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 OF GUANGZHOU BAIYUN SENIOR TECHNICIAN SCHOOL OF BUSINESS AND TECHNOLOGY (GUANGZHOU BAIYUN TECHNICIAN COLLEGE OF BUSINESS AND TECHNOLOGY) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) (the "Target") set out on pages IB-4 to IB-36, which comprises the statements of financial position of the Target as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the 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 IB-4 to IB-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of China Education Group Holdings Limited dated 5 December 2017 (the "Prospectus") in connection with the initial listing of shares of China Education Group Holdings Limited 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 Target 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 2 to the Historical Financial Information, and for such internal control as the directors of the Target determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of China Education Group Holdings Limited are responsible for the contents of the Prospectus in which the Historical Financial Information of the Target is included, and such information is prepared based on accounting policies materially consistent with those of China Education Group Holdings Limited.

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 2 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 Target, 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 Target's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Target 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 2 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 2 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 IB-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Target in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET

Preparation of Historical Financial Information

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

The financial statements of the Target 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 ("IFRS") 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.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*6*	151,745	163,778	179,566	88,647	89,762
Cost of revenue		(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit		49,851	60,599	72,568	37,822	47,132
Investment income	*7*	1,383	2,981	3,890	1,875	2,089
Other income	*8*	6,071	9,581	5,389	3,830	546
Other gains and losses	*9*	(68)	125	1,065	123	500
Selling expenses		(12,218)	(9,713)	(5,878)	(506)	(618)
Administrative expenses		(19,847)	(15,110)	(15,259)	(6,713)	(8,107)
Consultancy fee	*31*	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Finance costs	*10*	(80)	(19)	(118)	(118)	–
Profit before taxation		11,038	16,147	14,482	15,680	36,292
Taxation	*11*	(153)	(185)	(119)	–	(27)
Profit and total comprehensive income for the year/period attributable to owners of the Target	*12*	10,885	15,962	14,363	15,680	36,265

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 30 June 2017
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	251,217	261,997	260,019	252,182
Prepaid lease payments	16	6,159	5,974	5,789	5,696
Structured deposits	17	3,000	–	–	–
Amounts due from related parties	24	20,654	60,934	–	–
Deposits paid for acquisition of property, plant and equipment		–	492	–	–
		281,030	329,397	265,808	257,878
CURRENT ASSETS					
Deposits, prepayments and other receivables	18	17,519	22,118	21,816	22,448
Amounts due from related parties	24	17,540	16,226	89,872	92,766
Prepaid lease payments	16	185	185	185	185
Structured deposits	17	15,000	53,000	143,500	106,500
Bank balances and cash	19	37,796	44,761	6,078	41,315
		88,040	136,290	261,451	263,214
CURRENT LIABILITIES					
Deferred revenue	20	95,096	111,744	116,403	70,350
Trade payables	21	2,325	2,022	1,423	1,121
Other payables and accrued expenses	22	26,067	32,352	42,155	34,107
Amounts due to related parties	24	73,383	118,944	169,301	181,265
Income tax payable		145	256	283	290
Bank borrowings	23	–	16,568	–	–
		197,016	281,886	329,565	287,133
NET CURRENT LIABILITIES		(108,976)	(145,596)	(68,114)	(23,919)
NET ASSETS		172,054	183,801	197,694	233,959
CAPITAL AND RESERVES					
Paid-in capital	25	60,000	60,000	60,000	60,000
Reserves		112,054	123,801	137,694	173,959
		172,054	183,801	197,694	233,959

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Statutory surplus reserve	Accumulated profits	Total
	RMB'000	*RMB'000 (Note i)*	*RMB'000 (Note ii)*	*RMB'000*	*RMB'000*
At 1 January 2014	60,000	–	104,856	–	164,856
Profit and total comprehensive income for the year	–	–	–	10,885	10,885
Deemed distribution to equity holder	–	(3,687)	–	–	(3,687)
Transfer	–	–	10,885	(10,885)	–
At 31 December 2014	60,000	(3,687)	115,741	–	172,054
Profit and total comprehensive income for the year	–	–	–	15,962	15,962
Deemed distribution to equity holder	–	(4,215)	–	–	(4,215)
Transfer	–	–	15,962	(15,962)	–
At 31 December 2015	60,000	(7,902)	131,703	–	183,801
Profit and total comprehensive income for the year	–	–	–	14,363	14,363
Deemed distribution to equity holder	–	(470)	–	–	(470)
Transfer	–	–	14,363	(14,363)	–
At 31 December 2016	60,000	(8,372)	146,066	–	197,694
Profit and total comprehensive income for the period	–	–	–	36,265	36,265
Transfer	–	–	36,265	(36,265)	–
At 30 June 2017	60,000	(8,372)	182,331	–	233,959
At 1 January 2016	60,000	(7,902)	131,703	–	183,801
Profit and total comprehensive income for the period	–	–	–	15,680	15,680
Deemed distribution to equity holder	–	(299)	–	–	(299)
Transfer	–	–	15,680	(15,680)	–
At 30 June 2016 (unaudited)	60,000	(8,201)	147,383	–	199,182

Notes:

i. The deemed distribution to equity holder represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Xie Ketao ("Mr. Xie"), the sole equity holder, and the principal amount of the advances at initial recognition. Details of the advances to Mr. Xie is included in note 24.

ii. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Target shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the directors of the Target.

According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to statutory surplus reserve of not less than 25% of the annual increase of net assets of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The statutory surplus reserve shall be, upon approval by the directors of the Target, used for the construction or maintenance of the Target or procurement or upgrading of educational equipment.

STATEMENTS OF CASH FLOWS

	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 before taxation	11,038	16,147	14,482	15,680	36,292
Adjustments for:					
Interest income on bank	(108)	(201)	(88)	(56)	(31)
Imputed interest income from amounts from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Amortisation of prepaid lease payment	185	185	185	93	93
Depreciation of property, plant and equipment	19,792	21,145	21,354	10,353	9,700
Net gain on structured deposits	(40)	(277)	(1,151)	(181)	(728)
Loss on written-off on property, plant and equipment	108	152	86	58	228
Finance costs	80	19	118	118	–
Operating cash flows before movements in working capital	29,780	34,390	31,184	24,246	43,496
Decrease (increase) in deposits, prepayments and other receivables	6,466	(4,599)	302	(1,360)	(632)
Increase (decrease) in deferred revenue	10,831	16,648	4,659	(47,287)	(46,053)
Increase (decrease) in trade payables	2,325	(303)	(599)	(1,219)	(302)
Increase (decrease) in other payables and accrued expenses	73	6,285	9,803	6,454	(8,048)
Increase in amounts due to related parties	14,154	32,340	47,754	20,655	4,735
Cash generated from (used in) operations	63,629	84,761	93,103	1,489	(6,804)
Income tax paid	(52)	(74)	(92)	–	(20)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	63,577	84,687	93,011	1,489	(6,824)

	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					
Interest income received	108	201	88	56	31
Payments for property, plant and equipment	(22,468)	(32,569)	(18,970)	(6,866)	(2,091)
Redemption of structured deposits	3,040	25,277	216,151	60,181	37,728
Purchase of structured deposits	(18,000)	(60,000)	(305,500)	(60,000)	–
Advances to related parties	(23,066)	(41,901)	(29,180)	(5,172)	(1,150)
Repayment from related parties	3,650	1,500	19,800	386	314
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(56,736)	(107,492)	(117,611)	(11,415)	34,832
FINANCING ACTIVITIES					
Advances from related parties	22,144	21,087	20,603	–	7,341
Repayment to related parties	(481)	(7,866)	(18,000)	–	(112)
Proceeds from bank borrowings	18,000	16,568	18,000	–	–
Repayment of bank borrowings	(18,000)	–	(34,568)	(16,568)	–
Interest paid	(80)	(19)	(118)	(118)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	21,583	29,770	(14,083)	(16,686)	7,229
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,424	6,965	(38,683)	(26,612)	35,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	9,372	37,796	44,761	44,761	6,078
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	37,796	44,761	6,078	18,149	41,315

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target was established as a technician school in the PRC in accordance with the laws of the PRC under the name "Guangzhou Baiyun Technician College of Business and Technology (廣州白雲工商技工學校)"on 9 April 1996. On 12 June 2003, the Target changed its name to "Guangzhou Baiyun Senior Technician School of Business and Technology (廣州白雲工商高級技工學校)". On 4 March 2005, the Target obtained approval as a technician college and changed its name to Guangzhou Baiyun Technician College of Business and Technology (廣州市白雲工商技師學院). On 28 October 2015, the Target changed its name to "Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校 (廣州市白雲工商技師學院))". From its date of establishment to 14 August 2017, Mr. Xie has been the sole school sponsor and equity holder of the Target. On 14 August 2017, Mr. Xie disposed of his equity interest to Lihe Education Consulting (Ganzhou) Company Limited (a company controlled by China Education Group Holdings Limited through contractual agreements), which became the sole school sponsor and equity holder of the Target thereafter. The address of registered office and principal place of business of the Target is No. 13, Tiannan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC.

The principal activity of the Target is engaged in the provision of vocational education for technical workers and technicians in the PRC.

The Historical Financial Information is presented in RMB which is also the functionary currency of the Target.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on accounting policies set out in note 3 which conform with IFRSs issued by IASB.

3. ADOPTION OF IFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, the Target 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 Target 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 Contract[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 Target 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 Target'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 that are not yet incurred in relation to the Target's financial assets measured at amortised cost, the directors of the Target do not anticipate that the application of IFRS 9 will have a material impact on the Target'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 Target anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Target 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 Target currently presents other operating lease payments 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 Target has non-cancellable operating lease commitments of approximately RMB7,020,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Target 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 Target do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Target's financial performance in future.

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

4. 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 value 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 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 Target 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.

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 Target and when specific criteria have been met for each of the Target's activities, as described below.

Tuition and boarding fees received 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 deferred revenue and is reflected as a current liability as such amounts represent revenue that the Target expects to earn within one year.

Ancillary 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 Target 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 Target 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 Target, 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 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.

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 Target 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 Target recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

Payments to 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 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 Target'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.

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 Target 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 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 Target'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 Target 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 Target 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.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when an 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 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 Target's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") 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

A financial asset 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 Target'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 or losses line item. Fair value is determined in the manner described in note 28.

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 other receivables, amounts due from related parties 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 Target's past experience of collecting payments, an increase in the number of delayed payments in the portfolio 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.

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 an 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 the Target after deducting all of its liabilities. Equity instruments issued by an entity 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 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 Target 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 Target derecognises financial liability when, and only when, the Target'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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target's accounting policies, which are described in note 4, management of the Target is required to make 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.

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 Target'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 RMB251,217,000, RMB261,997,000, RMB260,019,000 and RMB252,182,000, respectively. Any change in these estimates may have a material impact on the results of the Target.

(b) Useful life and recoverability of prepaid lease payments

The Target's management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its prepaid lease payments. During the Track Record Period, the Target's prepaid lease payments are amortised on a straight-line basis over a period of 50 years. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid 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 lease payments are RMB6,344,000, RMB6,159,000, RMB5,974,000 and RMB5,881,000, respectively. Any change in these estimates may have a material impact on the results of the Target.

(c) Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Target is subject to corporate income tax. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Target 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.

6. REVENUE AND SEGMENT INFORMATION

The Target is mainly engaged in the provision of vocational education for technical workers and technicians in the PRC.

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

The Target's operating activities are attributable to a single operating segment focusing on the provision of vocational education for students, technical workers and technicians 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 maker ("CODM"), Mr. Li Mengqiang, being the executive director of the Target, for the purpose of allocating resources and assessing its performance. The CODM reviews the Target's profit for the year/period 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.

Revenue from major services

The following is an analysis of the Target's revenue 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	135,789	145,957	161,748	79,724	80,883
Boarding fees	13,329	14,825	14,789	7,407	7,370
Ancillary services	2,627	2,996	3,029	1,516	1,509
	151,745	163,778	179,566	88,647	89,762

Geographical information

The Target operates in the PRC. All of Target's customers and the non-current assets of the Target are located in the PRC.

Information about major customers

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

7. 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*
Interest income from bank	108	201	88	56	31
Imputed interest income from amounts due from related parties	1,275	2,780	3,802	1,819	2,058
	1,383	2,981	3,890	1,875	2,089

8. 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*
Academic administration income	3,756	4,431	1,414	770	429
Management fee income	256	80	163	7	6
Government grants *(Note)*	225	2,123	2,635	2,011	–
Others	1,834	2,947	1,177	1,042	111
	6,071	9,581	5,389	3,830	546

Note: Government grants mainly represent unconditional subsidies from government for organising college activities and improving the quality of technician education.

9. 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*
Net gain on structured deposits	40	277	1,151	181	728
Loss on written-off on property, plant and equipment, net	(108)	(152)	(86)	(58)	(228)
	(68)	125	1,065	123	500

10. 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*
Interest expenses on bank borrowings	(80)	(19)	(118)	(118)	–

11. 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*
The income tax expense comprises:					
Current tax:					
PRC Enterprise Income Tax ("EIT")	153	185	119	–	27

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the 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	11,038	16,147	14,482	15,680	36,292
Tax at PRC EIT rate of 25%	2,760	4,037	3,621	3,920	9,073
Tax effect of income not taxable for tax purposes	(37,742)	(42,033)	(45,740)	(22,853)	(22,795)
Tax effect of expenses not deductible for tax purposes	35,135	38,181	42,238	18,933	13,749
Taxation for the year/period	153	185	119	–	27

The Target is 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 providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. The Target has been granted enterprise income tax exemption for the certain tuition fees, boarding fees, government grant and interest income from relevant local tax authority. During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, the non-taxable income amounted to RMB150,968,000, RMB168,132,000, RMB182,960,000, RMB91,412,000 (unaudited) and RMB91,180,000, respectively, and the related non-deductible expense amounted to RMB140,540,000, RMB152,724,000, RMB168,952,000, RMB75,732,000 (unaudited) and RMB54,996,000, respectively.

12. 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 has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration *(Note 13)*					
– salaries and other allowances	41,469	49,622	64,492	31,489	29,827
– retirement benefit scheme contributions	5,970	6,107	6,947	3,413	3,464
Total staff costs	47,439	55,729	71,439	34,902	33,291
Depreciation of property, plant and equipment	19,792	21,145	21,354	10,353	9,700
Amortisation of prepaid lease payment	185	185	185	93	93
Auditor's remuneration	55	36	59	–	–
Minimum operating lease rental expense in respect of rented premises	2,778	6,281	6,231	3,115	1,619

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Target 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					
Mr. Li Mengqiang	–	220	310	23	553
Mr. Xie Zhanpeng *(Note)*	–	103	100	–	203
	–	323	410	23	756

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					
Mr. Li Mengqiang	–	221	340	25	586
Mr.Xie Zhanpeng *(Note)*	–	103	97	–	200
	–	324	437	25	786

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					
Mr. Li Mengqiang	–	221	400	24	645
Mr. Xie Zhanpeng *(Note)*	–	9	–	–	9
	–	230	400	24	654

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					
Mr. Li Mengqiang	–	110	–	12	122
Mr. Xie Zhanpeng *(Note)*	–	9	–	–	9
	–	119	–	12	131

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 director					
Mr. Li Mengqiang	–	110	–	12	122

Note: Mr. Xie Zhanpeng retired as director on 31 January 2016

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

Employees

The five highest paid individuals of the Target included 1 director for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 30 June 2017 whose emoluments are included in the disclosures above. The emoluments of the remaining 4 individuals for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 30 June 2017, 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	1,103	1,256	1,283	334	374
Retirement benefit scheme contributions	147	177	173	41	44
	1,250	1,433	1,456	375	418

The number of the highest paid individuals, other than directors of the Target, 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	4	4	4	4	4

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

None of the directors of the Target waived or agreed to waive any emoluments during the Track Record Period.

14. DIVIDENDS

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

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	261,511	41,593	4,256	89,861	–	397,221
Additions	–	7,848	612	7,339	6,669	22,468
Transfer	2,642	3,404	–	–	(6,046)	–
Disposals	–	–	(80)	(1,986)	–	(2,066)
At 31 December 2014	264,153	52,845	4,788	95,214	623	417,623
Additions	4,042	9,512	206	3,303	15,014	32,077
Transfer	8,676	4,946	–	–	(13,622)	–
Disposals	–	–	(39)	(2,896)	–	(2,935)
At 31 December 2015	276,871	67,303	4,955	95,621	2,015	446,765
Additions	–	1,603	433	10,456	6,970	19,462
Transfer	8,985	–	–	–	(8,985)	–
Disposals	–	–	(1)	(1,689)	–	(1,690)
At 31 December 2016	285,856	68,906	5,387	104,388	–	464,537
Additions	–	807	204	454	626	2,091
Transfer	–	–	–	–	–	–
Disposals	–	–	–	(3,834)	–	(3,834)
At 30 June 2017	285,856	69,713	5,591	101,008	626	462,794
DEPRECIATION						
At 1 January 2014	73,294	14,920	1,837	58,521	–	148,572
Provided for the year	4,980	4,408	540	9,864	–	19,792
Eliminated on disposals	–	–	(80)	(1,878)	–	(1,958)
At 31 December 2014	78,274	19,328	2,297	66,507	–	166,406
Provided for the year	5,080	5,315	603	10,147	–	21,145
Eliminated on disposals	–	–	(37)	(2,746)	–	(2,783)
At 31 December 2015	83,354	24,643	2,863	73,908	–	184,768
Provided for the year	5,654	6,593	627	8,480	–	21,354
Eliminated on disposals	–	–	(1)	(1,603)	–	(1,604)
At 31 December 2016	89,008	31,236	3,489	80,785	–	204,518
Provided for the period	2,400	3,373	404	3,523	–	9,700
Eliminated on disposals	–	–	–	(3,606)	–	(3,606)
At 30 June 2017	91,408	34,609	3,893	80,702	–	210,612
CARRYING VALUES						
At 31 December 2014	185,879	33,517	2,491	28,707	623	251,217
At 31 December 2015	193,517	42,660	2,092	21,713	2,015	261,997
At 31 December 2016	196,848	37,670	1,898	23,603	–	260,019
At 30 June 2017	194,448	35,104	1,698	20,306	626	252,182

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 leases
Leasehold improvements	Over the shorter of 10 years or the terms of leases
Motor vehicles	5 years
Furniture and fixtures	5 years

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Target is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB116,562,000, RMB123,003,000, RMB120,616,000 and RMB119,072,000 which are located in the PRC. In the opinion of the directors of the Target, the absence of formal title does not impair the value of the relevant buildings. In the opinion of the directors of the Target, formal title of these leasehold land and buildings will be granted to the Target in due course.

16. PREPAID LEASE PAYMENTS

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

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	6,159	5,974	5,789	5,696
Current assets	185	185	185	185
	6,344	6,159	5,974	5,881

The Target is in the process of obtaining the land use right certificates which are located in the PRC. In the opinion of management of the Target, the absence of formal title does not impair the value of the relevant prepaid lease payments and the formal title of prepaid lease payments will be granted to the Target in due course.

17. STRUCTURED DEPOSITS

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the structured deposits of RMB18,000,000, RMB53,000,000, RMB143,500,000 and RMB106,500,000 respectively 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, are as follow:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
Structured deposits	2.00% to 6.30%	2.00% to 6.30%	1.90% to 4.60%	1.90% to 4.60%

As at 31 December 2014, 2015 and 2016, the Target has the rights to redeem the structured deposits at expected maturity dates ranging from 1 month to 19 months, from 1 to 7 months, from 5 to 8 months after the end of each reporting period, respectively or at any time with prior notice. The structured deposits at 30 June 2017 are redeemable 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 Target 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.

Analysed for reporting purpose as:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	15,000	53,000	143,500	106,500
Non-current assets	3,000	–	–	–
	18,000	53,000	143,500	106,500

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff advances	–	–	–	1,305
Other deposits	213	1,363	597	597
Receivables from education bureau	15,908	19,262	20,605	19,360
Other receivables	858	957	374	940
Prepayments	540	536	240	246
	17,519	22,118	21,816	22,448

19. BANK BALANCES AND CASH

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

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target's bank deposits carried a weighted-average interest rate of 0.35%, 0.35%, 0.30% and 0.30% per annum, respectively.

20. DEFERRED REVENUE

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	82,353	97,282	101,944	63,390
Boarding fees	9,495	10,023	9,795	5,776
Ancillary services	3,248	4,439	4,664	1,184
	95,096	111,744	116,403	70,350

21. TRADE PAYABLES

The credit period granted by suppliers on purchase of goods and provision of service ranged from 7 to 30 days. The Target has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The following is an aged analysis of trade payables presented based on date of goods receipt or services rendered.

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	2,257	1,641	1,174	906
31-90 days	43	252	9	213
91-365 days	21	18	110	2
>365 days	4	111	130	–
	2,325	2,022	1,423	1,121

22. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued staff benefits and payroll	14,090	12,972	25,952	14,806
Deposits received	2,571	1,203	985	365
Other payables and accruals	9,057	17,441	14,049	18,204
Other tax payable	349	736	1,169	732
	26,067	32,352	42,155	34,107

23. BANK BORROWINGS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings which are repayable within one year	–	16,568	–	–

The Target's fixed-rate borrowings are subject to interest at one-year People's Bank of China Base Rate. The effective interest rates on the Target's borrowings were as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	%	%	%	%
Fixed-rate borrowings	N/A	4.88%	N/A	N/A

The Target's bank borrowings were secured by the rights to receive the tuition fees and boarding fees and were also guaranteed by Mr. Xie, the equity holder of the Target with the guarantee amounts of RMB50,000,000 as at 31 December 2015.

24. AMOUNTS DUE FROM (TO) RELATED PARTIES

	At 1 January 2014	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 30 June 2017	Maximum amount outstanding during Year ended 31 December 2014	Maximum amount outstanding during Year ended 31 December 2015	Maximum amount outstanding during Year ended 31 December 2016	Maximum amount outstanding during Six months ended 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties									
Name of related parties									
Mr. Xie *(Note i)*	21,190	38,194	76,974	89,872	92,766	40,605	80,819	90,387	92,766
廣東白雲學院 (Guangdong Baiyun University) *(Note ii)*	–	–	186	–	–	–	186	186	–
	21,190	38,194	77,160	89,872	92,766				
Amounts due to related parties									
Name of related parties									
Mr. Xie *(Note i)*	(18,000)	(18,000)	(18,000)	–	–				
廣東白雲學院 (Guangdong Baiyun University) *(Note ii)*	(19,566)	(41,229)	(54,450)	(75,053)	(82,282)				
江西科技學院 (Jiangxi University of Technology) *(Note iii)*	–	(14,054)	(46,351)	(93,526)	(98,776)				
廣東阿博特數碼紙業有限公司 (Guangdong Abote Digital and Paper Limited) ("Abote")*(Note iv)*	–	(100)	(143)	(189)	(207)				
廣州雲濤教育科技有限公司 (Guangzhou Yuntao Education Technology Company Limited) ("Yuntao") *(Note v)*	–	–	–	(533)	–				
	(37,566)	(73,383)	(118,944)	(169,301)	(181,265)				
Analysed for reporting purposes as:									
Current assets	21,190	17,540	16,226	89,872	92,766				
Non-current assets	–	20,654	60,934	–	–				
	21,190	38,194	77,160	89,872	92,766				
Current liabilities	(37,566)	(73,383)	(118,944)	(169,301)	(181,265)				

Notes:

(i) Included in the amount due from equity holder was advance provided by the Target to the equity holder with carrying amounts of RMB20,654,000 and RMB60,934,000 as at 31 December 2014 and 2015 classified as non-current assets and RMB69,152,000 and RMB71,210,000 as at 31 December 2016 and 30 June 2017 classified as current assets. The advance was non-trade in nature, unsecured, interest bearing and the management of the Target expected the advance would not be recovered within one year. The nominal values of the advance as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB23,065,000, RMB64,779,000, RMB73,723,000 and RMB73,723,000 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 each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 were RMB1,275,000, RMB2,780,000, RMB3,802,000 and RMB2,058,000 respectively.

The remaining amount due from/(to) equity holder is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(ii) The amount due from (to) Guangdong Baiyun University, which is controlled by Mr. Xie, the equity holder of the Target, are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(iii) The amount due to Jiangxi University of Technology, a wholly-owned subsidiary of China Education Group Holdings Limited, which is collectively controlled by Mr. Xie and Mr. Yu Guo ("Mr. Yu") as concert parties, is trade in nature, unsecured, non-interest bearing and repayable on demand. On 14 August 2017, China Education Group Holdings Limited became the holding company of the Target.

The following is an aged analysis of the trade balance presented based on the date of debit note.

	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
>365 days	–	14,054	46,351	66,984
	14,054	46,351	93,526	98,776

(iv) The amount due to Abote, which is controlled by close family members of Mr. Xie, the equity holder of the Target, is trade in nature, unsecured, non-interest bearing and repayable on demand with aging of 0-90 days as at 31 December 2014, 2015 and 2016 and 30 June 2017.

(v) The amount due to Yuntao, which was controlled by a close family member of Mr. Xie, the equity holder of the Target, is trade in nature, unsecured, non-interest bearing and repayable on demand with aging of 0-90 days as at 31 December 2016 presented based on the invoice date. During the six months ended 30 June 2017, Yuntao has been disposed to third parties.

Except for the amounts due to Jiangxi University of Technology of RMB5,250,000, all of the remaining outstanding amounts due from/(to) related parties as at 30 June 2017 have been settled by the relevant parties subsequently.

25. PAID-IN CAPITAL

The paid-in capital as at the end of each reporting period represented the paid-in capital of the Target.

26. RETIREMENT BENEFIT PLANS

The employees of the Target are members of a state-managed retirement benefits scheme operated by the PRC government. The Target 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 Target with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Target in respect of the retirement benefit scheme during the Track Record Period are disclosed in note 12.

27. CAPITAL RISK MANAGEMENT

The Target manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holder through the optimisation of the debt and equity balance. The Target's overall strategy remains unchanged from prior years.

The capital structure of the Target consists of net debt, which includes bank borrowings disclosed in note 23, net of cash and cash equivalents in note 19, amounts due to related parties in note 24 and equity attributable to equity holders of the Target, comprising paid-in capital, reserves and accumulated profits.

The directors review 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 directors, the Target will balance its overall capital structure through raising of new capital, payment of dividend as well as the issue of new debts or the redemption of the existing debts.

28. FINANCIAL INSTRUMENT

(a) Categories of financial instruments

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Designated at FVTPL-structured deposits	18,000	53,000	143,500	106,500
Loans and receivables (including cash and cash equivalents)	92,756	142,140	116,929	154,381
	110,756	195,140	260,429	260,881
Financial liabilities				
Amortised cost	82,908	148,468	175,795	195,640

(b) Financial risk management objectives and policies

The Target's major financial instruments include other receivables, amounts due from related parties, structured deposits, bank balances and cash, trade and other payables, amounts due to related parties 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 Target 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 interest rate risk, credit risk and liquidity risk.

Market risk

(i) Interest rate risk

The Target's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Target is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial asset, mainly bank balances (note 19 for details) which carried at prevailing market interest rates. The Target currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Target will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis is not presented as Target's exposure to interest rate risk on bank balances is insignificant during the Track Record Period.

(ii) Other price risk

The Target is exposed to price risk through its structured deposits. The price risk on structured deposits is limited because maturity period of these investments is short.

Credit risk

The Target's carrying amounts of the respective recognised financial assets as stated in the statements of financial position best represent the Target's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations.

In order to minimise the credit risk on other receivables and amounts due from related parties, 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 believe that there is no material credit risk inherent in the Target's outstanding balance of other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Target 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

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target recorded net current liabilities of RMB108,976,000, RMB145,596,000, RMB68,114,000 and RMB23,919,000 respectively. In view of these circumstances, the directors have given consideration of the future liquidity and performance of the Target and its available sources of finance in assessing whether the Target will have sufficient financial resources to continue as a going concern. The Target's net current liabilities as of 31 December 2014, 2015 and 2016 and 30 June 2017 were primarily as a result of: (i) other payables and accrued expenses, which consist primarily other payables and accruals and accrued staff benefits and payroll; (ii) deferred revenue, which consist of tuition fee, boarding fee and ancillary services; and (iii) amounts due to related parties, which primarily consist of amounts due to directors and subsidiaries of China Education Group Holdings Limited.

The directors of the Target are satisfied that the Target will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the financial support from Mr. Xie, the Target's cash flow projection and the directors of the Target consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Historical Financial Information has been prepared on a going concern basis.

In management of the liquidity risk, the Target monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Target'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 Target can be required to pay. The table includes both interest and principal cash flows.

	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
Non-derivative financial liabilities								
Trade and other payables	–	9,525	–	–	–	–	9,525	9,525
Amounts due to related parties	–	73,383	–	–	–	–	73,383	73,383
At 31 December 2014		82,908	–	–	–	–	82,908	82,908
Non-derivative financial liabilities								
Trade and other payables	–	12,956	–	–	–	–	12,956	12,956
Amounts due to related parties	–	118,944	–	–	–	–	118,944	118,944
Bank borrowings – fixed rate	4.88%	–	16,587	–	–	–	16,587	16,568
At 31 December 2015		131,900	16,587	–	–	–	148,487	148,468
Non-derivative financial liabilities								
Trade and other payables	–	6,494	–	–	–	–	6,494	6,494
Amounts due to related parties	–	169,301	–	–	–	–	169,301	169,301
At 31 December 2016		175,795	–	–	–	–	175,795	175,795
Non-derivative financial liabilities								
Trade and other payables	–	14,375	–	–	–	–	14,375	14,375
Amounts due to related parties	–	181,265	–	–	–	–	181,265	181,265
At 30 June 2017		195,640	–	–	–	–	195,640	195,640

(c) Fair value measurements of financial instruments

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

Certain of the Target'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 asset	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Structured deposits	As at 31 December 2014: RMB18,000,000 As at 31 December 2015: RMB53,000,000 As at 31 December 2016: RMB143,500,000 As at 30 June 2017: RMB106,500,000	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 Measurement

The following table presents the reconciliation of Level 3 Measurement of the structured deposits:

	RMB'000
At 1 January 2014	3,000
Net gain on structured deposits	40
Purchase of structured deposits	18,000
Redemption of structured deposits	(3,040)
At 31 December 2014	18,000
Net gain on structured deposits	277
Purchase of structured deposits	60,000
Redemption of structured deposits	(25,277)
At 31 December 2015	53,000
Net gain on structured deposits	1,151
Purchase of structured deposits	305,500
Redemption of structured deposits	(216,151)
At 31 December 2016	143,500
Net gain on structured deposits	728
Purchase of structured deposits	–
Redemption of structured deposits	(37,728)
At 30 June 2017	106,500

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

During the Track Record Period, the directors of the Target consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of the reporting period.

29. OPERATING LEASES

The Target as lessee

At the end of each reporting period, the Target'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	3,462	5,901	6,218	4,052
In the second to fifth year inclusive	4,077	4,846	2,339	1,333
Over five years	2,269	2,015	1,762	1,635
	9,808	12,762	10,319	7,020

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	**Amounts due to related parties (non-trade)**
	RMB'000	*RMB'000*
At 1 January 2014	–	37,566
Financing cash flow *(Note)*	(80)	21,663
Finance cost recognised	80	–
At 31 December 2014	–	59,229
Financing cash flow *(Note)*	16,549	13,221
Finance cost recognised	19	–
At 31 December 2015	16,568	72,450
Financing cash flow *(Note)*	(16,686)	2,603
Finance cost recognised	118	–
At 31 December 2016	–	75,053
Financing cash flow *(Note)*	–	7,229
Finance cost recognised	–	–
At 30 June 2017	–	82,282
At 1 January 2016	16,568	72,450
Financing cash flow (unaudited) *(Note)*	(16,686)	–
Finance cost recognised (unaudited)	118	–
At 30 June 2016 (unaudited)	–	72,450

Note: The cash flows represent the proceeds from and repayment of bank borrowings and interest paid in the statements of cash flows.

31. RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, the Target entered into the following transactions with related parties, which are controlled by Mr. Yu, one of the controlling equity holders and director of China Education Group Holdings Limited, and/or Mr. Xie, the sole equity holder of the Target and his close family member:

Related party	Relationship	Nature of transaction	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*
Jiangxi University of Technology	Collective management and controlled by Mr. Xie and Mr. Yu as concert parties	Consultancy fee *(Note)*	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Yuntao	Controlled by a close family member of Mr. Xie	Service fee	–	–	(540)	–	–
Abote	Controlled by a close family member of Mr. Xie	Purchase of paper products	(101)	(42)	(47)	(22)	(18)

Note: The amount represents the consultancy fee paid for the exclusive service provided by Jiangxi University of Technology for development of school network. The service focus on providing the Target with opportunities for inter-school cooperation with other education institutions and school-enterprise cooperation and facilitating the fruition of such programmes. In particular, Jiangxi University of Technology shall introduce potential cooperation partners, help facilitate the communications and negotiations with potential cooperation partners, assist in the collection and transmission of related documents and facilitate other related arrangements.

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

Compensation of key management personnel

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

	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*
Short-term benefits	1,795	1,785	1,871	370	373
Post-employment benefits	219	225	185	93	90
	2,014	2,010	2,056	463	463

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

Balances with related parties are set out in the statements of financial position on page IB-6 and in note 24.

32. EVENTS AFTER REPORTING PERIOD

Saved as disclosed in this report, the following events took place subsequent to 30 June 2017.

On 14 August 2017, the Target became an indirect wholly-owned subsidiary of China Education Group Holdings Limited after acquisition of the Target's equity interest by Lihe Education Consulting (Ganzhou) Company Limited.

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 Directors of China Education Group Holdings Limited, of which the principal terms are set out in "Appendix V – D. Share Option Schemes and Share Award Scheme" to the Prospectus.

33. DIRECTORS' REMUNERATION

As disclosed in this report, certain remuneration was paid or payable by the Target to the directors of the Target 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 RMB450,000.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target have been prepared in respect of any period subsequent to 30 June 2017.