CHINA YUHUA EDUCATION CORPORATION LIMITED
中国宇华教育集团有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6169)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China YuHua Education Corporation Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 28 February 2017. These interim results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

	Six months ended		
	28 February 2017	29 February 2016	Change (%)
(RMB'000)	**(Unaudited)**	(Unaudited)	
Revenue	**421,416**	390,179	+8.0%
Adjusted Gross Profit[1]	**223,459**	198,157	+12.8%
Adjusted Operating Profit[2]	**201,020**	164,088	+22.5%
Adjusted Net Profit[3]	**195,239**	150,067	+30.1%

(RMB'000)	**Six months ended 28 February 2017 (Unaudited)**	29 February 2016 (Unaudited)	Change
Adjusted items			
One-off listing expenses	**20,134**	—	+20,134
Share-based compensation expenses (in cost of revenue)	**13,059**	—	+13,059
Share-based compensation expenses (in administrative expenses)	**40,060**	—	+40,060

Notes:

1 The gross profit of the Group for the six months ended 28 February 2017 amounted to RMB210,400,000 (unaudited). The Adjusted Gross Profit is calculated as gross profit for the period, excluding the impact from the non-cash expenses of share-based compensations.

2 The operating profit of the Group for the six months ended 28 February 2017 amounted to RMB127,767,000 (unaudited). The Adjusted Operating Profit is calculated as the operating profit for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the initial public offering (the "**IPO**") and listing of the shares of the Company on The Stock Exchange of Hong Kong Limited in February 2017.

3 The net profit of the Group for the six months ended 28 February 2017 amounted to RMB121,986,000 (unaudited). The Adjusted Net Profit is calculated as the profit for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the initial public offering and listing of the shares on The Stock Exchange of Hong Kong Limited in February 2017.

Non-IFRS Measures

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 28 February 2017 RMB'000 (Unaudited)	29 February 2016 RMB'000 (Unaudited)
Revenue	4	**421,416**	390,179
Cost of revenue	5	**(211,016)**	(192,022)
Gross profit		**210,400**	198,157
Selling expenses	5	**(2,109)**	(2,709)
Administrative expenses	5	**(90,339)**	(34,132)
Other income		**9,828**	2,295
Other (losses)/gains — net		**(13)**	477
Operating profit		**127,767**	164,088
Finance income		**1,007**	1,204
Finance expenses		**(6,788)**	(15,225)
Finance expenses — net		**(5,781)**	(14,021)
Profit before income tax		**121,986**	150,067
Income tax expense	7	**—**	—
Profit for the period		**121,986**	150,067
Other comprehensive income		**—**	—
Total comprehensive income		**121,986**	150,067
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**121,986**	150,067
Earnings per share attributable to equity holders of the Company (RMB Yuan)			
— Basic	8	**0.06**	—
— Diluted	8	**0.06**	—

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 28 February 2017 RMB'000 (Unaudited)	As at 31 August 2016 RMB'000 (Audited)
Assets			
Non-current assets			
Prepaid land lease payments		**222,133**	224,693
Property, plant and equipment	9	**1,497,235**	1,465,026
Intangible assets		**1,823**	1,792
Other non-current assets		**19,112**	20,587
Total non-current assets		**1,740,303**	1,712,098
Current assets			
Trade and other receivables	10	**10,365**	11,324
Cash and cash equivalents		**1,455,281**	304,986
Total current assets		**1,465,646**	316,310
Total assets		**3,205,949**	2,028,408
Equity			
Equity attributable to equity holders of the Company			
Share capital		**26**	65
Share premium		**1,318,313**	—
Reserves		**439,722**	386,557
Retained earnings		**645,012**	523,026
Total equity		**2,403,073**	909,648
Liabilities			
Non-current liabilities			
Borrowings	12	**60,000**	195,000
Other non-current liabilities		**39,478**	37,898
Total non-current liabilities		**99,478**	232,898
Current liabilities			
Accruals and other payables	11	**240,787**	156,669
Deferred revenue		**422,611**	609,193
Borrowings	12	**40,000**	120,000
Total current liabilities		**703,398**	885,862
Total liabilities		**802,876**	1,118,760
Total equity and liabilities		**3,205,949**	2,028,408

1 General information

China YuHua Education Corporation Limited (i.e. the Company) and its subsidiaries and consolidated affiliated entities (collectively referred to as the Group) provide private formal full-coverage non-vocational education services in Henan province of the PRC (the "**Business**").

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

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

Key events

- Prior to the incorporation of the Company and the completion of the reorganization as described below, which was completed on 7 September 2016 (the "**Reorganization**"), the main operating activities of the Group were carried out by YuHua Investment Management Co., Ltd, Zhengzhou YuHua Education Investments Co., Ltd, Zhengzhou Zhongmei Education Investments Co., Ltd (collectively the "**PRC Investment Holding Companies**") and their wholly owned subsidiaries which were incorporated in the PRC and owned by the Owner, Ms. Li Hua, the daughter of the Owner, and Ms. Liu Chunhua, the wife of the Owner under an act in concert arrangement of which all parties under this arrangement in the past, present and future are to act at the consent of Mr. Li Guangyu, who has the ultimate control over the PRC Investment Holding Companies. On 7 September 2016, a wholly-owned subsidiary of the Company, Xizang Yuanpei Information Technology Management Company Limited, entered into the contractual arrangements with the PRC Investment Holding Companies, their wholly owned subsidiaries and their respective equity holders, effective from 7 September 2016.

  Upon completion of the Reorganization, the Company became the holding company of the subsidiaries and the consolidated affiliated entities now comprising the Group.

- The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 February 2017 by way of the IPO. The net proceeds of the Company from the IPO, after deducting underwriting commissions and other issuance costs, were approximately RMB1,318,320,000.

2 Basis of preparation

This condensed interim consolidated financial information for the six months ended 28 February 2017 has been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2016, which have been prepared in accordance with IFRS.

3 Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statement for the year ended 31 August 2016, as described in the notes to those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 August 2017 and accounting policy regarding share-based payment as stated below.

(a) Share-based payment

Equity-settled share-based payment transactions

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

(b) Amendments to IFRSs effective for the six months ended 28 February 2017 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(c) Impact of new or amended standards that have been issued and may be applicable to the Group but not yet effective for the six months ended 28 February 2017.

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Statement of Cash Flows	1 January 2017
IAS 12 (Amendments)	Income Taxes	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 10 and IAS 28	"Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"	Not determined yet

The Group has not early adopted the above mentioned new or amended standards in this interim condensed consolidated financial information and will apply these new or amended standards in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

4 Segment information

The Group is principally engaged in the provision of private formal education from kindergarten to university non-vocational education service in Henan province of the PRC.

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

The CODM considers the Business from the service perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; (iii) the methods used to provide their services; and (iv) if applicable, the nature of the regulatory environment, the Group's operating segments are aggregated. In the view of CODM, the Group is principally engaged in three different segments which are subject to different business risks and different economic characteristics and the Group's operating and reportable segments for segment reporting purpose are Kindergartens, Grade 1–12 schools and University respectively.

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

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

The Group's principal market is Henan province of the PRC, while all of the Group's revenue and operating profit are derived within Henan province of the PRC, and all of the Group's operations and non-current assets are located in Henan province of the PRC. Due to the similar risks and returns, the CODM considers the Business as one geographic location. Accordingly, no geographical segment information is presented.

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 28 February 2017 and 29 February 2016.

The segment information provided to the CODM for the reportable segments for the six months ended 28 February 2017 and 29 February 2016 are as follows:

	Kindergartens *(RMB'000)*	**Grade 1–12 schools** *(RMB'000)*	**University** *(RMB'000)*	**Unallocated** *(RMB'000)*	**Inter-segment elimination** *(RMB'000)*	**Total** *(RMB'000)*
Unaudited						
For the six months ended 28 February 2017						
Revenue	**27,861**	**233,437**	**160,118**	**—**	**—**	**421,416**
Cost of revenue	**(16,830)**	**(129,813)**	**(64,373)**	**—**	**—**	**(211,016)**
Gross profit	**11,031**	**103,624**	**95,745**	**—**	**—**	**210,400**
Selling expenses	**—**	**(314)**	**(1,695)**	**(100)**	**—**	**(2,109)**
Administrative expenses	**(4,671)**	**(17,866)**	**(6,349)**	**(61,453)**	**—**	**(90,339)**
Other income	**31**	**8,269**	**1,528**	**—**	**—**	**9,828**
Other (losses)/gains — net	**(4)**	**115**	**(8)**	**(116)**	**—**	**(13)**
Operating profit	**6,387**	**93,828**	**89,221**	**(61,669)**	**—**	**127,767**
Finance income/(expenses) — net	**126**	**(1,845)**	**(4,205)**	**143**	**—**	**(5,781)**
Profit before income tax	**6,513**	**91,983**	**85,016**	**(61,526)**	**—**	**121,986**
As at 28 February 2017						
Total assets	**125,604**	**1,335,172**	**1,222,539**	**2,516,751**	**(1,994,117)**	**3,205,949**
Total liabilities	**59,086**	**840,790**	**483,262**	**1,235,080**	**(1,815,342)**	**802,876**
Other segment information						
Additions to non-current assets	**2,416**	**25,569**	**39,117**	**60**	**—**	**67,162**
Depreciation and amortisation	**(2,141)**	**(20,337)**	**(13,701)**	**(903)**	**—**	**(37,082)**
(Losses)/gains on disposal of property, plant and equipment	**(4)**	**115**	**(8)**	**(16)**	**—**	**87**

	Kindergartens (RMB'000)	Grade 1–12 schools (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended 29 February 2016						
Revenue	24,886	217,946	147,347	—	—	390,179
Cost of revenue	(14,857)	(122,523)	(54,642)	—	—	(192,022)
Gross profit	10,029	95,423	92,705	—	—	198,157
Selling expenses	—	(299)	(2,403)	(7)	—	(2,709)
Administrative expenses	(3,492)	(17,017)	(6,613)	(7,010)	—	(34,132)
Other income	—	1,655	513	127	—	2,295
Other (losses)/gains — net	(6)	(320)	1,401	(598)	—	477
Operating profit	6,531	79,442	85,603	(7,488)	—	164,088
Finance income/(expenses) — net	29	(5,186)	(8,889)	25	—	(14,021)
Profit before income tax	6,560	74,256	76,714	(7,463)	—	150,067
As at 29 February 2016						
Total assets	102,300	1,350,465	1,292,378	1,249,191	(2,134,636)	1,859,698
Total liabilities	56,623	1,053,004	720,308	1,242,666	(1,960,877)	1,111,724
Other segment information						
Additions to non-current assets	1,887	41,746	46,536	524	—	90,693
Depreciation and amortisation	(2,224)	(18,693)	(14,604)	(1,154)	—	(36,675)
(Losses)/gains on disposal of property, plant and equipment	—	(325)	(86)	4	—	(407)
Gains on disposals of land lease payments	—	209	—	—	—	209

5 Expenses by nature

	Six months ended	
	28 February 2017	29 February 2016
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**167,619**	110,640
Wages, salaries, bonus and other welfare	**114,500**	110,640
Share-based compensation expenses	**53,119**	—
Depreciation of property, plant and equipment	**34,376**	33,999
Amortisation of leasehold land and land use rights	**2,560**	2,560
Amortisation of intangible assets	**146**	116
Canteen expenditure	**14,821**	13,401
Student training and scholarship expenses	**7,162**	11,528
School consumables	**17,028**	16,840
Utilities expenses	**12,725**	9,605
Maintenance expenses	**9,296**	9,850
Marketing expense	**1,928**	2,331
Operating lease payments	**2,136**	1,761
Expense in relation to the Listing	**20,134**	—
Office expenses	**5,285**	6,452
Travel and entertainment expense	**3,599**	3,478
Auditors' remuneration	**800**	—
Annual fee	**—**	578
Other expenses	**3,849**	5,724
	303,464	228,863

6 Share-based payments

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

	Unaudited	
	Six months ended 28 February 2017	
	Average exercise price in HK$ per share option	**Number of share options**
Opening balance	**—**	**—**
Granted	**0.00001**	**180,000,000**
Closing balance	**0.00001**	**180,000,000**
Exercisable at period end	**0.00001**	**5,917,350**

Share options outstanding as at 28 February 2017 have the following expiry date and exercise prices:

	Unaudited	
	28 February 2017	
Expiry date	**Exercise price in HK$ per share option**	**Number of share options**
1 September 2036	**0.00001**	**180,000,000**

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option.

15,658,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2017, 782,900 share options have been vested but not yet exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option.

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2017, 81,800 share options have been vested but not yet exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 28 February 2017, 130,400 share options have been vested but not yet exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2017, 3,600,000 share options have been vested but not yet exercised.

44,075,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 28 February 2017, 1,322,250 share options have been vested but not yet exercised.

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binominal model was HK$464,583,000. Significant inputs into the model were as follows:

Spot price *(HK$)*	2.58
Exercise price *(HK$)*	0.00001
Expected volatility	62.0%
Time to maturity	Based on the terms of the options
Weighted average annual risk free interest rate	1.1%
Expected dividend yield	0.0%

The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of comprehensive income over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of comprehensive income for the six months ended 28 February 2017 amounted to HK$60,820,000 (equivalent to RMB53,119,000).

7 Income tax expense

	Six months ended	
	28 February 2017	29 February 2016
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Current tax on profits for the period	**—**	—

(i) Cayman Islands profits tax

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

(ii) British Virgin Islands profit tax

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

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 28 February 2017 and 29 February 2016.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporation in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "**CIT Law**"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 28 February 2017 and 29 February 2016.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. All schools of the Group have been granted corporate income tax exemption for the tuition income from relevant local tax authorities.

The corporate income tax rate for Xizang Yuanpei Information Technology Management Company Limited ("**Xizang Yuanpei**") is 15% based on the relevant tax regulations of Tibet Autonomous Region. The Tibet local government has exempted 40% corporate income tax payable by enterprises in Tibet Autonomous Region for a period of three years commencing from 1 January 2015 to 31 December 2017. Therefore, the effective corporate income tax rate initially applicable for Xizang Yuanpei is 9%, which will be increased to 15% beginning in 2018 when the three-year preferential tax exemption expires.

8 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit for the six months ended 28 February 2017 attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 28 February 2017.

	Six months ended 28 February 2017 (Unaudited)
Profit attributable to equity holders of the Company *(RMB'000)*	**121,986**
Weighted average number of ordinary shares in issue *(thousand)*	**2,179,558**
Basic earnings per share *(RMB Yuan)*	**0.06**

(b) Diluted

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

	Six months ended 28 February 2017 (Unaudited)
Earnings	
Profit attributable to equity holders of the company *(RMB'000)*	**121,986**
Weighted average number of ordinary shares in issue *(thousands)*	**2,179,558**
Adjustments for:	
— Pre-IPO share options *(thousands)*	**7,120**
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,186,678**
Diluted earnings per share *(RMB Yuan)*	**0.06**

No earnings per share for the six months ended 29 February 2016 is presented as the financial information is prepared on a combined basis due to the completion of the Reorganization on 7 September 2016 as detailed in Note 1 above.

9 Property, plant and equipment

During the six months ended 28 February 2017, the Group acquired assets with a cost of RMB66,985,000 (six months ended 29 February 2016: RMB91,885,000) as additions to property, plant and equipment.

Assets with a net book value of RMB400,000 were disposed of by the Group during the six months ended 28 February 2017 (six months ended 29 February 2016: RMB420,000), resulting in a net gain on disposal of RMB87,000 (six months ended 29 February 2016: a net loss of RMB407,000).

10 Trade and other receivables

As at 28 February 2017 and 31 August 2016, the aging analysis of the trade receivables based on the recognition date were as followings:

	As at 28 February 2017 *(RMB'000)* (Unaudited)	As at 31 August 2016 *(RMB'000)* (Audited)
Less than 1 year	**874**	35
	874	35

As at 28 February 2017, there were no past due balances of trade receivables.

11 Accruals and other payables

	As at 28 February 2017 *(RMB'000)* (Unaudited)	As at 31 August 2016 *(RMB'000)* (Audited)
Payable for prepaid land lease payments	**48,472**	—
Payables for purchases of property, plant and equipment	**49,512**	58,157
Salary and welfare payables	**31,882**	38,831
Payables for annual fees	**1,300**	1,300
Deposits received from teachers and students	**19,674**	19,274
Miscellaneous expenses received from students	**22,598**	7,192
Payables for teaching materials and other operating expenditure	**23,356**	13,130
Payables for contracting canteens	**1,904**	2,343
Government subsidies payable to students	**3,644**	1,887
Payables in relation to the Listing	**31,776**	10,629
Others	**6,669**	3,926
	240,787	156,669

12 Borrowings

	As at 28 February 2017 *(RMB'000)* (Unaudited)	As at 31 August 2016 *(RMB'000)* (Audited)
Non-current	**60,000**	195,000
Current	**40,000**	120,000
	100,000	315,000

Movements in borrowings is analysed as follows:

Unaudited	***(RMB'000)***
Six months ended 28 February 2017	
Opening amount as at 1 September 2016	**315,000**
Proceeds of borrowings	**30,000**
Repayments of borrowings	**(245,000)**
Closing amount as at 28 February 2017	**100,000**

Movements in borrowings is analysed as follows:

Unaudited	*(RMB'000)*
Six months ended 29 February 2016	
Opening amount as at 1 September 2015	502,000
Proceeds of borrowings	250,000
Repayments of borrowings	(305,000)
Closing amount as at 29 February 2016	447,000

13 Dividends

On 28 April 2017, the Board has resolved to declare an interim dividend of HK$0.037 per share (2016: nil) to shareholders whose names appear on the register of members of the Company at the close of business on 14 June 2017. This interim dividend, amounting to HK$111,674,000 (RMB97,620,000 which is equivalent to 50% of the Adjusted Net Profit of the Group in respect of the six months ended 28 February 2017) (2016: nil), has not been recognised as a liability in this interim financial information. It will be recognised in the share premium of shareholders' equity in the year ending 31 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With over 15 years of operating private schools in Henan province, the Group is one of the leading private school operators in central China in terms of student enrolment.

The Group's K-12 schools provide education from kindergarten to high school, allowing the Group to attract students at an early age and create a stable and sustainable student pipeline. The Group emphasises the well-rounded development of the Group's students and have structured the curriculum to ensure the high quality of the Group's education and inspire and encourage the Group's students to explore their individual interests. The Group's K-12 schools are also committed to maximising their students' opportunities to enter top-tier universities in China and reputable colleges and universities abroad.

The Group's fundamental educational objectives are to foster modern talent with leadership and lifelong learning capabilities and nurture great minds to contribute to the future development of the Chinese nation ("培養具有領導才能和自主學習能力的現代化人才，為中華民族的偉大復興貢獻力量"). As an educational service provider, the Group believes it is entrusted to nurture the future of society, and aims to provide educational services in a manner consistent with the values and attitudes of the Group. The curriculums for the Group's university and K-12 schools not only accommodate the students' eagerness to achieve academic excellence, but also emphasise well-rounded development.

The business of the Group remained relatively stable for the six months ended 28 February 2017. As such, there have been no material changes in respect of the business of the Group since 31 August 2016.

The Group's Schools

As at 28 February 2017, the Group had 25 schools located in Henan province of China. Subsequent to 31 August 2016, being the year-end date of the Group's fiscal year, the Group's new high school on Luohe Yuhua Elite School campus commenced operation in September 2016. The following table shows a summary of the Group's schools by category as at the end of February 2017 and 2016:

The Group's schools	**As at 28 February 2017**	As at 29 February 2016
University	**1**	1
High schools	**3**	2
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**8**	8
Total	**25**	24

The average tuition fees, number of students enrolled, utilization rate (calculated as the number of students divided by the capacity for a given school) and number of teachers at each of the Group's schools have remained largely the same when compared to the equivalent as at 31 August 2016 as disclosed in the prospectus of the Company dated 16 February 2017 (the "**Prospectus**").

Outlook

Future Development

The Group has a strong pipeline for opening new schools in Henan province. In particular, the Group is planning to construct three new high schools which will be located in the Group's existing campuses, details of which are set out below. Please refer to the section headed "Business" in the Prospectus for further details of the Group's strategy for future development.

1) *Xuchang YuHua Elite School Campus*

   As disclosed in the Prospectus, the new high school on the Xuchang YuHua Elite School Campus will involve building a new student dormitory and ancillary teaching facilities depending on the needs of teaching activities. The student dormitory will have a capacity of approximately 2,000 students.

2) *Kaifeng YuHua Elite School Campus*

   As disclosed in the Prospectus, the new high school on the Kaifeng YuHua Elite School Campus will involve building a new student dormitory and ancillary teaching facilities depending on the needs of teaching activities. The student dormitory will have a capacity of approximately 2,000 students.

3) Jiyuan YuHua Elite School Campus

As disclosed in the Prospectus, the new high school on the Jiyuan YuHua Elite School Campus will involve building a new student dormitory and ancillary teaching facilities depending on the needs of teaching activities. The student dormitory will have a capacity of approximately 2,000 students.

Financial Review

1. Overview

For the six months ended 28 February 2017, the Group recorded a revenue of RMB421.4 million, an Adjusted Gross Profit of RMB223.5 million and a gross profit of RMB210.4 million. The Adjusted Gross Profit Margin[4] of the Group was 53.0% for the six months ended 28 February 2017 as compared with 50.8% for the corresponding period in 2016. The gross profit margin was 49.9% for the six months ended 28 February 2017 as compared with 50.8% for the corresponding period in 2016.

The Adjusted Net Profit of the Group for the six months ended 28 February 2017 was RMB195.2 million, representing an increase of RMB45.1 million or a 30.1% increase from the corresponding period in 2016. The Adjusted Net Profit Margin[5] of the Group was 46.3% and 38.5% for the six months ended 28 February 2017 and 29 February 2016, respectively.

The net profit of the Group amounted to RMB122.0 million and RMB150.1 million for the six months ended 28 February 2017 and 29 February 2016, respectively. The net profit margin of the Group amounted to 28.9% and 38.5% for the six months period ended 28 February 2017 and 29 February 2016, respectively. The decreases in net profit and net profit margin were mainly due to one-off listing expenses and shared-based compensation expenses according to IFRS.

2. Revenue

For the six months ended 28 February 2017, revenue of the Group amounted to RMB421.4 million, representing an increase of RMB31.2 million or 8.0% as compared with RMB390.2 million for the corresponding period in 2016. The increase was primarily due to the result of an increase in student enrolment and tuition fees.

4 The Adjusted Gross Profit Margin is calculated as the gross profit margin for the period, excluding the impact from the non-cash expenses of share-based compensations.

5 The Adjusted Net Profit Margin is calculated as net profit margin for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the IPO and the Listing in February 2017.

3. *Cost of Revenue*

For the six months ended 28 February 2017, the Adjusted Cost of Revenue[6] of the Group amounted to RMB198.0 million, representing an increase of RMB6.0 million or 3.1% as compared with RMB192.0 million for the corresponding period in 2016. The increase was primarily the result of an increase in the number of teachers and teachers' salary.

The cost of revenue of the Group amounted to RMB211.0 million and RMB192.0 million for the six months ended 28 February 2017 and 29 February 2016, respectively. The increase was primarily due to the result of the share-based compensation expenses of RMB13.1 million according to IFRS.

4. *Gross Profit and Gross Profit Margin*

For the six months ended 28 February 2017, the Adjusted Gross Profit of the Group amounted to RMB223.5 million, representing an increase of RMB25.3 million or 12.8% as compared with RMB198.2 million for the corresponding period in 2016, primarily due to an increase in revenue brought by an increase of student enrolments and tuition fees. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2017 was 53.0%, compared with 50.8% for the corresponding period in 2016.

The Group's gross profit amounted to RMB210.4 million and RMB198.2 million for the six months ended 28 February 2017 and 29 February 2016, respectively. The Group's gross margin amounted to 49.9% and 50.8% for the six months ended 28 February 2017 and 29 February 2016, respectively. The decrease was mainly due to share-based compensation expenses according to IFRS.

5. *Selling Expenses*

For the six months ended 28 February 2017, selling expenses of the Group amounted to RMB2.1 million, representing a decrease of RMB0.6 million or 22.1% from RMB2.7 million during the corresponding period in 2016. There were no material changes to selling and marketing activities during the six months ended 28 February 2017.

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[6] The Adjusted Cost of Revenue is calculated as cost of revenue for the period, excluding the impact from the non-cash expenses of share-based compensations.

6. Administrative Expenses

For the six months ended 28 February 2017, the Adjusted Administrative Expenses[7] of the Group amounted to RMB30.1 million, representing a decrease of RMB4.0 million as compared with RMB34.1 million for the corresponding period in 2016. The decrease was primarily due to an enhancement in administrative and management efficiency.

The administrative expenses of the Group amounted to RMB90.3 million and RMB34.1 million for the six months ended 28 February 2017 and 29 February 2016, respectively. The increase was primarily due to one-off listing expenses of RMB20.1 million incurred in connection with the IPO and the Listing on the Stock Exchange in February 2017 and share-based compensation expenses of RMB40.1 million according to IFRS.

7. Other Income

For the six months ended 28 February 2017, the other income of the Group amounted to RMB9.8 million, representing an increase of RMB7.5 million or 328.2% as compared with RMB2.3 million for the corresponding period in 2016. This was primarily due to an increase in the government grants obtained.

8. Other Gains and Losses

For the six months ended 28 February 2017, the other gains and losses of the Group amounted to a loss of RMB13,000 as compared with a gain of RMB477,000 for the corresponding period in 2016. This was primarily due to the absence of fair value gains on financial instruments for the six months ended 28 February 2017 compared with the corresponding period in 2016.

9. Operating Profit

For the six months ended 28 February 2017, the Adjusted Operating Profit of the Group amounted to RMB201.0 million, representing an increase of RMB36.9 million or 22.5% as compared with RMB164.1 million for the corresponding period in 2016. The increase was primarily due to the increase in student enrolment and increase in tuition fees of certain schools.

The operating profits of the Group amounted to RMB127.8 million and RMB164.1 million for the six months ended 28 February 2017 and 29 February 2016, respectively. The decrease was primarily due to one-off listing expenses of RMB20.1 million and share-based compensation expenses of RMB53.1 million according to IFRS.

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7 The Adjusted Administrative Expenses is calculated as administrative expense for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensation and (ii) one-off listing expenses incurred in connection with the IPO and the Listing in February 2017.

10. Finance Income

Finance income decreased by 16.4% from RMB1.2 million for the six months ended 29 February 2016 to RMB1.0 million for the corresponding period in 2017 due to the decrease in deposit interest income.

11. Finance Expenses

Finance expenses decreased by 55.4% from RMB15.2 million for the six months ended 29 February 2016 to RMB6.8 million for the corresponding period in 2017 due to the decrease in total bank loans as a result of repayment of outstanding loans during the six months ended 28 February 2017.

12. Profit for the Period

As a result of the above factors, the Adjusted Net Profit of the Group was RMB195.2 million for the six months ended 28 February 2017, representing an increase of RMB45.1 million or 30.1% from RMB150.1 million for the corresponding period of 2016. In addition, the Adjusted Net Profit Margin of the Group amounted to 46.3% and 38.5% for the six months ended 28 February 2017 and 29 February 2016, respectively.

The Group recorded a profit of RMB122.0 million for the six months ended 28 February 2017, representing a decrease of RMB28.1 million from RMB150.1 million for the corresponding period in 2016. The profit margin of the Group for the six months ended 28 February 2017 was 28.9%, compared to 38.5% for the corresponding period in 2016. The decreases were mainly due to one-off listing expenses of RMB20.1 million and share-based compensation expenses of RMB53.1 million according to IFRS.

13. Liquidity and Source of Funding and Borrowing

As at 28 February 2017, the Group's cash and cash equivalents increased by 377.2% from RMB305.0 million as at 29 February 2016 to RMB1,455.3 million. The significant increase of cash and cash equivalents for the six months ended 28 February 2017 primarily resulted from the net proceeds of approximately RMB1,318.3 million (after deducting underwriting commissions and other issuance costs) raised during the Group's IPO that was completed in February 2017.

As at 28 February 2017, the current assets of the Group amounted to RMB1,465.6 million, including RMB1,455.3 million in bank balances and cash and other current assets of RMB10.3 million. The current liabilities of the Group amounted to RMB703.4 million, of which RMB422.6 million was deferred revenue, RMB240.8 million was accruals and other payables, and RMB40.0 million was borrowings. As at 28 February 2017, the current ratio, which is equivalent to the current assets divided by the current liabilities, of the Group was 2.08 as compared with 0.36 as at 29 February 2016.

14. Gearing Ratio

As at 28 February 2017, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 4.2%, representing a decrease of 30.4 percentage points as compared with 34.6% as at 29 February 2016. The decrease was primarily due to the decrease in total bank loans as a result of repayment of loans and increase in equity.

15. Material Investments

The Group did not make any material investments during the six months ended 28 February 2017.

16. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2017.

17. Pledge of Assets

As at 28 February 2017, the bank borrowings of the Group were secured by right over tuition fee and guaranteed by the Company's consolidated affiliated entities.

18. Contingent Liabilities

The Group had no material contingent liabilities as at 28 February 2017.

19. Foreign Exchange Exposure

During the six months ended 28 February 2017, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities' functional currency. As at 28 February 2017, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 28 February 2017 of HK$0.037 per share to shareholders whose names appear on the register of members of the Company at the close of business on 14 June 2017. The interim dividend will be distributed to shareholders of the Company on 23 June 2017.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 12 June 2017 to 14 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong

Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 9 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

1. Compliance with the Code on Corporate Governance Practices

Since the Listing on 28 February 2017 (the "**Listing Date**") and up to the date of this announcement, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except as disclosed below.

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 28 February 2017, no Board meeting was held on 28 February 2017.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2017.

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

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

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code since the Listing Date up to the date of this announcement.

3. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely, Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue. Mr. Chen Lei is the chairman of the audit committee.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2017 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Group.

4. Other Board Committees

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

5. Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company since the Listing Date up to the date of this announcement.

6. Material Litigation

The Group was not involved in any material litigation or arbitration during the six months ended 28 February 2017. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this announcement.

7. Use of Proceeds from Global Offering

On 28 February 2017, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK$1,488.3 million. As at 28 February 2017, the Company had used none of the proceeds as set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.yuhuachina.com*. The interim report of the Group for the six months ended 28 February 2017 will be published on the aforesaid websites and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, 28 April 2017

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