915,078	1,328,923	1,214,979
CURRENT LIABILITIES					
Deferred revenue	*23*	590,204	602,287	595,208	253,495
Trade payables	*24*	4,110	6,844	9,296	4,240
Other payables and accrued expenses	*25*	168,131	188,240	207,684	232,808
Amounts due to related parties	*27*	19,443	34,822	38,478	200
Amounts due to a director	*27*	–	–	–	3,898
Income tax payable		4,077	6,650	9,283	9,271
Bank borrowings	*26*	51,000	195,000	209,936	211,936
		836,965	1,033,843	1,069,885	715,848
NET CURRENT (LIABILITIES) ASSETS		(92,777)	(118,765)	259,038	499,131
TOTAL ASSETS LESS CURRENT LIABILITIES		2,050,504	2,406,564	2,796,201	2,979,126
NON-CURRENT LIABILITIES					
Deferred revenue	*23*	12,620	19,903	25,722	23,470
Bank borrowings	*26*	237,000	265,645	243,140	214,440
		249,620	285,548	268,862	237,910
		1,800,884	2,121,016	2,527,339	2,741,216
CAPITAL AND RESERVES					
Share capital/paid-in capital	*28*	181,680	181,680	181,680	1
Reserves		1,600,545	1,936,776	2,341,938	2,741,215
Equity attributable to owners of the Company		1,782,225	2,118,456	2,523,618	2,741,216
Non-controlling interests		18,659	2,560	3,721	–
		1,800,884	2,121,016	2,527,339	2,741,216

STATEMENT OF FINANCIAL POSITION

	NOTES	The Company At 30 June 2017
		RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	*17*	1
CURRENT ASSETS		
Amounts due from shareholders	*27*	1
Deferred listing expenses	*21*	3,050
Prepaid listing expenses	*21*	951
		4,002
CURRENT LIABILITIES		
Accrued listing expenses	*25*	6,839
Amount due to a subsidiary	*27*	4,080
Amount due to a director	*27*	3,270
		14,189
NET CURRENT LIABILITIES		(10,187)
		(10,186)
CAPITAL AND RESERVE		
Share capital	*28*	1
Reserve	*29*	(10,187)
		(10,186)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital/ paid-up capital	Merger reserve	Other reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000 (Note i)*	*RMB'000 (Note ii)*	*RMB'000 (Note iv)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	181,680	–	(1,048)	728,804	579,146	1,488,582	18,025	1,506,607
Profit and total comprehensive income for the year	–	–	–	–	308,885	308,885	634	309,519
Deemed distribution to equity holders	–	–	(15,242)	–	–	(15,242)	–	(15,242)
Transfer	–	–	–	155,340	(155,340)	–	–	–
At 31 December 2014	181,680	–	(16,290)	884,144	732,691	1,782,225	18,659	1,800,884
Profit and total comprehensive income for the year	–	–	–	–	347,583	347,583	676	348,259
Deemed acquisition of additional interest in a subsidiary *(Note iii)*	–	–	1,775	–	–	1,775	(16,775)	(15,000)
Deemed distribution to equity holders	–	–	(13,127)	–	–	(13,127)	–	(13,127)
Transfer	–	–	–	88,738	(88,738)	–	–	–
At 31 December 2015	181,680	–	(27,642)	972,882	991,536	2,118,456	2,560	2,121,016
Profit and total comprehensive income for the year	–	–	–	–	411,354	411,354	1,161	412,515
Transfer	–	–	–	98,906	(98,906)	–	–	–
Deemed distribution to equity holders	–	–	(6,192)	–	–	(6,192)	–	(6,192)
At 31 December 2016	181,680	–	(33,834)	1,071,788	1,303,984	2,523,618	3,721	2,527,339
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	200,432	200,432	(12)	200,420
Capital contribution from one of the equity holders	–	–	17,166	–	–	17,166	–	17,166
Disposal of subsidiaries *(note 33)*	–	–	(17,891)	(7)	17,898	–	(1,957)	(1,957)
Arising from reorganisation	(181,679)	181,679	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,752)	(1,752)
At 30 June 2017	1	181,679	(34,559)	1,071,781	1,522,314	2,741,216	–	2,741,216
At 1 January 2016	181,680	–	(27,642)	972,882	991,536	2,118,456	2,560	2,121,016
Profit and total comprehensive income for the period	–	–	–	–	212,626	212,626	185	212,811
Deemed distribution to equity holders	–	–	(6,000)	–	–	(6,000)	–	(6,000)
At 30 June 2016 (Unaudited)	181,680	–	(33,642)	972,882	1,204,162	2,325,082	2,745	2,327,827

Notes:

i. Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities (defined in note 1) to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (defined in note 1).

ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), controlling equity holders and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition and (iii) capital contribution from Mr. Yu through a company controlled by him. Details of the advances to Mr. Yu and Mr. Xie are disclosed in note 27.

iii. Ms. Xie Shaohua ("Ms. Xie"), sister of Mr. Xie, previously owned 82.5% equity interest in 廣東白雲大學生人力資源有限公司 (Guangdong Baiyun University Students Human Resources Company Limited) ("Baiyun Human Resources"). On 20 October 2015, she redeemed her capital injected in Baiyun Human Resources amounting to RMB15,000,000 (the "Capital Redemption") and her shareholding in Baiyun Human Resources was reduced from 82.5% to 30% accordingly. The difference between the decrease in the non-controlling interests of RMB16,775,000 and the Capital Redemption on 20 October 2015 is recognised as other reserve.

iv. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

    (i) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit for the year/period		309,519	348,259	412,515	212,811	200,420
Adjustments for:						
Income tax		4,025	2,592	2,862	1,233	906
Depreciation for property, plant and equipment		75,161	89,117	112,705	51,695	60,074
Release of prepaid lease payment		798	1,321	1,321	660	660
Finance costs		13,210	12,294	14,889	6,130	10,011
Reversal (written-off) of impairment of trade receivables		300	4,062	367	367	(23)
Fair value (gain) loss on held for trading investments		(2,898)	1,882	2,904	2,428	536
Net gain on structured deposits		(3,686)	(3,645)	(6,040)	(2,258)	(4,411)
Imputed interest income from amounts due from directors		(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from amount due from a related party		(664)	(1,553)	(2,356)	(1,202)	(1,252)
Interest income from bank		(3,063)	(4,356)	(3,807)	(2,539)	(1,309)
Loss (gain) on disposal of property, plant and equipment		3,051	1,619	142	50	(646)
Gain on disposal of subsidiaries	33	–	–	–	–	(15,559)
Gain on disposal of an available-for-sale investment		–	–	(4,600)	–	–
		395,326	447,644	519,139	264,290	242,538
Operating cash flows before movements in working capital						
Decrease (increase) in inventories		14	(124)	21	64	(5)
Increase in trade receivables, deposits, prepayments and other receivables		(2,338)	(2,457)	(4,780)	(58,714)	(10,389)
Increase in amount due from a related party		(2,545)	(32,297)	(47,175)	(17,274)	(5,250)
(Decrease) increase in deferred revenue		(7,481)	8,140	(11,952)	(349,869)	(308,188)
Increase (decrease) in trade payables		2,397	2,734	2,452	7,492	(5,056)
Increase (decrease) in amounts due to related parties		48	56	3,631	(28)	(3,534)
Increase (decrease) in other payables and accruals		53,280	20,109	19,444	1,859	15,528
Cash generated from (used in) operations		438,701	443,805	480,780	(152,180)	(74,356)
Income tax paid		(151)	(19)	(229)	(226)	(13)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		438,550	443,786	480,551	(152,406)	(74,369)

	NOTE	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
INVESTING ACTIVITIES						
Purchase of structured deposits		(1,007,151)	(1,140,600)	(1,031,300)	(386,000)	(242,000)
Advances to directors		(245,539)	(297,372)	(303,693)	(31,318)	(23,115)
Payments for additions of property, plant and equipment		(214,979)	(339,448)	(285,224)	(135,910)	(44,313)
Advances to related parties		(47,145)	(18,221)	(20,603)	–	(18,229)
Addition of prepaid lease payments		(18,885)	–	–	–	–
Advances to third parties		(1,000)	–	(6,515)	–	–
Redemption of structured deposits		1,024,736	1,094,245	876,140	433,358	365,712
Repayment from directors		127,289	122,858	207,973	–	–
Government grants received		16,814	11,226	10,692	3,368	2,060
Interest income from bank		3,063	4,356	3,807	2,539	1,309
Proceeds from disposal of property, plant and equipment		211	1,863	434	403	3,036
Repayments from third parties		–	200	–	–	23
Repayments from related parties		–	14,447	1,600	1,600	4,926
Proceeds from disposal of available-for-sale investment		–	–	5,600	–	–
Deposits paid for prepaid lease payments		–	(4,004)	(31,714)	(21,942)	–
Net cash outflow from disposal of subsidiaries	33	–	–	–	–	(9,271)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(362,586)	(550,450)	(572,803)	(133,902)	40,138
FINANCING ACTIVITIES						
Interest paid		(19,183)	(24,531)	(26,925)	(14,620)	(11,364)
Repayment of bank borrowings		(8,000)	(170,000)	(232,339)	(86,000)	(136,700)
Advances from related parties		19,395	15,323	1,523	–	–
New bank borrowings raised		2,000	342,645	224,770	160,471	110,000
Capital contribution from one of the equity holders		–	–	–	–	17,166
Capital redemption of a non-controlling interest		–	(15,000)	–	–	–
Repayments to related parties		–	–	(1,498)	(463)	(211)
Dividend paid to non-controlling interests		–	–	–	–	(1,752)
Issue costs paid		–	–	–	–	(1,810)
Advances from directors		–	–	–	–	3,898
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(5,788)	148,437	(34,469)	59,388	(20,773)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		70,176	41,773	(126,721)	(226,920)	(55,004)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		261,905	332,081	373,854	373,854	247,133
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH		332,081	373,854	247,133	146,934	192,129

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its shareholders are Blue Sky Education International Limited ("Blue Sky BVI") and White Clouds Education International Limited ("White Clouds BVI"), which both are incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling parties are Mr. Yu and Mr. Xie, who have historically and throughout the Track Record Period been the controlling equity holders of the Company and its subsidiaries (collectively referred to as the "Group") (Mr. Yu and Mr. Xie collectively as the "Controlling Equity Holders"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the Prospectus.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher education institutions.

The main operating activities of the Group were carried out by 江西科技學院 (Jiangxi University of Technology) and 廣東白雲學院 (Guangdong Baiyun University), which were established in the PRC and engaged in the provision of primary and secondary schools education and university education. Throughout the Track Record Period, Mr. Yu has been the school sponsor of Jiangxi University of Technology and Mr. Xie has been the school sponsor of Guangdong Baiyun University. On 18 December 2007, Mr. Yu and Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which Mr. Yu and Mr. Xie have the power to exercise collective management and control over Jiangxi University of Technology and Guangdong Baiyun University as concert parties, while Mr. Yu and Mr. Xie each agreed to transfer 50% of their respective sponsor interest in Jiangxi University of Technology and Guangdong Baiyun University respectively to the other party. Further, each of Mr. Yu and Mr. Xie agreed to, at the request of the other party, apply to the relevant authority for a change in school sponsor of Jiangxi University of Technology and Guangdong Baiyun University respectively, and to use best endeavors to execute all relevant documents to effect the change of school sponsor.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the reorganisation through entering into contractual arrangements (the "Contractual Arrangements") between Jiangxi University of Technology and Guangdong Baiyun University as detailed below.

Pursuant to the reorganisation as more fully explained in the paragraph headed under the sections headed "History, Reorganisation and Corporate Structure" and "Contractual Arrangements" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 June 2017. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities as defined below) is regarded as a continuing entity. The Historical Financial Information for the Track Record Period has been prepared on the basis as if the Company had been always been the holding company of the Group using the principal of merger accounting.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Jiangxi University of Technology, 江西江科科技園管理有限公司 (Jiangxi Jiangke Technology Park Management Company Limited) ("Jiangxi Technology Park"), 江西科技學院附屬中學 (the Affiliated High School of the Jiangxi University of Technology) ("Jiangxi Affiliated High School"), 江西科技學院基金會 (Jiangxi University of Technology Foundation) ("Jiangxi Foundation") and 江西紅綠藍科技有限公司 (Jiangxi Red Green and Blue Technology Co., Ltd) ("Jiangxi Red Green and Blue") (collectively known as the "Jiangxi Educational Group") and Guangdong Baiyun University, Baiyun Human Resources and 天星社會工作服務中心 ("Tianxing Social Services Centre") (collectively known as the "Guangdong Educational Group") (Jiangxi Education Group and Guangdong Education Group are collectively known as the "Consolidated Affiliated Entities") in the PRC.

Except for Jiangxi University of Technology and Guangdong Baiyun University, all other entities of the Consolidated Affiliated Entities were disposed of during the six months ended 30 June 2017 as detailed in note 33. A wholly-owned subsidiary of the Company, 華教教育科技(江西)有限公司 (Huajiao Education Technology (Jiangxi) Company Limited) ("Huajiao Education") has entered into the Contractual Arrangements with Jiangxi University of Technology and Guangdong Baiyun University and the Controlling Equity Holders, which, effective from 30 June 2017, enable Huajiao Education and the Group to:

– exercise effective financial and operational control over the Consolidated Affiliated Entities;

– exercise equity holders' voting rights of the Consolidated Affiliated Entities;

– receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical services, management support, consulting services, intellectual property licenses and other additional services provided by Huajiao Education;

– obtain an irrevocable and exclusive right to purchase all or part of the sponsor interests in the Consolidated Affiliated Entities from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Huajiao Education may exercise such options at any time until it has acquired all sponsor interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Huajiao Education.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Jiangxi Educational Group and Guangdong Educational Group in the Historical Financial Information during the Track Record Period.

The following balances and amounts of the Consolidated Affiliated Entities were included in the Historical Financial Information:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	829,549	867,447	901,307	432,739	426,776
Profit before taxation	313,544	350,851	415,377	214,044	201,990

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,143,281	2,525,329	2,537,163	2,479,995
Current assets	744,188	915,078	1,328,923	1,210,867
Current liabilities	836,965	1,033,843	1,069,885	705,401
Non-current liabilities	249,620	285,548	268,862	237,910

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

2. APPLICATION OF IFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments and interpretations have been issued but are not yet effective. The Group has not early adopted these standards, amendments and interpretations in the preparation of the Historical Financial Information for the Track Record Period.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendment to IAS 40	Transfers of Investment Property[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle, except for amendments to IFRS 12[1]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, except for the expected credit loss model which may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, the directors of the Company do not anticipate that the application of IFRS 9 will have a material impact on the Group's future financial statements.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts and the related Interpretations" when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately RMB62,258,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in more disclosure as indicated above. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance in future.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Historical Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Tuition and boarding fees received from universities, primary schools and secondary schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

Ancillary service income is recognised when services are provided.

Other service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Historical Financial Information and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchase or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains or losses.

Financial asset at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 32.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL. The Group designated some investments as AFS financial assets on initial recognition of those items. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

AFS equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investment is measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amounts due from related parties, amounts due from directors, amounts due from shareholders, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables, amounts due to related parties, amount due to a director, amount due to a subsidiary and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations, that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the Historical Financial Information throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The management of the Group, based on the advice of its legal counsel, consider that the Contractual Arrangements among Huajiao Education, the Consolidated Affiliated Entities and the Controlling Equity Holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

(a) Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of property, plant and equipment are RMB1,969,425,000, RMB2,230,679,000 RMB2,415,697,000 and RMB2,358,662,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

(b) Useful life and recoverability of prepaid lease payments

The Group's management determines the estimated lease period and the amortisation method in determining the related amortisation charges for its prepaid land lease payments. During the Track Record Period, the Group's prepaid land lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid land lease payments may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of prepaid land lease payments are RMB54,626,000, RMB53,305,000, RMB51,984,000 and RMB51,324,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

(c) Income taxes

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

5. REVENUE AND SEGMENT INFORMATION

Revenue represents service income from tuition fees, boarding fees and ancillary services.

The Group's operating activities are attributable to a single operating segment focusing on the operation of private higher education institutions in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which conform with IFRSs, that are regularly reviewed by the chief operating decision makers ("CODM"), Mr. Yu and Mr. Xie, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Provision of primary and secondary education and other services was discontinued during the six months ended 30 June 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Revenue from major services

The following is an analysis of the Group's revenue from continuing operations from the major service lines:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Tuition fees	750,052	775,600	786,285	384,320	368,266
Boarding fees	54,085	51,677	53,779	23,456	27,388
Ancillary services	17,797	18,739	21,225	10,200	9,721
	821,934	846,016	861,289	417,976	405,375

Geographical information

The Group operates in the PRC. All of the Group's revenue from continuing operations and the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Consultancy income	14,054	32,297	47,175	20,633	5,250
Academic administration income	9,576	10,952	10,358	4,313	4,697
Management fee income	6,792	7,010	6,861	3,270	4,319
Staff quarter income	1,564	1,899	1,959	435	448
Government grants *(Note)*	–	93	2,524	1,262	2,275
Others	6,786	6,137	5,002	2,563	972
	38,772	58,388	73,879	32,476	17,961

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment and conducting educational programmes.

7a. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Imputed interest income from amounts due from directors	427	3,948	11,763	5,085	6,869
Imputed interest income from amount due from a related party	664	1,553	2,356	1,202	1,252
Interest income from bank	3,063	4,285	3,742	2,497	1,183
	4,154	9,786	17,861	8,784	9,304

7b. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Net gain on structured deposits	3,686	3,645	6,040	2,258	4,411
(Loss) gain on disposal of property, plant and equipment, net	(3,051)	(1,619)	(142)	(50)	646
(Written-off) reversal of impairment of trade receivables	(300)	(4,062)	(367)	(367)	23
Fair value gain (loss) on held for trading investments	2,898	(1,882)	(2,904)	(2,428)	(536)
	3,233	(3,918)	2,627	(587)	4,544

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Interest expenses on bank borrowings	19,183	24,531	26,925	14,620	11,364
Less: amounts capitalised in the cost of property, plant and equipment	(5,973)	(12,237)	(12,036)	(8,490)	(1,353)
	13,210	12,294	14,889	6,130	10,011

Borrowing costs capitalised during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.58%, 6.34%, 5.79%, 5.79% and 5.06% per annum, respectively to expenditure on property, plant and equipment (construction in progress).

9. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Current tax:					
PRC Enterprise Income Tax ("EIT")	3,936	2,506	1,949	1,233	903

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation (from continuing operation)	313,362	364,407	425,300	218,649	193,916
Tax at PRC EIT rate of 25%	78,341	91,102	106,325	54,662	48,479
Tax effect of income not taxable for tax purposes	(209,809)	(222,382)	(231,859)	(105,004)	(98,612)
Tax effect of expenses not deductible for tax purposes	135,404	133,786	127,483	51,575	51,036
Tax charge for the year/period (relating to continuing operation)	3,936	2,506	1,949	1,233	903

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Jiangxi University of Technology and Guangdong Baiyun University have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, the non-taxable tuition related income amounted to RMB835,536,000, RMB883,160,000, RMB917,389,000, RMB415,206,000 (unaudited) and RMB388,184,000, respectively, and the related non-deductible expense amounted to RMB541,616,000, RMB535,144,000, RMB509,932,000, RMB206,300,000 (unaudited) and RMB204,144,000, respectively.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit and total comprehensive income for the year/period from continuing operations has been arrived at after charging:					
Staff costs, including directors' remuneration					
– salaries and other allowances	178,062	190,116	188,494	89,050	88,373
– retirement benefit scheme contributions	22,053	33,178	34,966	19,607	19,950
Total staff costs	200,115	223,294	223,460	108,657	108,323
Depreciation of property, plant and equipment	74,920	88,475	109,532	50,815	57,174
Amortisation of prepaid lease payments	798	1,321	1,321	660	660
Auditor's remuneration	85	125	36	–	–
Minimum operating lease rental expense in respect of rented premises	9,246	8,654	11,052	5,010	4,162

11. DISCONTINUED OPERATIONS

During the six months ended 30 June 2017, the Group completed disposals of a group of subsidiaries, which were mainly engaged in provision of primary and secondary education and other services (as disclosed in note 33). The disposals are consistent with the Group's long-term policy to focus its activities on operation of private higher education institutions.

The profit (loss) for the year/period from the discontinued operation is set out below.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) of discontinued operations for the year/period	93	(13,642)	(10,836)	(4,605)	(8,152)
Gain on disposal of discontinued operations *(note 33)*	–	–	–	–	15,559
	93	(13,642)	(10,836)	(4,605)	7,407

The results of the discontinued operations were as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	7,615	21,431	40,018	14,763	21,401
Cost of revenue	(4,137)	(21,420)	(36,987)	(11,725)	(27,141)
Other income	1,092	662	199	56	3,566
Other gains and losses	–	(1,010)	4,591	(1)	300
Selling expenses	(154)	(859)	(835)	(283)	(18)
Administrative expenses	(4,234)	(12,360)	(16,909)	(7,415)	(6,257)
Profit (loss) before taxation from the discontinued operations	182	(13,556)	(9,923)	(4,605)	(8,149)
Taxation	(89)	(86)	(913)	–	(3)
Profit (loss) for the year/period from the discontinued operations	93	(13,642)	(10,836)	(4,605)	(8,152)
Profit (loss) for the year/period from discontinued operation include the following:					
Depreciation of property, plant and equipment	241	642	3,173	880	2,900
Gain on disposal of an available-for-sale investment	–	–	4,600	–	–

The net cash flows from (used in) discontinued operations are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities	(3,798)	266	3,434	1,485	37,814
Investing activities	242	2,217	(15,588)	(8,996)	(10,257)
Financing activities	4,136	17,305	7,346	7,314	(10,219)
Net cash inflow (outflow)	580	19,788	(4,808)	(197)	17,338

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 December 2014

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu Kai ("Dr. Yu") *(Note i)*	–	26	–	–	26
Mr. Xie *(Note ii)*	–	286	910	30	1,226
Mr. Yu *(Note ii)*	–	221	–	9	230
Ms. Xie *(Note iii)*	–	282	520	30	832
	–	815	1,430	69	2,314

For the year ended 31 December 2015

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	39	–	–	39
Mr. Xie *(Note ii)*	–	286	884	57	1,227
Mr. Yu *(Note ii)*	–	233	–	10	243
Ms. Xie *(Note iii)*	–	282	488	57	827
	–	840	1,372	124	2,336

For the year ended 31 December 2016

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	42	–	–	42
Mr. Xie *(Note ii)*	–	286	1,583	57	1,926
Mr. Yu *(Note ii)*	–	276	–	12	288
Ms. Xie *(Note iii)*	–	282	744	57	1,083
	–	886	2,327	126	3,339

For the six months ended 30 June 2016 (unaudited)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	21	–	–	21
Mr. Xie *(Note ii)*	–	143	–	28	171
Mr. Yu *(Note ii)*	–	126	–	6	132
Ms. Xie *(Note iii)*	–	141	–	28	169
	–	431	–	62	493

For the six months ended 30 June 2017

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	24	–	1	25
Mr. Xie *(Note ii)*	–	143	–	28	171
Mr. Yu *(Note ii)*	–	172	–	6	178
Ms. Xie *(Note iii)*	–	141	–	28	169
	–	480	–	63	543

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group during the Track Record Period. Certain executive directors of the Company are entitled to discretionary bonus which are determined having regard to the performance of individuals and market trends.

Notes:

i Being appointed as a director of the Company on 28 August 2017, Dr. Yu, son of Mr. Yu, is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as an employee of the Group.

ii Mr. Yu and Mr. Xie were appointed as directors of the Company on 19 May 2017.

iii Ms. Xie, sister of Mr. Xie, was appointed as director of the Company on 28 August 2017.

Employees

The five highest paid individuals of the Group included 2, 2, 2, 2 (unaudited) and 3 directors for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining 3, 3, 3, 3 (unaudited) and 2 individuals for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	1,504	1,369	2,178	708	824
Retirement benefit scheme contributions	82	109	107	24	31
	1,586	1,478	2,285	732	855

The number of the highest paid individuals, other than directors of the Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	3	2

During the Track Record Period, no emoluments was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emolument during the Track Record Period.

13. DIVIDENDS

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed subsequent to 30 June 2017.

14. EARNINGS PER SHARE

For continuing operations

The calculation of the basic earnings per share attributable to the owners of the Company for the Track Record Period is based on the consolidated profit attributable to the owners of the Company from continuing operations of RMB309,426,000, RMB361,901,000, RMB423,351,000, RMB217,416,000 (unaudited) and RMB193,013,000 for the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, respectively, and the weighted average number of 1,500,000,000 shares outstanding during the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017 after retrospective adjustment and on the assumption that the Reorganisation and the share allotments of 1,500,000,000 shares subsequent to 30 June 2017 as described in note 39 had been in effective on 1 January 2014.

No diluted earnings per share is presented as there was no potential dilutive shares during the Track Record Period.

For continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company for the Track Record Period is based on the consolidated profit attributable to the owners of the Company and the denominators detailed above for basic earnings per share.

For discontinued operations

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(unaudited)	
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company, basic (RMB cents)	(0.04)	(0.95)	(0.80)	(0.32)	0.49

Basic (loss) earnings per share for the discontinued operation for the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, respectively, are calculated based on the (loss) profit for the year/period from the discontinued operations and the denominators detailed above for basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2014	1,813,736	72,413	36,952	305,031	59,120	2,287,252
Additions	–	88,964	1,682	55,057	73,111	218,814
Transfer	4,540	–	–	7,216	(11,756)	–
Disposals	(3,049)	(6)	(523)	(8,187)	–	(11,765)
At 31 December 2014	1,815,227	161,371	38,111	359,117	120,475	2,494,301
Additions	–	84,978	1,441	61,381	206,053	353,853
Transfer	185,165	–	–	185	(185,350)	–
Disposals	–	–	(2,722)	(33,629)	–	(36,351)
At 31 December 2015	2,000,392	246,349	36,830	387,054	141,178	2,811,803
Additions	–	81,920	739	75,617	140,023	298,299
Transfer	263,029	–	–	–	(263,029)	–
Disposals	–	–	(1,074)	(6,047)	–	(7,121)
At 31 December 2016	2,263,421	328,269	36,495	456,624	18,172	3,102,981
Additions	–	17,476	21	14,043	11,100	42,640
Transfer	–	12,372	–	–	(12,372)	–
Disposals	–	–	(3,266)	(4,198)	–	(7,464)
Disposal of subsidiaries (note 33)	–	(14,960)	(197)	(29,280)	–	(44,437)
At 30 June 2017	2,263,421	343,157	33,053	437,189	16,900	3,093,720
DEPRECIATION						
At 1 January 2014	206,538	5,621	25,620	220,439	–	458,218
Provided for the year	34,469	10,131	3,857	26,704	–	75,161
Eliminated on disposals	(886)	–	(448)	(7,169)	–	(8,503)
At 31 December 2014	240,121	15,752	29,029	239,974	–	524,876
Provided for the year	35,510	18,031	2,825	32,751	–	89,117
Eliminated on disposals	–	–	(2,586)	(30,283)	–	(32,869)
At 31 December 2015	275,631	33,783	29,268	242,442	–	581,124
Provided for the year	40,356	29,246	2,237	40,866	–	112,705
Eliminated on disposals	–	–	(859)	(5,686)	–	(6,545)
At 31 December 2016	315,987	63,029	30,646	277,622	–	687,284
Provided for the period	19,268	14,684	775	25,347	–	60,074
Eliminated on disposals	–	–	(2,026)	(3,048)	–	(5,074)
Disposal of subsidiaries (note 33)	–	(1,237)	(45)	(5,944)	–	(7,226)
At 30 June 2017	335,255	76,476	29,350	293,977	–	735,058
CARRYING VALUES						
At 31 December 2014	1,575,106	145,619	9,082	119,143	120,475	1,969,425
At 31 December 2015	1,724,761	212,566	7,562	144,612	141,178	2,230,679
At 31 December 2016	1,947,434	265,240	5,849	179,002	18,172	2,415,697
At 30 June 2017	1,928,166	266,681	3,703	143,212	16,900	2,358,662

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Leasehold land and buildings	over the shorter of 50 years or the terms of the leases
Leasehold improvements	over the shorter of 10 years or the terms of the leases
Motor vehicles	4-5 years
Furniture and fixtures	4-5 years

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Group is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB196,939,000, RMB192,331,000, RMB214,978,000 and RMB212,904,000 which are located in the PRC. In the opinion of management of the Group, the absence of formal title does not impair the value of the relevant leasehold land and buildings. In the opinion of the management of the Group, the formal title of these leasehold land and buildings will be granted to the Group in due course.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purposes as:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	53,305	51,984	50,663	50,003
Current assets	1,321	1,321	1,321	1,321
	54,626	53,305	51,984	51,324

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

At 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying value of the prepaid lease payments of RMB28,468,000, RMB27,670,000, RMB26,872,000 and RMB26,474,000 respectively is allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

17. INVESTMENT IN A SUBSIDIARY

	At 30 June 2017
	RMB'000
The Company	
Unlisted shares, at cost	1

Investment in a subsidiary mainly represents the investment cost in China Education Group Holdings (BVI) Limited ("BVI China Education Group").

18. AVAILABLE-FOR-SALE INVESTMENT/HELD FOR TRADING INVESTMENTS

(a) Available-for-sale investment

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity security in the PRC	1,000	1,000	–	–

The above unlisted equity investment represented investment in a private entity in the PRC at 31 December 2014 and 2015, as detailed below:

Name of company	Place of establishment	Equity interest held by the Group		
		2014	2015	2016
廣東藍天大學生就業市場經營有限公司 (Guangdong Blue Sky University Job Market Operation Company Ltd.) ("Blue Sky University Job Market")	The PRC	20%	20%	–

During the years ended 31 December 2014 and 2015, the Group held 20% of the equity interest in Blue Sky University Job Market with no representative on board of directors in accordance with the articles of association. The management of the Group consider that the Group did not have significant influence over Blue Sky University Job Market and it is therefore classified as an available-for-sale investment. On 23 May 2016, the Group disposed of the available-for-sale investment to an independent third party at a cash consideration of RMB5,600,000 and recognised a gain on disposal of RMB4,600,000.

The unlisted equity security was measured at cost less impairment at 31 December 2014 and 2015. The investment was not measured at fair value because the range of reasonable fair value estimates was so significant that the directors of the Company were of opinion that their fair values cannot be measured reliably.

(b) Held for trading investments

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity securities listed in the PRC	12,142	10,260	7,356	6,820

At the end of each reporting period, the investments held for trading are carried at their fair values determined by reference to bid prices quoted in active markets. Details of the fair value measurement for the held for trading investments are set out in note 32(c)(i).

19. STRUCTURED DEPOSITS

As at 31 December 2014, 2015, 2016 and 30 June 2017, the structured deposits were issued by banks in the PRC.

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, as follow:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
Structured deposits	4.30% to 6.30%	2.15% to 6.30%	1.80% to 5.10%	1.80% to 4.30%

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Group has the rights to redeem the structured deposits at expected maturity dates ranging from 26 to 84 days, from 21 to 54 days, from 8 to 102 days and from 9 to 58 days respectively after the end of each reporting period or at any time with prior notice.

The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives. The management of the Group considers the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of each reporting period, approximate to their carrying values at the same day.

20. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

The amount represented the deposit paid to local government authorities for prepaid lease payments mainly located in Guangdong province, the PRC.

21. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
The Group	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note i)*	13,089	10,040	10,312	5,435
Loans to third parties *(Note ii)*	1,000	800	7,315	7,292
Staff advances	3,131	1,944	1,512	7,512
Other receivables	5,055	5,784	4,601	14,816
Deposits	5,455	5,013	4,365	4,350
Prepayments	2,759	5,103	11,507	5,846
Deferred listing expenses	–	–	–	3,050
Prepaid listing expenses	–	–	–	951
Total	30,489	28,684	39,612	49,252

The Company	**At 30 June 2017**
	RMB'000
Deferred listing expenses	3,050
Prepaid listing expenses	951
	4,001

Notes:

i. The students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September except for adult education which normally commences in January, February or March. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

ii. The amounts of loan to third parties are unsecured, repayable on demand and non-interest bearing as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively. All outstanding amounts as at 30 June 2017 have been subsequently settled.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Group's entire trade receivable balance with aggregate carrying amount of RMB13,089,000, RMB10,040,000, RMB10,312,000 and RMB5,435,000 which are all past due as at reporting date for which the Group has not provided for impairment loss.

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ageing of trade receivables which are past due but not impaired				
0-90 days	49	81	157	–
91-120 days	5,145	5,967	5,074	93
121-365 days	–	–	–	–
Over 365 days	7,895	3,992	5,081	5,342
Total	13,089	10,040	10,312	5,435

Receivables that were past due but not impaired are attributable to a number of independent students who are in temporary financial difficulties. Based on the individual assessment, the management of the Group is of the opinion that no impairment is necessary in respect of amount of tuition fee outstanding attributable to each individual student based on historical settlement pattern from students.

22. BANK BALANCES AND CASH

Bank balance and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's bank deposits carried weighted-average interest rates of 0.79%, 0.97%, 1.16% and 0.67% per annum, respectively.

23. DEFERRED REVENUE

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Tuition fees	537,088	548,345	534,039	214,352
Boarding fees	37,845	34,349	39,262	19,879
Ancillary services	6,935	7,407	7,372	2,692
Government grants (Note)	8,336	12,186	14,535	16,572
	590,204	602,287	595,208	253,495
Non-current				
Government grants (Note)	12,620	19,903	25,722	23,470
	602,824	622,190	620,930	276,965

Note: The amounts represent subsidies receipt in advance from government mainly for procurement of laboratory apparatus and equipments and conducting educational programmes.

24. TRADE PAYABLES

The credit period granted by suppliers on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on invoice date at end of each reporting period.

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	3,607	3,424	5,349	122
31-90 days	217	132	104	133
91-365 days	178	2,026	2,943	3,551
Over 365 days	108	1,262	900	434
	4,110	6,844	9,296	4,240

25. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Discretionary government subsidies receipt in advance (Note)	36,454	45,996	40,386	52,831
Receipt on behalf of ancillary services providers	58,999	66,471	74,990	72,696
Retention money payables	8,523	16,072	18,872	18,365
Construction cost payables	–	–	15,698	15,698
Amounts due to former related parties	–	–	–	36,318
Accrued staff benefits and payroll	24,914	19,258	21,917	11,034
Accrued listing expenses	–	–	–	6,839
Other payables and accruals	34,583	34,851	27,999	11,654
Other taxes payables	4,658	5,592	7,822	7,373
	168,131	188,240	207,684	232,808
The Company				
Accrued listing expenses	–	–	–	6,839

Note: The amounts represent scholarships received from the government to be distributed to students and teachers of the universities.

26. BANK BORROWINGS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings:				
– Secured	226,000	206,370	240,700	108,000
– Unsecured	62,000	254,275	212,376	318,376
Total borrowings	288,000	460,645	453,076	426,376
Analysed as:				
– Fixed rate	2,000	60,000	–	40,000
– Variable rate	286,000	400,645	453,076	386,376
	288,000	460,645	453,076	426,376
Carrying amounts repayable:				
– Within one year	51,000	195,000	209,936	211,936
– More than one year, but not exceeding two years	69,000	113,205	106,920	135,920
– More than two years, but not exceeding five years	148,000	142,440	136,220	78,520
– More than five years	20,000	10,000	–	–
	288,000	460,645	453,076	426,376
Less: Amounts due within one year shown under current liabilities	(51,000)	(195,000)	(209,936)	(211,936)
	237,000	265,645	243,140	214,440

Notes:

i. The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
Effective interest rate:				
Fixed rate bank borrowings	4.92%	6.77%	N/A	4.85%
Variable-rate bank borrowings	5.94% – 6.55%	4.64% – 6.15%	4.62% – 5.51%	4.64% – 5.51%

ii. All of the borrowings are denominated in RMB which is the same as the functional currency of the relevant group entities.

iii. The Group's bank borrowings were secured by the rights to receive the tuition fees and boarding fees of Jiangxi University of Technology and the respective rights have been released subsequently.

iv. As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank borrowings amounting RMB264,000,000, RMB344,646,000, RMB324,076,000 and RMB318,376,000 are guaranteed by certain related parties and a third party, respectively, at no cost. The guarantee amounts provided by the related parties and the third party at 31 December 2014, 2015 and 2016 and 30 June 2017 are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu	250,000	250,000	250,000	250,000
Mr. Xie	50,000	–	–	–
Mr. Yu and his spouse	300,000	300,000	300,000	–
Mr. Yu and his spouse and 江西藍天駕駛培訓中心有限公司 (Jiangxi Lantian Driving Training Centre Company Limited) ("Lantian Driving") and a third party*	–	558,000	558,000	558,000
	600,000	1,108,000	1,108,000	808,000

* Lantian Driving was controlled by a close family member of Mr. Yu, one of the Controlling Equity Holders of the Company. During the six months ended 30 June 2017, Lantian Driving has been disposed of to a third party by the relevant related party.

The guarantees by these related parties have been fully released subsequently.

27. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM (TO) DIRECTORS

The Group

						Maximum amount outstanding during			
Amounts due from directors	**As at 1 January**	**At 31 December**			**At 30 June**	**Year ended 31 December**			**Six months ended 30 June**
Name of directors	**2014**	**2014**	**2015**	**2016**	**2017**	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu *(Note i)*	64,871	154,934	305,289	367,287	396,077	183,155	319,742	425,106	411,559
Mr. Xie *(Note ii)*	3,500	22,652	39,452	78,745	79,939	40,605	80,819	90,387	91,247
	68,371	177,586	344,741	446,032	476,016				
Analysed for reporting purpose as:									
Currents assets	68,371	122,857	191,296	446,032	476,016				
Non-current assets	–	54,729	153,445	–	–				
	68,371	177,586	344,741	446,032	476,016				
Amounts due from related parties									
Name of related parties									
廣州白雲工商高級技工學校 (廣州市白雲工商技師學院) (Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology)) ("Baiyun Technician College") *(Note iii)*	19,566	50,167	95,418	165,552	179,283	55,283	100,801	168,579	181,058
廣東阿博特數碼紙業有限公司 (Guangdong Abote Digital and Paper Company Limited) ("Abote") *(Note iv)*	–	15,973	1,526	1,526	–	15,973	15,973	1,526	1,526
南昌市二手裝飾工程有限公司 (Nanchang Erhu Decoration Engineering Company Limited) ("Erhu") *(Note v)*	2,000	–	5,000	3,400	–	30,000	55,000	5,000	3,400
南昌新景川企業管理諮詢有限公司 (Nanchang Xinjingchuan Enterprise Management Company Limited) ("Xinjingchuan") *(Note v)*	–	–	–	–	11,000	N/A	N/A	10,000	11,000
	21,566	66,140	101,944	170,478	190,283				

Amounts due from related parties Name of related parties	As at 1 January 2014	2014	At 31 December 2015	2016	At 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purpose as:					
Current assets	21,566	38,084	52,325	168,952	190,283
Non-current assets	–	28,056	49,619	1,526	–
	21,566	66,140	101,944	170,478	190,283

Amounts due to a director **Name of director**					
Dr. Yu *(Note viii)*	–	–	–	–	3,898

Amounts due to related parties **Name of related parties**					
江西江科駕駛培訓有限公司 (Jiangxi Jiangke Driving Training Company Limited) ("Jiangxi Driving") *(Note vi)*	–	19,395	34,532	34,532	–
廣州雲濤教育科技有限公司 (Guangzhou Yuntao Education Technology Company Limited) ("Yuntao") *(Note vii)*	–	–	–	3,570	–
Baiyun Technician College *(Note iii)*	–	–	186	211	–
Abote *(Note iv)*	–	48	104	165	200
	–	19,443	34,822	38,478	200

The Company

(a) Amount due to a director

	At 30 June 2017
	RMB'000
Name of director	
Dr. Yu *(Note viii)*	3,270

(b) The amounts due from shareholders and amount due to a subsidiary are unsecured, non-interest bearing and repayable on demand.

Notes:

i. Included in the amount due from a director of the Group were advances by the Group to Mr. Yu with carrying amounts of RMB34,577,000 and RMB137,754,000 as at 31 December 2014 and 2015 respectively classified as non-current assets and RMB239,134,000 and RMB239,672,000 as at 31 December 2016 and 30 June 2017 respectively classified as current assets. These advances were non-trade in nature, unsecured, non-interest bearing and the management of the Group expected the advances would not be settled within one year from the dates of the advance. The nominal value of the advances as at 31 December 2014, 2015, 2016 and 30 June 2017 were RMB40,285,000, RMB150,640,000, RMB243,730,000 and RMB243,730,000 with effective interest rate of 6.1%, 5.4%, 4.8% and 4.8% per annum respectively. The imputed interest income recognised in profit or loss for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB145,000, RMB2,408,000, RMB9,482,000 and RMB5,538,000, respectively.

The remaining amount due from a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amount as at 30 June 2017 has been subsequently settled.

ii. Included in the amount due from a director of the Group were advances by the Group to Mr. Xie, one of the Controlling Equity Holders with carrying amount of RMB20,152,000 and RMB15,691,000 as at 31 December 2014 and 2015 respectively classified as non-current assets and RMB17,972,000 and RMB19,303,000 as at 31 December 2016 and 30 June 2017 respectively classified as current assets. These advances were non-trade in nature, unsecured, non-interest bearing and the management of the Group expected the advances would not be settled within one year from the dates of the advance. The nominal value of the advances as at 31 December 2014, 2015, 2016 and 30 June 2017 were

RMB23,479,000, RMB19,772,000, RMB19,772,000 and RMB19,772,000 with effective interest rate of 6.1%, 5.4%, 4.8% and 4.8% per annum respectively. The imputed interest income recognised in profit or loss for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB282,000, RMB1,540,000, RMB2,281,000 and RMB1,331,000, respectively.

The remaining amount due from a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amount as at 30 June 2017 has been subsequently settled.

iii. Baiyun Technician College was a related party which was wholly owned by Mr. Xie, one of the Controlling Equity Holders of the Company. The amounts due from Baiyun Technician College are unsecured, non-interest bearing and repayable on demand. Except for the amounts of RMB14,054,000, RMB46,351,000, RMB93,526,000 and RMB98,776,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 which are trade in nature, the remaining amounts are non-trade in nature. Out of the outstanding amounts as at 30 June 2017, RMB93,526,000 has been subsequently settled.

The following is an aged analysis of the trade balance presented based on the date of debit note at the end of each reporting period:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	14,054	32,297	26,542	5,250
91-120 days	–	–	–	–
121-365 days	–	–	20,633	26,542
Over 365 days	–	14,054	46,351	66,984
	14,054	46,351	93,526	98,776

The amount due to Baiyun Technician College is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

iv. As at 31 December 2014, the amounts due from Abote, which is controlled by the sister and the nephew of Mr. Xie, one of the Controlling Equity Holders of the Company, is non-trade in nature, unsecured, carried interest at 7.5% per annum and repaid during the year ended 31 December 2015. The amount due from Abote as at 31 December 2015 and 2016 and 30 June 2017, is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amounts as at 30 June 2017 has been subsequently settled.

The amount due to Abote is trade in nature, unsecured, non-interest bearing and repayable on demand with ageing of 0-90 days at 31 December 2014, 2015 and 2016 and 30 June 2017.

v. The amounts due from Erhu and Xinjingchuan, which are controlled by Mr. Yu, one of the Controlling Equity Holders of the Company, are non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amounts as at 30 June 2017 has been subsequently settled.

vi. The amount due to Jiangxi Driving, which is controlled by the son of Mr. Yu, one of the Controlling Equity Holders of the Company, is non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the six months ended 30 June 2017, Jiangxi Driving has been disposed of to a third party by the relevant related party.

vii. The amount due to Yuntao, which is controlled by a sister of Mr. Xie, one of the Controlling Equity Holders of the Company, is trade in nature, unsecured, non-interest bearing and repayable on demand, and with ageing of 0-90 days based on invoice date at 31 December 2016 and 30 June 2017. During the six months ended 30 June 2017, Yuntao has been disposed of to third parties by the relevant related party.

viii. The amount due to Dr. Yu, director of the Company, is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

28. SHARE CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	Amount	Amount	Shown in the Historical Financial Information as
		US$	*RMB*	*RMB'000*
Ordinary shares of US$1.00 each				
Authorised				
At date of incorporation and 30 June 2017	50,000	50,000	344,830	N/A
Issued and fully paid				
At date of incorporation and 30 June 2017	100	100	688	1

On 19 May 2017, Blue Sky BVI acquired one share in the Company at par value and 49 shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 shares were issued and allotted to White Clouds BVI as fully-paid at par value.

The Group

The paid-in capital as at 31 December 2014, 2015 and 2016 represented the combined paid-in capital of Jiangxi University of Technology and Guangdong Baiyun University. The share capital as at 30 June 2017 represented the share capital of the Company following the completion of Reorganisation.

29. RESERVE

The Company

	Accumulated losses
	RMB'000
At date of incorporation	–
Loss and other comprehensive expense for the period	10,187
At 30 June 2017	10,187

30. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in note 10.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continues as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 26, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through new share issues as well as the issue of new debts as well as the redemption of the existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company
	At 31 December			At 30 June	At 30 June
	2014	2015	2016	2017	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Available-for-sale investment	1,000	1,000	–	–	–
Designated at FVTPL– structured deposits	207,001	257,001	418,201	298,900	–
Held for trading investments	12,142	10,260	7,356	6,820	–
Loans and receivables (including cash and cash equivalents)	603,537	844,120	891,748	897,834	1
	823,680	1,112,381	1,317,305	1,203,554	1
Financial liabilities					
Amortised cost	424,606	643,423	663,537	647,059	14,189

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, deposits and other receivables, amounts due from (to) related parties, bank balances and cash, amounts due from (to) directors, amount due to a subsidiary, amounts due from shareholders, available-for-sale investment, held for trading investments, structured deposits, trade payables, other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (interest rate risk, other price risk), credit risk and liquidity risk.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and variable-rate bank borrowings (see note 26 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year/period. A 10 basis point increase or decrease for bank balances and 50 basis point increase or decrease for variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would decrease/increase by RMB823,000, RMB1,222,000, RMB1,514,000 and RMB1,305,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and bank borrowings with variable rate.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the respective years/periods.

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Group will consider hedging the risk exposure should the need arise. The price risk on structured deposits is limited because maturity period of these investments is short.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting period. If the prices of the respective equity investments had been 5% higher/lower, the Group's post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would increase/decrease by RMB455,000, RMB385,000, RMB276,000 and RMB256,000, respectively, as a result of the changes in fair value of held-for-trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on other receivables, amounts due from related parties and amounts due from directors, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. In addition, the credit risk on amounts due from related parties and directors are reduced as the Group can closely monitor the repayment of the related parties.

The credit risk on bank balances and structured deposits are limited because the counterparties are reputable financial institutions.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank loans as a significant source of liquidity.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Trade and other payables	–	117,163	–	–	–	–	117,163	117,163
Amounts due to related parties	–	19,443	–	–	–	–	19,443	19,443
Bank borrowings								
– fixed rate	4.92	2,005	–	–	–	–	2,005	2,000
– variable rate	6.38	1,453	2,906	61,041	243,041	21,143	329,584	286,000
At 31 December 2014		140,064	2,906	61,041	243,041	21,143	468,195	424,606
Trade and other payables	–	147,956	–	–	–	–	147,956	147,956
Amounts due to related parties	–	34,822	–	–	–	–	34,822	34,822
Bank borrowings								
– fixed rate	6.77	339	677	61,693	–	–	62,709	60,000
– variable rate	5.64	17,776	15,903	119,360	278,835	10,327	442,201	400,645
At 31 December 2015		200,893	16,580	181,053	278,835	10,327	687,688	643,423
Trade and other payables	–	171,983	–	–	–	–	171,983	171,983
Amounts due to related parties	–	38,478	–	–	–	–	38,478	38,478
Bank borrowings								
– variable rate	5.13	1,937	16,373	191,510	285,845	–	495,665	453,076
At 31 December 2016		212,398	16,373	191,510	285,845	–	706,126	663,537
Trade and other payables	–	216,585	–	–	–	–	216,585	216,585
Amounts due to related parties	–	200	–	–	–	–	200	200
Amounts due to a director	–	3,898	–	–	–	–	3,898	3,898
Bank borrowings								
– fixed rate	4.85	162	323	1,455	40,140	–	42,080	40,000
– variable rate	5.13	58,564	2,744	162,329	183,091	–	406,728	386,376
At 30 June 2017		279,409	3,067	163,784	223,231	–	669,491	647,059
The Company								
Amount due to a subsidiary	–	4,080	–	–	–	–	4,080	4,080
Amount due to a director	–	3,270	–	–	–	–	3,270	3,270
Accrued listing expenses	–	6,839	–	–	–	–	6,839	6,839
At 30 June 2017		14,189	–	–	–	–	14,189	14,189

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Held for trading investments	As at 31 December 2014: RMB12,142,000 As at 31 December 2015: RMB10,260,000 As at 31 December 2016: RMB7,356,000 As at 30 June 2017: RMB6,820,000	Level 1	Quoted prices in active markets	N/A	N/A
Structured deposits	As at 31 December 2014: RMB207,001,000 As at 31 December 2015: RMB257,001,000 As at 31 December 2016: RMB418,201,000 As at 30 June 2017: RMB298,900,000	Level 3	Discounted cash flow – Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties	Estimated return	The higher the estimated return, the higher the fair value, vice versa

(ii) Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 Measurements of the structured deposits throughout the Track Record Period:

	RMB'000
At 1 January 2014	220,900
Purchase of structured deposits	1,007,151
Redemption of structured deposits	(1,024,736)
Net gain on structured deposits	3,686
At 31 December 2014	207,001
Purchase of structured deposits	1,140,600
Redemption of structured deposits	(1,094,245)
Net gain on structured deposits	3,645
At 31 December 2015	257,001
Purchase of structured deposits	1,031,300
Redemption of structured deposits	(876,140)
Net gain on structured deposits	6,040
At 31 December 2016	418,201
Purchase of structured deposits	242,000
Redemption of structured deposits	(365,712)
Net gain on structured deposits	4,411
At 30 June 2017	298,900

(iii) Fair value of financial instruments that are recorded at amortised cost

During the Track Record Period, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

33. DISPOSAL OF SUBSIDIARIES

(I) Disposal of Tianxing Social Services Centre

On 24 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 100% equity interest in Tianxing Social Services Centre at a consideration of RMB30,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 24 May 2017.

(II) Disposal of Baiyun Human Resources

On 19 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 70% equity interest in Baiyun Human Resources at a consideration of RMB3,500,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 23 May 2017.

(III) Disposal of Jiangxi Technology Park

On 3 May 2017, Jiangxi University of Technology entered into an equity transfer agreement with two independent third parties, pursuant to which Jiangxi University of Technology agreed to dispose of its 100% equity interest in Jiangxi Technology Park for RMB5,800,000, which was effective upon approval from shareholders. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 9 May 2017.

(IV) Disposal of Jiangxi Affiliated High School

On 20 April 2017, Jiangxi University of Technology entered into a transfer agreement with an independent third party, pursuant to which Jiangxi University of Technology assigned the sponsorship license of the Jiangxi Affiliated High School to an independent third party. Pursuant to the transfer agreement, Jiangxi University of Technology agreed to transfer the entire sponsor interest for RMB26,000,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. All relevant approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for the transfer have been obtained, and the transfer was completed on 27 May 2017.

Further details of the consideration, and assets and liabilities disposed of in the above disposals are set out below:

	Tianxing Social Services Centre	Baiyun Human Resources	Jiangxi Technology Park	Jiangxi Affiliated High School	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consideration					
Cash received	–	–	5,800	26,000	31,800
Consideration receivables	30	3,500	–	–	3,530
Total consideration	30	3,500	5,800	26,000	35,330
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	286	30	1,282	35,613	37,211
Deposits paid for acquisition of property, plant and equipment	–	–	–	973	973
Amount due from a former related party	–	1,526	–	–	1,526
Inventories	–	–	–	64	64
Trade and other receivables	883	3	–	3,676	4,562
Bank balances and cash	100	11,735	5,399	23,837	41,071
Deferred revenue	–	–	–	(37,837)	(37,837)
Amount due to former group company	(2,000)	–	–	(5,218)	(7,218)
Trade and other payables	(229)	(5,866)	(610)	(11,014)	(17,719)
Income tax payable	–	(905)	–	–	(905)
Net (liabilities) assets disposed of	(960)	6,523	6,071	10,094	21,728
Gain on disposal					
Consideration	30	3,500	5,800	26,000	35,330
Net liabilities (assets) disposed of	960	(6,523)	(6,071)	(10,094)	(21,728)
Non-controlling interests	–	1,957	–	–	1,957
	990	(1,066)	(271)	15,906	15,559
Net cash inflow arising on disposal					
Cash consideration received	–	–	5,800	26,000	31,800
Less: bank balances and cash disposed of	(100)	(11,735)	(5,399)	(23,837)	(41,071)
	(100)	(11,735)	401	2,163	(9,271)

34. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,952	9,662	6,815	6,820
In the second to fifth year inclusive	20,773	26,966	25,040	23,742
Over five years	18,677	37,577	33,558	31,696
	44,402	74,205	65,413	62,258

Operating lease payments represent rentals payable by the Group for certain of its academic and dormitory premises. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

35. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of the acquisition of				
– property, plant and equipment	42,684	73,693	16,435	21,774
– prepaid lease payment	78,338	75,691	43,802	40,067
	121,022	149,384	60,237	61,841

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Accrued issue costs	Bank borrowings	Amounts due to related parties/ directors	Amounts due to a former related party
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	294,000	–	–
Financing cash flow *(Note)*	–	(25,183)	19,395	–
Finance cost recognised	–	19,183	–	–
At 31 December 2014	–	288,000	19,395	–
Financing cash flow *(Note)*	–	148,114	15,323	–
Finance cost recognised	–	24,531	–	–
At 31 December 2015	–	460,645	34,718	–
Financing cash flow *(Note)*	–	(34,494)	25	–
Finance cost recognised	–	26,925	–	–
At 31 December 2016	–	453,076	34,743	–
Financing cash flow *(Note)*	(1,810)	(38,064)	3,687	–
Reclassification	–	–	(34,532)	34,532
Issue costs accrued/ Finance cost recognised	3,050	11,364	–	–
At 30 June 2017	1,240	426,376	3,898	34,532
At 1 January 2016	–	460,645	34,718	–
Financing cash flow (unaudited) *(Note)*	–	59,851	(463)	–
Finance cost recognised (unaudited)	–	14,620	–	–
At 30 June 2016 (unaudited)	–	535,116	34,255	–

Note: The cash flows represent the addition of and repayment of borrowings and interest paid in the consolidated statements of cash flows.

37. RELATED PARTIES DISCLOSURES

During the Track Record Period, the Group entered into the following transactions with related parties:

Related party	Relationship	Nature of transactions	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
			RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Baiyun Technician College	Controlled by Mr. Xie, one of the Controlling Equity Holders of the Company	Consultancy income received	14,054	32,297	47,175	20,633	5,250
Yuntao	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Online course service fee paid	–	–	4,120	–	–
Lantian Driving	Controlled by a close family member of Mr. Yu, one of the Controlling Equity Holders of the Company	Donation income received	–	1,000	–	–	–
Abote	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Purchase of paper products	36	56	61	28	35
		Interest income	974	551	–	–	–

During the Track Record Period, the Group grants Lantian Driving and Jiangxi Driving the right to use of certain properties and other plant and equipment held by Jiangxi University of Technology in connection with the business of Lantian Driving and Jiangxi Driving at nil consideration.

During the Track Record Period, Baiyun Technician College grants Guangdong Baiyun University the right to use of certain properties and other plant and equipment held by Baiyun Technician College in connection with the operation of Guangdong Baiyun University at nil consideration.

Balances with related parties are set out in the consolidated statements of financial position on pages IA-6, IA-7 and in note 27.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term benefits	2,246	2,212	3,213	431	1,103
Post-employment benefits	68	124	126	62	78
	2,314	2,336	3,339	493	1,181

The remuneration of director and key executives is determined having regard to the performance of individuals and market trends.

38. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has the following subsidiaries:

			Equity interests attributable to the Group					
			As at 31 December			As at 30 June	Date of this	
Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	2014	2015	2016	2017	report	Principal activities
Directly owned								
BVI China Education Group	17 May 2017 BVI	US$100	N/A	N/A	N/A	100%	100%	Investment Holding
Indirectly owned								
China Education Group (Hong Kong) Limited ("HK China Education Group")	25 May 2017 Hong Kong	HK$100	N/A	N/A	N/A	100%	100%	Investment Holding
Huajiao Education	13 June 2017 The PRC	HK$10,000,000	N/A	N/A	N/A	100%	100%	Provision of educational consultancy services
Jiangxi University of Technology*	20 July 1999 The PRC	RMB51,680,000	100%	100%	100%	100%	100%	Operation of private higher education institution
Jiangxi Affiliated High School	14 May 2015 The PRC	RMB26,000,000	N/A	100%	100%	N/A *(Note i)*	N/A *(Note i)*	Provision of primary and secondary education
Jiangxi Technology Park	30 December 2015 The PRC	RMB6,000,000	N/A	100%	100%	N/A *(Note ii)*	N/A *(Note ii)*	Provision of research and development consultation service and property management

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group					Principal activities
			As at 31 December			As at 30 June	Date of this report	
			2014	2015	2016	2017		
Jiangxi Foundation	18 September 2009 The PRC	RMB2,000,000	100%	100%	100%	N/A *(Note iii)*	N/A *(Note iii)*	Operation of poverty relief fund, together with fund for scholarship
Jiangxi Red Green and Blue	17 December 2015 The PRC	RMB5,000,000	N/A	100%	100%	N/A *(Note ii)*	N/A *(Note ii)*	Provision of services related to electronic products and research and development consultancy services
Guangdong Baiyun University*	12 March 1999 The PRC	RMB130,000,000	100%	100%	100%	100%	100%	Operation of private higher education institution
Baiyun Technician College	9 April 1996 The PRC	RMB60,000,000	–	–	–	–	100%	Provision of vocational education for technical workers and technicians in the PRC
Baiyun Human Resource	9 February 2004 The PRC	RMB5,000,000	17.5%**	70%	70%	N/A *(Note iv)*	N/A *(Note iv)*	Provision of career related services for post-graduates and under-graduates
Tianxing Social Service Centre	8 June 2012 The PRC	RMB30,000	100%	100%	100%	N/A *(Note v)*	N/A *(Note v)*	Provision of spectrum of services to address the needs of individuals and families in the community
University of Science and Technology	10 July 2017 The United States	US$100	N/A	N/A	N/A	N/A	100%	Provision of higher education in the California
贛州市華方教育諮詢有限公司 (Ganzhou Huafang Education Consulting Company Limited)	2 August 2017 The PRC	RMB4,800,000	N/A	N/A	N/A	N/A	100%	Provision of education consulting services
禮和教育諮詢(贛州)有限公司 (Lihe Education Consulting (Ganzhou) Company Limited)	26 July 2017 The PRC	RMB4,800,000	N/A	N/A	N/A	N/A	100%	Provision of education consulting services

* The English names are for identification purpose only.

** The remaining 82.5% equity interest of the subsidiary was held by Ms. Xie, sister of Mr. Xie, one of the Controlling Equity Holders. As Ms. Xie has agreed to align all her votes with the instructions given from Guangdong Baiyun University since she became the majority shareholder of the subsidiary, which is reiterated by an agreement signed on 25 August 2017, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Baiyun Human Resources.

Notes:

i. Jiangxi Affiliated High School was disposed of on 27 May 2017. Details of the disposal are included in note 33.

ii. Jiangxi Technology Park, together with its wholly owned subsidiary Jiangxi Red Green and Blue, were disposed of on 9 May 2017. Details of the disposal are included in note 33.

iii. Jiangxi Foundation was liquidated on 6 June 2017.

iv. Baiyun Human Resource was disposed of on 23 May 2017. Details of the disposal are included in note 33.

v. Tianxing Social Services Centre was disposed of on 24 May 2017. Details of the disposal are included in note 33.

Each of the Company and its subsidiaries has adopted 31 December as their financial year end date.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/ period ended	Name of auditors
Jiangxi University of Technology	31 December 2014, 2015 and 2016	江西淵明會計師事務所有限責任公司 Jiangxi YuanMing Certified Public Accountants (LLP)
Jiangxi Affiliated High School	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Jiangxi Technology Park	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Jiangxi Foundation	31 December 2014, 2015 and 2016	江西大信誠信會計師事務所 Jiangxi Daxin Chengxin Certified Public Accountants (LLP)
Jiangxi Red Green and Blue	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Guangdong Baiyun University	31 December 2014, 2015 and 2016	廣東惠建會計師事務所有限公司 Guangdong Huijian Certified Public Accountants Co.,Ltd
Baiyun Human Resources	31 December 2014, 2015 and 2016	廣州城鵬會計師事務所 Guangzhou Chenpeng Certified Public Accountants
Tianxing Social Service Centre	31 December 2014, 2015 and 2016	廣東惠建會計師事務所有限公司 Guangdong Huijian Certified Public Accountants Co.,Ltd

No statutory financial statements have been prepared for BVI China Education Group as it was incorporated in jurisdictions where there are no statutory audit requirements.

No audited financial statements were issued for Huajiao Education and HK China Education Group as these companies were established or incorporated during the six months ended 30 June 2017.

39. EVENTS AFTER REPORTING PERIOD

The following events took place subsequent to the reporting date:

On 14 August 2017, Huajiao Education, Mr. Xie and Baiyun Technician College entered into an acquisition framework agreement (the "Acquisition Agreement") pursuant to which Huajiao Education will acquire Baiyun Technician College (the "Acquisition") through entering into contractual arrangements (the "Technician College Contractual Arrangements") for a consideration of RMB750 million. Huajiao Education is required to settle the consideration in full on or before 31 December 2017. The Acquisition is accounted for using the acquisition method. The consideration was determined by reference to a valuation conducted by an independent valuer. Baiyun Technician College is engaged in the provision of vocational education for technical workers and technicians in the PRC. The directors of the Company are of the view that the completion of the Acquisition would significantly expand and diversify the Group's schools portfolio, complement the Group's existing business and give rise to further synergy through economies of scale (including shared management and operational resources of Baiyun Technician College and Guangdong Baiyun University, as well as the expansion and further leverage of the "Baiyun" brand name). The acquisition was completed on the same date and the consideration of RMB750 million was subsequently settled in full in August 2017. The Group is still in the process of assessing the acquisition-date fair values of identifiable assets recognised and liabilities assumed.

Pursuant to the Acquisition Agreement, Mr. Xie guaranteed to Huajiao Education that profit after taxation of Baiyun Technician College (after adding back the fees payable by Baiyun Technician College to Huajiao Education pursuant to the Technician College Contractual Arrangements) (the "Adjusted Net Profit") for the year ending 31 December 2018 shall be no less than RMB60,000,000. If the actual Adjusted Net Profit for the year ending 31 December 2018 is less than RMB60,000,000, Mr. Xie shall compensate Huajiao Education with a cash sum calculated according to the formula set out in "History, Reorganisation and Corporate Structure" to the Prospectus.

On 30 August 2017, the authorised share capital of the Company was increased by HK$500,000 divided into 50,000,000,000 Shares of par value HK$0.00001 each. On the same day, the Company allotted and issued 750,000,000 Shares for a subscription price of HK$7,500 to each of Blue Sky BVI and White Clouds BVI. Immediately following the allotment and issue of the 1,500,000,000 Shares, the Company repurchased 50 shares of par value US$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK$7,500 which was paid out of the proceeds of the aforesaid subscription. Immediately following the repurchase, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of par value US$1.00 each and became HK$500,000 divided into 50,000,000,000 Shares.

In November 2017, written resolutions of the board of directors of the Company were passed to approve the matters set out in the paragraph headed "Resolutions of the Shareholders of our Company dated 29 November 2017" in Appendix V to the Prospectus.

In November 2017, the Share Option Schemes and Share Award Scheme (as defined in the Prospectus) were conditionally approved and adopted by the Board, of which the principal terms are set out in "Appendix V – D. Share Option Schemes and Share Award Scheme" to the Prospectus.

40. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable by the Group to the Directors of the Company in respect of the Track Record Period.

Under the arrangement currently in force, the aggregate amount of the Directors' fee and other emoluments for the year ending 31 December 2017 is estimated to be approximately RMB16,000,000.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2017.