中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169

Annual Report

2017

CONTENTS

COMPANY PROFILE

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 provides both university education and K-12 education with all of its 26 schools located in Henan province of China designed to serve different target groups and achieve distinct learning outcomes. The Group's mission is 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"). With such objectives in mind, the Group has structured the curriculums of its university and K-12 schools not only to accommodate the students' pursuit of academic excellence, but also to facilitate their well-rounded development.

For the school year 2016/2017, the Group had enrollment of an aggregate number of 51,186 students. As at 31 August 2017, the Group employed an aggregate of 4,086 employees, out of which 2,637 were teachers.

The Group's Zhengzhou Technology and Business University (鄭州工商學院) (i.e. the University) offers comprehensive tertiary level education aimed at equipping its students with the practicable knowledge and skills to prosper in their careers. The Group's K-12 schools, on the other hand, provide education from kindergarten to high school, allowing it to attract students at an early age and create a stable and sustainable student pipeline. With its significant scale and extensive experience in the private education industry, the Group believes that with it has established strong reputation and will continue to be able to maintain and strengthen its market position in the private education industry in China.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Mr. Chen Lei
Mr. Xia Zuoquan
Mr. Zhang Zhixue

AUDIT COMMITTEE

Mr. Chen Lei *(Chairman)*
Mr. Xia Zuoquan
Mr. Zhang Zhixue

REMUNERATION COMMITTEE

Mr. Zhang Zhixue *(Chairman)*
Ms. Li Hua
Mr. Xia Zuoquan

NOMINATION COMMITTEE

Mr. Li Guangyu *(Chairman)*
Mr. Xia Zuoquan
Mr. Zhang Zhixue

JOINT COMPANY SECRETARIES

Mr. Xu Bin
Ms. Lai Siu Kuen

AUTHORISED REPRESENTATIVES

Ms. Li Hua
Mr. Xu Bin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

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

As to PRC law:
Tian Yuan Law Firm
10/F, CPIC PLAZA
28 Fengsheng Lane, Xicheng District
Beijing 100032
PRC

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

CORPORATE INFORMATION (CONTINUED)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA
No. 21, 4/F, Block 10
3 Mazhuang Street
Zhengdong New District
Zhengzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen’s Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Corporation
Jinshui Road Branch of Zhengzhou
No. 29, Jinshui Road
Zhengzhou, Henan Province
PRC

COMPANY WEBSITE
www.yuhuachina.com

STOCK CODE
6169

The following table sets out a comparison between certain key financial figures for the years ended 31 August 2016 and 2017:

	Year ended 31 August 2017 RMB'000	31 August 2016 RMB'000	Change
Revenue	**846,222**	781,331	+8.3%
Adjusted Gross Profit[1]	**461,415**	406,198	+13.6%
Adjusted Net Profit[2]	**429,882**	322,056	+33.5%

	Year ended 31 August 2017 RMB'000	31 August 2016 RMB'000	Change
Adjusted items			
One-off listing expenses	**24,503**	10,380	+14,123
Share-based compensation expenses (in cost of revenue)	**25,657**	–	+25,657
Share-based compensation expenses (in administration expenses)	**65,921**	–	+65,921

Notes:

1. Adjusted Gross Profit is calculated as gross profit for the period, excluding the impact from certain non-cash or non-recurring expenses including share-based compensation.

2. 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 compensation and (ii) one-off listing expenses incurred in connection with the IPO and listing of the Shares of the Company on the Stock Exchange in February 2017.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRS, the Company also uses Adjusted Gross 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.

FINANCIAL SUMMARY

Results of operations	For the year ended 31 August			
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
Revenue	599,337	697,706	781,331	**846,222**
Cost of revenue	(332,495)	(379,404)	(375,133)	**(410,464)**
Gross profit	266,842	318,302	406,198	**435,758**
Operating profit	225,314	115,513	337,686	**308,730**
Profit before tax	207,828	91,200	311,676	**313,801**
Profit for the year	207,828	91,200	311,676	**313,801**
Non-IFRS Measure:				
Adjusted Gross Profit[1]	266,842	318,302	406,198	**461,415**
Adjusted Net Profit[2]	207,828	245,070	322,056	**429,882**

Adjusted items	For the year ended 31 August			
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
One-off listing expenses	—	—	10,380	**24,503**
Share-based compensation expenses (in cost of revenue)	—	—	—	**25,657**
Share-based compensation expenses (in administration expenses)	—	—	—	**65,921**
One-off termination fee	—	153,870	—	**—**

Financial ratio	For the year ended 31 August			
	2014	2015	2016	**2017**
Gross profit margin	44.5%	45.6%	52.0%	**51.5%**
Net profit margin	34.7%	13.1%	39.9%	**37.1%**
Adjusted gross profit margin	44.5%	45.6%	52.0%	**54.5%**
Adjusted net profit margin	34.7%	35.1%	41.2%	**50.8%**

Notes:

1. Adjusted Gross Profit is calculated as gross profit for the period, excluding the impact from certain non-cash or non-recurring expenses including share-based compensation.

2. 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 compensation and (ii) one-off listing expenses incurred in connection with the IPO and listing of the Shares of the Company on the Stock Exchange in February 2017. (iii) the one-off termination fee paid to Henan Polytechnic University pursuant to the HPU Termination Agreement in July 2015

Assets and liabilities	As at 31 August			
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
Non-current assets	1,547,926	1,665,046	1,712,098	**1,733,132**
Current assets	269,146	290,961	316,310	**1,641,388**
Current liabilities	1,247,614	1,163,526	885,862	**897,424**
Net current assets (liabilities)	(978,468)	(872,565)	(569,552)	**743,964**
Total assets less current liabilities	569,458	792,481	1,142,546	**2,477,096**
Non-current liabilities	62,751	194,574	232,898	**—**
Total equity	506,707	597,907	909,648	**2,477,096**
Property, plant and equipment	1,299,056	1,408,828	1,465,026	**1,477,434**
Cash and cash equivalents	259,440	154,339	304,986	**642,506**
Deferred revenue	557,512	591,547	609,193	**631,711**
Borrowings	20,000	502,000	315,000	**—**

Financial ratio	As at/for the year ended 31 August			
	2014	2015	2016	**2017**
Current ratio	0.22	0.25	0.36	**1.83**
Gearing ratio[3]	3.9%	84.0%	34.6%	**—**

Cash flows	For the year ended 31 August			
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
Net cash from operating activities	445,395	168,304	420,143	**515,806**

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The business of the Group remained relatively stable for the year ended 31 August 2017. There have been no material changes in respect of the business of the Group since 31 August 2016.

The Group's Schools and Student Enrolment

As at 31 August 2017, the Group had 26 schools(note 2) located in Henan province of China. In the past fiscal year, the Group's new high school on Luohe Yuhua Elite School campus commenced operation in September 2016. The following table sets out a summary of the Group's schools by category as at the end of August 2017 and 2016:

	As at 31 August 2017	As at 31 August 2016
University	**1**	1
High schools	**4** *(Note 2)*	3 *(Note 1)*
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**8**	8
Total	**26**	25

For the school year 2016/2017, the Group had enrolled a total of 51,186 students at its University and K-12 schools. The following table sets out the Group's student enrollment by category for the school years 2016/2017 and 2017/2018.

	2017/2018 (as at 15 November 2017)	**2016/2017 (as at 31 August 2017)**	2015/2016 (as at 31 August 2016)
University	**27,770**	**26,767**	25,063
High schools	**6,306**	**5,759** *(Note 4)*	5,294 *(Note 3)*
Middle schools	**8,573**	**8,294**	7,865
Primary schools	**7,978**	**7,730**	7,241
Kindergartens	**2,681**	**2,636**	2,757
Total	**53,308**	**51,186**	48,220

Subsequent to 31 August 2017, the new high school on the Xuchang YuHua Elite School campus commenced operation on 1 September 2017.

Notes:

1. Includes the high school on the Luohe YuHua Elite School campus, which had been established but was not yet put into operation as of 31 August 2016. It commenced operation in September 2016.

2. Includes the high school on the Xuchang YuHua Elite School campus, which had been established but was not yet put into operation as of 31 August 2017. It commenced operation in September 2017.

3. The high school of Luohe YuHua Elite School was not yet put into operation as of 31 August 2016. Accordingly, this figure does not include the student enrolment of this school.

4. The high school of Xuchang YuHua Elite School was not yet put into operation as of 31 August 2017. Accordingly, this figure does not include the student enrolment of this school.

BUSINESS OUTLOOK

Future Development

The Group has a strong pipeline for opening new schools in Henan province. In particular, the Group is planning to construct two 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, as there are no material changes regarding the future development from what was disclosed in the Prospectus dated 16 February 2017.

1) *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.

2) *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

Overview

For the year ended 31 August 2017, the Group recorded a revenue of RMB846.2 million, an Adjusted Gross Profit of RMB461.4 million and a gross profit of RMB435.8 million. The Adjusted Gross Profit Margin[1] of the Group was 54.5% for the year ended 31 August 2017 as compared with 52.0% for the corresponding period in 2016. The gross profit margin was 51.5% for the year ended 31 August 2017 as compared with 52.0% for the corresponding period in 2016.

The Adjusted Net Profit of the Group for the year ended 31 August 2017 was RMB429.9 million, representing an increase of RMB107.8 million or a 33.5% increase from the corresponding period in 2016. The Adjusted Net Profit Margin[2] of the Group was 50.8% and 41.2% for the years ended 31 August 2017 and 31 August 2016, respectively. The increase in the Adjusted Net Profit was mainly due to the increase in student enrolment and tuition fees for several schools.

The net profit of the Group amounted to RMB313.8 million and RMB311.7 million for the years ended 31 August 2017 and 31 August 2016, respectively. The net profit margin of the Group amounted to 37.1% and 39.9% for the years ended 31 August 2017 and 31 August 2016, respectively.

Revenue

For the year ended 31 August 2017, revenue of the Group amounted to RMB846.2 million, representing an increase of RMB64.9 million or 8.3% as compared with RMB781.3 million for the corresponding period of 2016. The increase was primarily the result of the increase in student enrolment and tuition fees for several schools.

Cost of Revenue

For the year ended 31 August 2017, the Adjusted Cost of Revenue[3] of the Group amounted to RMB384.8 million, representing an increase of RMB9.7 million or 2.6% as compared with RMB375.1 million for the corresponding period of 2016. The increase was primarily the result of the increase in the number of teachers and the teachers' salaries.

The cost of revenue of the Group amounted to RMB410.5 million and RMB375.1 million for the years ended 31 August 2017 and 31 August 2016, respectively. The increase was primarily due to teacher's share-based compensation.

1 The Adjusted Gross Profit Margin is calculated as the gross profit margin for the period, excluding the impact from certain non-cash or non-recurring expenses including share-based compensation.

2 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 compensation and (ii) one-off listing expenses incurred in connection with the IPO and the Listing in February 2017.

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

Gross Profit and Gross Profit Margin

For the year ended 31 August 2017, the Adjusted Gross Profit of the Group amounted to RMB461.4 million, representing an increase of RMB55.2 million or 13.6% as compared with RMB406.2 million for the corresponding period in 2016, primarily due to the increase in student enrolment and tuition fees for several schools. The Adjusted Gross Profit Margin of the Group for the year ended 31 August 2017 was 54.5%, compared with and 52.0% for the corresponding period in 2016.

The Group's gross profit amounted to RMB435.8 million and RMB406.2 million for the years ended 31 August 2017 and 31 August 2016, respectively. The Group's gross profit margin amounted to 51.5% and 52.0% for the years ended 31 August 2017 and 31 August 2016, respectively.

Selling Expenses

For the year ended 31 August 2017, selling expenses of the Group amounted to RMB3.8 million, representing a decrease of RMB0.4 million or 9.5% from RMB4.2 million during the corresponding period in 2016. There were no material changes to selling and marketing activities for the year ended 31 August 2017.

Administrative Expenses

For the year ended 31 August 2017, the Adjusted Administrative Expenses[4] of the Group amounted to RMB56.8 million, representing a decrease of RMB3.2 million or 5.3% as compared with RMB60.0 million for the corresponding period in 2016. There were no material changes to the Adjusted Administrative Expenses for the year ended 31 August 2017.

The administrative expenses of the Group amounted to RMB147.2 million and RMB70.4 million for the years ended 31 August 2017 and 31 August 2016, respectively. The increase was primarily due to share-based compensation of administrative staff and listing expenses related to the IPO.

Other Income

For the year ended 31 August 2017, the other income of the Group amounted to RMB22.9 million, representing an increase of RMB16.5 million or 257.8% as compared with RMB6.4 million for the corresponding period in 2016. This was primarily due to government's grant and subsidies.

Other Gains and Losses

For the year ended 31 August 2017, the other gains and losses of the Group amounted to a gain of RMB1.1 million as compared with a loss of RMB0.3 million for the corresponding period in 2016. There were no material changes to other gains and losses for the year ended 31 August 2017.

4 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.

Operating Profit

The operating profits of the Group amounted to RMB308.7 million and RMB337.7 million for the years ended 31 August 2017 and 31 August 2016, respectively. The decrease was primarily due to share-based compensation and listing expenses relating to the IPO.

Finance Income

Finance income increased by 1,007.1% from RMB1.4 million for the year ended 31 August 2016 to RMB15.5 million for the corresponding period in 2017 due to increase in interest income from cash deposit which was enlarged following the IPO.

Finance Expenses

Finance expenses decreased by 61.7% from RMB27.4 million for the year ended 31 August 2016 to RMB10.5 million for the corresponding period in 2017 due to repayment of bank loans for the year ended 31 August 2017.

Profit for the Period

As a result of the above factors, the Adjusted Net Profit of the Group was RMB429.9 million for the year ended 31 August 2017, representing an increase of RMB107.8 million or 33.5% as compared with RMB322.1 million for the corresponding period in 2016. In addition, the Adjusted Net Profit Margin of the Group amounted to 50.8% and 41.2% for the years ended 31 August 2017 and 31 August 2016, respectively. The increase in Adjusted Net Profit was mainly due to the increase in student enrolment and tuition fees for several schools.

The Group recorded a profit of RMB313.8 million for the year ended 31 August 2017, representing an increase of RMB2.1 million or 0.7% as compared with RMB311.7 million for the corresponding period in 2016. The profit margin of the Group for the year ended 31 August 2017 was 37.1%, compared to 39.9% for the corresponding period in 2016.

Liquidity and Source of Funding and Borrowing

As at 31 August 2017, the Group's cash and cash equivalents increased by 110.7% from RMB305.0 million as at 31 August 2016 to RMB642.5 million. The significant increase of cash and cash equivalents for the year ended 31 August 2017 primarily resulted from the net proceeds raised from the IPO.

As at 31 August 2017, the current assets of the Group amounted to RMB1,641.4 million, including RMB642.5 million in bank balances and cash and other current assets of RMB998.9 million. The current liabilities of the Group amounted to RMB897.4 million, of which RMB631.7 was deferred revenue and RMB265.7 million was accruals and other payables. As at 31 August 2017, the current ratio, which is equivalent to the current assets divided by the current liabilities, of the Group was 1.83 as compared with 0.36 as at 31 August 2016.

Gearing Ratio

As at 31 August 2017, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately nil, representing a decrease of 34.6% as compared with 34.6% as at 31 August 2016. The decrease was due to the repayment of bank loans for the year ended 31 August 2017.

Material Investments

The Group did not make any material investments during the year ended 31 August 2017.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2017.

Pledge of Assets

As at 31 August 2017, the Group had no bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2017.

Foreign Exchange Exposure

During the year ended 31 August 2017, the Group mainly operated in China and majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities' functional currency. As at 31 August 2017, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

REPORT OF DIRECTORS

The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 31 August 2017.

DIRECTORS

The Directors who held office during the year ended 31 August 2017 and up to the date of this Annual Report are:

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

Independent Non-executive Directors:
Mr. Chen Lei
Mr. Xia Zuoquan
Mr. Zhang Zhixue

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 37 to 40 of this Annual Report.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The Group is one of the largest providers of private education from kindergarten to university in China under the "YuHua" brand. The Group's University education and K-12 education are designed to serve different target groups and achieve distinct learning outcomes. The Group's university offers comprehensive tertiary level education aimed at equipping its students with the practical knowledge and skills to prosper in their careers. The Group's K-12 schools provide education from kindergarten to high school, allowing us to attract students at an early age and create a stable and sustainable student pipeline. The Group emphasises the well-rounded development of its students and has structured its curriculum to ensure the high quality of its education and inspire and encourage its students to explore their individual interests.

Analysis of the principal activities of the Group during the year ended 31 August 2017 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 August 2017, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

EMPLOYEES

As at 31 August 2017, the Group had 4,086 (2016: 4,079) employees, out of which 2,637 (2016: 2,455) were teachers. The Group believes in the importance of attraction, recruitment and retention of quality employees (in particular teachers) in achieving the Group's success. The Group provides training for teachers to equip them with teaching skills and techniques and stay abreast of the changes in student demands and teaching methodologies, changing testing and admission standards and other trends. The Group also participates in various employee social security plans for its employees, including housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme and a share award scheme to provide incentives for the Group's employees. During each school year, the Group monitors the teaching quality of its teachers and evaluates the performance of its teachers from time to time. During the year ended 31 December 2017, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily consist of its students and their parents. The Group did not have any single customer who accounted for more than 5% of the Group's revenue for the two years ended 31 August 2016 and 2017.

The Group's suppliers primarily comprise meal catering companies, suppliers for text books, uniforms and teaching equipment vendors. For the year ended 31 August 2017, purchases from the Group's five largest suppliers amounted to RMB42.0 million (2016: RMB48.5 million) which represented 45.9% (2016: 47.3%) of the Group's total purchases. During the year, purchases from the Group's largest supplier amounted to RMB23.0 million (2016: RMB24.7 million), which represented 25.1% (2016: 24.1%) of the Group's total purchases in the same year. The Group's largest supplier during the year ended 31 August 2017 is an independent third party catering service provider who provides catering services to certain of its schools.

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

During the year ended 31 August 2017, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 6 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 August 2017 are set out in Note 14 to the consolidated financial statements.

The book value of the properties held by the Group for owner occupation at 31 August 2017 as included in the financial statements in this Annual Report was RMB1,477.4 million.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 August 2017 and details of the Shares issued during the year ended 31 August 2017 are set out in Note 22 to the consolidated financial statements.

DONATION

During the year ended 31 August 2017, the Group made charitable donations of approximately RMB0.1 million (2016: approximately nil).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 August 2017.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme and the Share Award Scheme of the Group as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 August 2017.

DIVIDENDS

The Board has recommended that a final dividend of HK$0.043 per Share in respect of the year ended 31 August 2017, which is subject to Shareholder's approval at the forthcoming annual general meeting of the Company. The final dividend is expected to be payable on 2 March 2018 to the Shareholders whose names appear on the register of members of the Company on 21 February 2018.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended 31 August 2017. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year ended 31 August 2017 are set out in Note 23 to the consolidated financial statements. The distributable reserves of the Company as at 31 August 2017 were RMB1,182.0 million.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2017 are set out in the section headed “Management Discussion and Analysis” in this Annual Report and Note 27 to the consolidated financial statements.

DIRECTORS’ SERVICE CONTRACTS

Mr. Li has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

Each of the other executive Directors (i.e. Ms. Li and Ms. Qiu Hongjun) has entered into a service contract with the Company for an initial term of three years with effect from the date of their respective appointment or until the third annual general meeting of the Company since the date of the Prospectus (whichever is sooner).

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

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

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section “Continuing Connected Transactions” below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 August 2017.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 August 2017.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 August 2017.

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

As at 31 August 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%)[1]	Long position/ Short position/ Lending pool
Mr. Li	Beneficial owner/ Founder of a discretionary trust	2,157,249,000[(2) and (3)]	71.91	Long position
Ms. Li	Beneficial owner/Beneficiary of a discretionary trust/Interest of spouse	2,162,152,000[(2), (4) and (5)]	72.07	Long position
Qiu Hongjun	Beneficial owner	3,261,000[(6)]	0.11	Long position

Notes:

1. The calculation is based on the total number of 3,000,000,000 Shares in issue as at 31 August 2017.

2. The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 2,250,000,000 Shares held by GuangYu Investment.

3. Includes Mr. Li's entitlement to receive up to 19,749,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

4. Includes Ms. Li's entitlement to receive up to 24,326,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

5. Ms. Li's spouse, Mr. Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in 326,000 Shares held by Mr. Ge Cong.

6. Includes Ms. Qiu Hongjun's entitlement to receive up to 3,261,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

Interest in Associated Corporations

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

Save as disclosed above, as at 31 August 2017, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 August 2017, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)[1]	Long position/ Short position/ Lending pool
Mr. Li[2]	Beneficial owner/ Founder of a discretionary trust	2,157,249,000[5]	71.91	Long position
Ms. Li[2]	Beneficial owner/Beneficiary of a discretionary trust/Interest of spouse	2,162,152,000[6]&[7]	72.07	Long position
Baikal Lake Investment[2]	Interest in controlled corporation	2,137,500,000	71.25	Long position

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)[1]	Long position/ Short position/ Lending pool
GuangYu Investment[2][8]	Beneficial owner	2,137,500,000	71.25	Long position
TMF (Cayman) Ltd.[3]	Trustee	2,137,500,000	71.25	Long position
Bank of Communications Co., Ltd[4]	Interest in controlled corporation	189,300,000 189,300,000	6.31 6.31	Long position Short position
Bank of Communications (Nominee) Company Limited[4]	Interest in controlled corporation	189,300,000 189,300,000	6.31 6.31	Long position Short position
BOCOM International Holdings Company Limited[4]	Interest in controlled corporation	189,300,000 189,300,000	6.31 6.31	Long position Short position
BOCOM International Asset Management Limited[4]	Interest in controlled corporation	189,300,000 189,300,000	6.31 6.31	Long position Short position
BOCOM International Prosperity Investment Limited[4]	Beneficial owner	189,300,000 189,300,000	6.31 6.31	Long position Short position

Notes:

1. The calculation is based on the total number of 3,000,000,000 Shares in issue as at 31 August 2017.

2. The entire share capital of GuangYu Investment Holdings Limited is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.

3. TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.

4. BOCOM International Prosperity Investment Limited is a direct wholly-owned subsidiary of BOCOM International Asset Management Limited, which is wholly-owned by BOCOM International Holdings Company Limited, which is in turn, through Bank of Communications (Nominee) Company Limited, wholly-owned by Bank of Communications Co., Ltd.. Therefore, each of BOCOM International Asset Management Limited, BOCOM International Holdings Company Limited, Bank of Communications (Nominee) Company Limited and Bank of Communications Co., Ltd. is deemed to be interested in the Shares held by BOCOM International Prosperity Investment Limited under the SFO.

5. Includes Mr. Li's entitlement to receive up to 19,749,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

6. Includes Ms. Li's entitlement to receive up to 24,236,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

7. Ms Li's spouse, Mr. Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is taken to be interested in 326,000 Shares held by Mr. Ge Cong.

8. Pursuant to the SFO, when a shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 31 August 2017 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 August 2017, the Group had 4,086 employees (31 August 2016: 4,079). The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company also has adopted a Pre-IPO Share Option Scheme and a Share Award Scheme.

The total remuneration cost incurred by the Group for the year ended 31 August 2017 was RMB232.5 million (for the year ended 31 August 2016: RMB220.5 million).

PRE-IPO SHARE OPTION SCHEME

In order to incentivize the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 1 September 2016. The purpose of the Pre-IPO Share Option Scheme is to provide the Selected Participants with the opportunity to acquire proprietary interests in the Company and to encourage the Selected Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Selected Participants.

As at 31 August 2017, share options for 56,336,000 Shares were granted to the Directors and senior management and 8,969,000 Shares were granted to nine connected persons of the Company (who are not Directors) under the Pre-IPO Share Option Scheme.

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

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

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 180,000,000 Shares, representing approximately 5.53% of the total number of issued Shares of the Company as at the date of this report.

Exercise Period

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

Payment on Acceptance of Share Option

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

Determination of Exercise Price

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

Life of the Pre-IPO Share Option Scheme

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

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of 31 August 2017. No options were granted since 28 February 2017 and up to 31 August 2017. For further details on the movement of the options during the Reporting Period, please see Note 24 to the consolidated financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares(Note)
Director and associates						
Mr. Li	Executive Director; Chairman of the Board	HK$0.00001 per Share	19,749,000	1 September 2016	5 years from the date of grant	0.66%
Ms. Li	Executive Director, vice chairman of the Board; chief executive officer	HK$0.00001 per Share	24,326,000	1 September 2016	5 years from the date of grant	0.81%
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	HK$0.00001 per Share	3,261,000	1 September 2016	15 years from the date of grant	0.11%
Ge Cong (葛聰)	Spouse of Ms. Li	HK$0.00001 per Share	326,000	1 September 2016	20 years from the date of grant	0.01%
Subtotal:			47,662,000			1.59%
Other employees						
325 employees		HK$0.00001 per Share	132,338,000	1 September 2016	Up to 20 years from the date of grant	4.41%
Subtotal:			132,338,000			4.41%
TOTAL			180,000,000			6%

Note:

The calculation is based on the total number of 3,000,000,000 Shares in issue as at 31 August 2017.

During the year ended 31 August 2017, none of the options granted referred to above had been forfeited or cancelled or had lapsed.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the resolutions in writing of the then sole shareholder of the Company on 8 February 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

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

Number of Shares Available under the Share Award Scheme

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

Under the current Share Award Scheme Limit, new Shares of up to 270,000,000 Shares may be issued by the Company within 30 years of the Listing Date.

Maximum Entitlement of Participant

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

Duration and Termination

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

Restrictions

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

Vesting and Lapse

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

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

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

Share Award Grants

As at the date of this report, no Shares have been granted or agreed to be granted under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the remuneration committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme and the senior management personnel are eligible participants of the Share Award Scheme. Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 34 and Note 9 to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of the Controlling Shareholders in the Group, during the year ended 31 August 2017, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended 31 August 2017.

Non-exempt continuing connected transactions

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

Contractual Arrangements

Background to the Contractual Arrangements

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

Regulatory Framework

1. *Primary School and Middle School Education*

   Pursuant to the Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂)) (the "**Foreign Investment Catalogue**") which was amended and promulgated by the NDRC and the MOFCOM on 28 June 2017 and became effective on 28 July 2017, primary schools and middle schools offering compulsory education for students from grade one to nine fall within the "prohibited" category. As a result of the prohibition on foreign ownership, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning primary schools or middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC.

For this reason, the primary and middle schools operated by us in the PRC are held by Zhengzhou YuHua Education Investments, which is directly or indirectly wholly-owned by the Registered Shareholders, and controlled by us pursuant to the Contractual Arrangements.

The Company's PRC Legal Adviser has opined that all possible actions or steps necessary for it to confirm that the Contractual Arrangements with respect to the operation of primary and middle school businesses are valid, legal and binding and do not contravene PRC laws and regulations have been taken.

2. *Kindergarten, high school and higher education*

Pursuant to the Foreign Investment Catalogue, the provision of kindergarten, high school and higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalogue explicitly restricts kindergartens, high schools and higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate kindergarten, high schools and higher education institutions in cooperative ways with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino-Foreign Cooperation in Operating Schools, promulgated by the State Council in 2003 and amended on 18 July 2013 (the "**Sino-Foreign Regulation**"), the foreign investor in a Sino-foreign cooperative school for PRC students at kindergartens, high schools and higher education institutions (a "**Sino-Foreign Cooperative School**") must be a foreign education institution with relevant qualification and experience in providing high quality educational services outside China (the "**Qualification Requirement**"). Any Sino-foreign cooperative school shall be approved by the relevant PRC authorities and obtain a permit for Sino-foreign cooperation in operating schools. Furthermore, pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) promulgated by the Ministry of Education on 18 June 2012 (the "**Implementation Opinions**"), the foreign portion of the total investment in a Sino-Foreign Cooperative School should be below 50% (the "**Foreign Ownership Restriction**").

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

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

Efforts and Actions Undertaken to Comply with the Qualification Requirement

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

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

2. On 1 October 2013, the Group signed a letter of intent with Daejeon Middle School (大田中學校) of Korea Republic pursuant to which Daejeon Middle School expressed an intent to cooperate with the Group's schools and collaborate in organizing exchange and teaching activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks relating to the Contractual Arrangements

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

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

- the Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as the Group's business, and the Group's compliance with the Draft Foreign Investment Law depends on the compliance by Mr. Li with the undertakings given by him, which the Stock Exchange has limited power to enforce.

- the Contractual Arrangements may not be as effective in providing control over the Group's consolidated affiliated entities as direct ownership.

- the beneficial owners of the Group's consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect the Group's business and financial situation.

- the exercise of the option to acquire the equity interest of the Group's consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs.

- any failure by the Group's consolidated affiliated entities or their respective shareholders to perform their obligations under the Group's Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the Group's part to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to the Group's primary sources of revenue.

- the Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation and value of the Shareholders' investment.

- certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- the Company relies on dividend and other payments from WFOE to pay dividends and other cash distribution to the Shareholders and any limitation on the ability of the WFOE to pay dividends to the Company would materially and adversely limit its ability to pay dividends to the Shareholders.

- the Group's consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

- if any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which would negatively impact the Group's business and materially and adversely affect its ability to generate revenue.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2017 are as follows:

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

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

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

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

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended 31 August 2017. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2017.

For the year ended 31 August 2017, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

The Company has been advised by its PRC legal adviser that as of the date of this annual report the Contractual Arrangements do not violate the relevant PRC regulations.

Mitigation actions taken by the Company

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

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

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

Listing Rule Implications

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

Waiver from the Stock Exchange and Annual Review

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

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2017 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2017, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2017, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2017:

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

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

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

(d) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

During the year ended 31 August 2017, no related party transactions disclosed in Note 31 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company since the Listing Date up to 31 August 2017.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 31 August 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 31 August 2017.

LAND USE RIGHT CERTIFICATES

As of 31 August 2017, the Group had not obtained the land use right certificates for (i) part of the land used by the University ("**Land I**"), which was due to an adjustment to the administrative territory between Zhongmu County and Zhengdong New District by the PRC government; and (ii) land used by Xuchang YuHua Elite School campus ("**Land II**"), which was due to adjustments to the land use right transfer procedures by the local land administration authority. The Group is in the process of obtaining the land use right certificates for Land I and Land II. Based on the Group's continuous communications with the relevant competent authorities, the Group expects to obtain the land use right certificates for Land I and Land II before March 2018. Please also refer to the section headed "Business — Properties — Owned Properties — Land" in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus on 16 February 2017.

BUILDING CERTIFICATES AND PERMITS

As of 31 August 2017, the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 owned buildings or groups of buildings (the "**Relevant Owned Buildings**"), due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group's management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. The Group expects to obtain all the relevant outstanding certificates and permits of the Relevant owned Buildings before March 2018. Please also refer to the section headed "Business — Properties — Owned Properties — Buildings or Groups of Buildings" in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus on 16 February 2017.

USE OF NET PROCEEDS FROM LISTING

On 31 August 2017, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the above global offering were approximately HK$1,488.3 million. As at 31 August 2017, (i) approximately HK$60 million of the proceeds had been applied towards facilities upgrade and capacity expansion of the Company's existing schools; and (ii) approximately RMB100 million (approximately HK$118 million) had been applied to repay the bank loans.

PUBLIC FLOAT

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

AUDITOR

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

IMPORTANT EVENTS AFTER REPORTING DATE

On 2 November 2017, the Company entered into a placing and top-up subscription agreement (the "**Placing and Subscription Agreement**") with CLSA Limited (中信里昂證券有限公司) (the "**Placing Agent**"), GuangYu Investment Holdings Limited (the "**Vendor**") and Mr. Li, pursuant to which (a) the Vendor appointed the Placing Agent as placing agent of the Company to use its best effort to procure placees, who and whose ultimate beneficial owners shall be independent third parties to the Company, to subscribe for up to 253,150,000 shares of the Company at the placing price of HK$3.70 per share (the "**Placing**"), and (b) the Vendor agreed to subscribe for, and the Company agreed to allot and issue to the Vendor, up to 253,150,000 new share (being the same number of shares actually placed) at the subscription price (being the same as the placing price) (the "**Subscription**"). The Placing was completed on 7 November 2017 with all of the 253,150,000 shares successfully placed at the placing price of HK$3.70 per share. The Subscription was completed on 10 November 2017 with 253,150,000 new shares issued and allotted to the Vendor at the subscription price of HK$3.70 per share. For further details, please refer to the Company's announcements dated 3 November 2017 and 10 November 2017.

By the order of the Board
Mr. Li Guangyu
Chairman

Hong Kong
22 November 2017

DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Li Guangyu (李光宇), aged 54, was first appointed as a Director on 25 April 2016. He was re-designated as an executive Director and appointed as the chairman of the Board and the chairman of the nomination committee on 7 September 2016. Mr. Li also holds the following positions with other members of the Group:

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

Mr. Li has more than 16 years of experience in the education industry, and is the chairman of the board of directors of the University and all of the Group's 25 private schools for grades K-12. In 2004, he was selected as one of the ten outstanding figures in the private education industry in China (中國民辦教育十大傑出人物) by Guangming Daily (光明日報). In April 2010, Mr. Li received the National Outstanding Worker Award (全國先進工作者) from the State Council of the PRC. Mr. Li was also a member of the National People's Congress and the vice chairman of the China Association for Non-Government Education (中國民辦教育協會).

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

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

Ms. Li Hua (李花), aged 30, was first appointed as an executive Director and as the vice chairman of the Board on 7 September 2016. Ms. Li is also the Company's chief executive officer and holds the following positions with other members of the Group:

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

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

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

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

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

Ms. Qiu Hongjun (邱紅軍), aged 51, was first appointed as an executive Director on 7 September 2016. Ms. Qiu is also the Group's financial controller and vice president. She is responsible for overseeing the Group's financial affairs. Ms. Qiu also holds the following positions with other members of the Group:

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

Ms. Qiu has more than 13 years of experience in the education industry, and is a member of the board of directors of all the Group's 25 private schools of grades K-12. From 2002 to 2004, she was the deputy branch president of Nanjing branch of Shenzhen Development Bank (currently known as Pingan Bank). Since joining the Group, Ms. Qiu has been overseeing the Group's financial affairs and has since then accumulated substantial financial experience.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Lei (陳磊), aged 45, was appointed as an independent non-executive Director and the chairman of the audit committee effective on 16 February 2017. Mr. Chen is primarily responsible for supervising and providing independent judgement to the Board. Mr. Chen is the Director who has the appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experience listed below.

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

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

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

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

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

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

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

Mr. Xia Zuoquan (夏佐全), aged 54, was appointed as an independent non-executive Director effective on 16 February 2017. Mr. Xia is primarily responsible for supervising and providing independent judgement to the Board.

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

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

Mr. Zhang Zhixue (張志學), aged 50, was appointed as an independent non-executive Director and the chairman of the remuneration committee effective on 16 February 2017. Mr. Zhang is primarily responsible for supervising and providing independent judgement to the Board.

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

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

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

SENIOR MANAGEMENT

Mr. Xu Bin (徐斌), aged 34**,** was appointed as the Company's chief financial officer on 1 January 2016 and joint company secretary on 7 September 2016. He is responsible for overseeing the Company's financial affairs.

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

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

JOINT COMPANY SECRETARY

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

Ms. Lai Siu Kuen (黎少娟), one of the Group's joint company secretaries, was appointed on 7 September 2016. Ms. Lai is an associate director of the listing services department of TMF Hong Kong Limited. She has over 16 years of professional and in-house experience in the company secretarial field.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the period from the Listing Date to 31 August 2017.

CORPORATE GOVERNANCE PRACTICES

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

Since the Listing of the Company's shares on the Main Board of the Stock Exchange on 28 February 2017 and up to 31 August 2017, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except as disclosed in this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as followings:

Executive Directors

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

Independent non-executive Directors

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 37 to 40 of this Annual Report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

As the Company was only listed on 28 February 2017, the Board convened only one meeting on 28 April 2017 to consider and approve the interim results announcement and interim report for the six months ended 28 February 2017. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

A summary of the attendance record of the Directors is set out in the following table below:

Name of Directors	Number of meetings attended/held from the Listing Date through 31 August 2017	Attendance rate
Executive Directors		
Mr. Li Guangyu	1	100%
Ms. Li Hua	1	100%
Ms. Qiu Hongjun	1	100%
Independent Non-executive Directors		
Mr. Chen Lei	1	100%
Mr. Xia Zuoquan	1	100%
Mr. Zhang Zhixue	1	100%

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Pursuant to article 16.18 of the Articles of Association, Mr. Li and Ms. Li will be subject to re-election at the forthcoming annual general meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

During the period from the Listing Date to 31 August 2017, the audit committee convened one meeting. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Number of meetings attended/held attended from the Listing Date through 31 August 2017	Attendance rate
Mr. Chen Lei	1/1	100%
Mr. Xia Zuoquan	1/1	100%
Mr. Zhang Zhixue	1/1	100%

During the meeting(s), the audit committee:

- reviewed interim results of the Group for the six months ended 28 February 2017; and

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

Remuneration Committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee is to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

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

During the period from the Listing Date to 31 August 2017, the remuneration committee convened one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Number of meetings attended/held attended from the Listing Date through 31 August 2017	Attendance rate
Ms. Li	1/1	100%
Mr. Zhang Zhixue	1/1	100%
Mr. Xia Zuoquan	1/1	100%

During the meeting, the remuneration committee reviewed the remuneration packages of the Directors and senior management of the Group.

Details of the remuneration paid/payable to each Director of the Company for the year ended 31 August 2017 are set out in Note 34 to the Consolidated Financial Statements.

The remuneration of the members of senior management (including all executive Directors) by band for the year ended 31 August 2017 is set out below:

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

Nomination Committee

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

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

During the period from the Listing Date to 31 August 2017, the nomination committee convened one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Number of meetings attended/held attended from the Listing Date through 31 August 2017	Attendance rate
Mr. Li Guangyu	1/1	100%
Mr. Zhang Zhixue	1/1	100%
Mr. Xia Zuoquan	1/1	100%

During the meeting, the nomination committee reviewed the structure, size, composition and diversity of the Board and discussed the training and continuous professional development of Directors and senior management required.

Board Diversity Policy

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

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

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

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

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

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2017.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

All Directors (i.e. Li Guangyu, Li Hua, Qiu Hongjun, Chen Lei, Xia Zuoquan and Zhang Zhixue) received an introduction regarding their responsibilities and obligations under the Listing Rules and relevant statutory requirements.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended 31 August 2017. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 69 to 73.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 August 2017 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Audit services:	
Audit services	2,400
Reporting accountants' services in relation to the Listing	5,757
Non-audit services:	
Tax advisory services	–
Internal control review services in relation to the Listing	158
Total	8,315

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted a review of the effectiveness of the internal control system of the Company in respect of the year ended 31 August 2017 and considered the system effective and adequate.

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

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

JOINT COMPANY SECRETARIES

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Lai Siu Kuen, an associate director of the listing services department of TMF Hong Kong Limited, as the joint company secretary to assist Mr. Xu in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Xu Bin, the chief financial officer of the Company.

For the year ended 31 August 2017, Mr. Xu and Ms. Lai have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

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

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

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

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	36/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong (For the attention of the Board of Directors)
Telephone:	+86 371 6067 3935
Fax:	+86 371 6595 0708
Email:	wangrui@yuhuachina.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 August 2017, the Company has not made any changes to its constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Summary

This report is the first environmental, social and governance report (the "**ESG Report**") issued by the Company. Unless otherwise stated, this report should be read in conjunction with the Corporate Governance Report on pages 41 to 49 of the 2017 annual report of the Company. This report will be published on the website of the Stock Exchange and on the Company's website. This report will be published annually.

Basis of Preparation

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") as set out in Appendix 27 to the Listing Rules.

Scope and Extent of the Report

The data and information as referred to in this report are derived from different files, questionnaires, records, statistics and research of the Company. This report covers the period from 1 September 2016 to 31 August 2017 (the "**Reporting Period**"), the same as the financial year of the 2017 annual report of the Company.

The policy document, declaration and data set out in this report cover the Company and its subsidiaries (collectively, the "**Group**").

Contact Information

If you have any query or feedback about this report and its contents, please contact us at:

- Address: 4/F, Yuhua Education Business Building, Jinhui West Street, Zhengdong New District, Zhengzhou City, Henan Province, China

- Telephone: +86 371 6067 3938

- Fax: +86 371 6595 070

- Email: contact@yuhuachina.com

- Official website: http://www.yuhuachina.com

COMPANY PROFILE

Being one of the largest private education service providers from kindergarten to university in China, the Company currently owns 26 schools in China and is one of the major private school operators in Central China that integrates pre-school education, basic education and higher education. In providing K12 and university education services, the Company not only focuses on helping students achieve excellent academic performance, but also emphasizes on the overall coordinated development of "body quotient, moral intelligence quotient, emotional quotient and intelligence quotient" of students, dutifully shouldering the responsibility of nurturing social pillars.

CORE VALUE OF THE COMPANY

Adhering to the core value that "the essence of education is love, the essence of love is giving, and giving is getting", the Company sticks to the educational concept aiming at "training modern talents with leadership and independent learning ability and making contributions to the great rejuvenation of the Chinese nation" and provides students with education services that are in line with the value of the Company. At the same time, our teachers abide by the principle of "working hard, educating people with love, cultivating love with love, seeking truth with truth" to cultivate talents with all-round coordinated development for our country.

IDENTIFICATION AND COMMUNICATION WITH STAKEHOLDERS

The Company adheres to the educational concept of educating people and continues to pay attention to the major issues of interest to shareholders, investors, staff, students, governments and communities, opening up multiple channels of communication, fully understanding the needs of stakeholders and providing solutions through continuous communication and exchange while managing schools and creating value. At the same time, the Company believes that the opinions of the interested parties (the "**Stakeholders**") will help the Company to improve its environmental, social and governance performance comprehensively and objectively so as to further improve the feedback measures for different Stakeholders.

Key Concerns of Stakeholders and the Corresponding Responses

Stakeholder	Main focus	Communication channels	Corporate actions
Shareholders/ investors	Operating strategy Sustainable and stable return on investment Timely information disclosure Excellent enterprise image Operation of enterprise in compliance with relevant laws and regulations	General meeting of shareholders Information disclosure of the listed companies Roadshows/conference calls/meetings Media communication mechanism Enquiries via telephone/email Investors' on-site visit Website information disclosure	Issue of notice of annual general meeting and the resolutions as required by the Listing Rules Timely disclosure of the Company information Issue of announcements and regular reports as required by the Listing Rules Provision of smooth communication channels
Staff	Training and career development space Salary and welfare Working environment Health and safety protection	Direct communication Physical examination Staff activities Opinions from staff Staff training	Providing healthy and safe working conditions Setting up a fair promotion system Providing staff with interactive platform Organizing staff activities

Stakeholder	Main focus	Communication channels	Corporate actions
Students	Educational service quality Student information protection Student life care Health and safety protection	Collection of complaints and feedback Maintaining good communication with students Caring for student life Helping families suffering from difficulties	Establishing a parent committee Conducting student surveys Organizing student activities Regular physical examination
Government and regulatory authorities	Compliance operation Tax payment by law Transparent regulation Information disclosure and reporting materials	Compliance with laws and regulations Daily work report Information disclosure	Strict compliance with laws and regulations Accurate disclosure of information Tax payment by law Accepting government supervision
Community	Employment opportunities Ecological environment Community development Social commonweal	Community engagement	Preferred employment of local staff Maintaining the ecological environment Organizing community activities
Media	Open information Good media relations	Information disclosure	Maintaining good communication Timely disclosure of information

I. EMPLOYMENT AND LABOR PRACTICES

As a private education service provider, teachers are important assets for the sustainable development of the Company. Adhering to the concept of people-oriented, the Company has established a scientific, fair and mature talent employment mechanism and management system in strict accordance with the relevant laws and regulations. At the same time, the Company has developed diversified training programs for staff and provides a wealth of career development options according to staff needs.

Employment

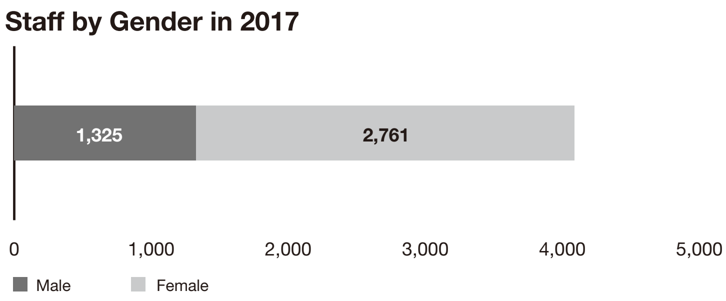
In strict accordance with the *Labor Law,* the *Labor Contract Law,* the *Employment Promotion Law,* the *Labor Dispute Mediation and Arbitration Law* and local labor laws and regulations in Henan Province, the Company employs staff and carries out recruitment based on the *Personnel Business Process* in the *Staff Handbook* of the Company. Regardless of gender, nationality and age, the Company treats every candidate, and provides teachers with fair employment opportunities and a harmonious working environment. At the same time, the Company continues to improve and optimize the recruitment process. By cooperating with “58.com”, “Zhaopin.com” and other well-known recruitment agencies, the Company starts to recruit fresh graduates every November and arranges systematic outward bound and business skills training to help new staff integrate into the team of teachers faster and better.

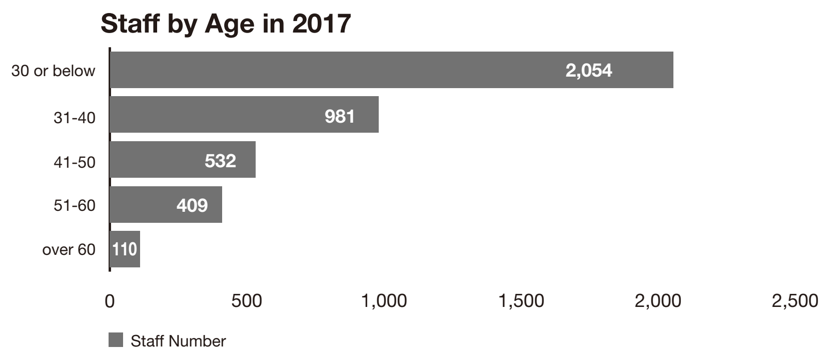
Upholding the promotion assessment mechanism of "valuing abilities regardless of educational background, valuing attitudes regardless of qualification and valuing performance regardless of certificates", the Company provides fair promotion opportunities for each teacher and realizes the harmonious and stable development of the enterprise through continuous optimization of internal staffing while providing teachers with a good career development platform. During the Reporting Period, the aggregate number of staff of the Company was 4,086, with a proportion between men and women, which accounted for 32.4% and 67.6% respectively, and the staff turnover rate was approximately 9.7%. Due to the characteristics of the education industry, the Company has a high proportion of female staff. In compliance with the law, the Company provides statutory benefits including the maternity leave, marriage leave and breast-feeding leave for female staff so as to ensure that they are not discriminated against or insulted, all male staff can also enjoy the paternity leave and Women's Day benefits, and children of the teachers and staff enjoy big tuition discount.

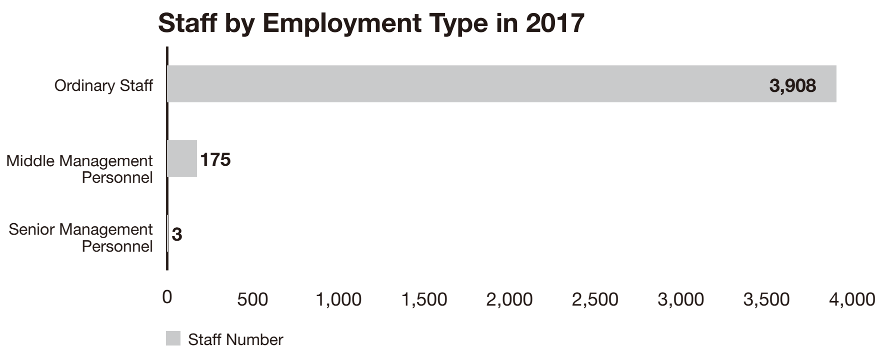
The Company strictly implements working schedule according to the *Staff Handbook* and the state regulations, and provides staff with statutory holidays, such as casual leave, sick leave, marriage leave, annual leave, maternity leave, etc. The Company also pays all kinds of statutory social insurances, social provident fund, etc. for staff to help them enjoy the legal benefits in accordance with *Tentative Provisions on Payment of Wages, Regulations on the Administration of Housing Fund, Regulation on the Annual Leave with Pay* and other laws and regulations. In addition, the Company aims to assist staff that meet the overall local requirements of social security in handling the endowment insurance, medical insurance, maternity insurance, unemployment insurance, critical illness insurance and other social insurance pooling. The Company also provides free accommodation for the teachers and staff of all units in the Group, and regularly conducts activities, such as fun games for the teachers and staff, which fully demonstrates that the Group cares for its staff.

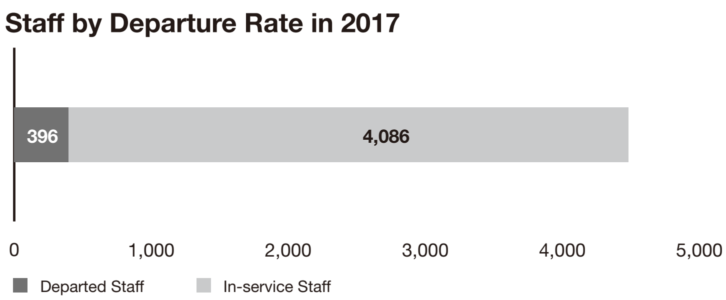
The Company resolutely resists and opposes any form of discrimination and forced labor, including forced labor, racial discrimination and improper punitive measures to provide a harmonious and equal working environment for all staff. During the Reporting Period, the Company did not receive complaints of any form of discrimination or forced labor.

Employment Indicators









Health and Safety

In order to ensure the normal teaching order of the Group and physical health of teachers and students, the Company has formulated the *Staff Health and Safety Management System of YuHua Education Corporation* to prevent and reduce safety accidents. Following the basic principle of "paying attention to prevention, self-rescue and mutual aid, ensuring safety and reducing losses", the Company has set up strict safety management rules and guidelines in terms of fire safety, campus health, facilities and equipment management, smoking management and other aspects to practically provide a healthy and safe working and learning environment for teachers and students.

In strict accordance with the *Law on Prevention and Control of Infectious Diseases,* the *Regulations on School Health,* the *Law on Fire Control* and other related laws and regulations, the Company has developed the safety management system, and at the same time, it has also set up a special leading group for safety and health work to effectively implement and supervise the implementation of the system, and has established the safety inspection system and accountability system for safety to ensure the health and safety of teachers and students. As of the end of the Reporting Period, the safety and health inspection projects have been set up by the Company include: safety and health publicity and education, investigation and rectification of hidden safety hazards, management of dangerous chemicals, canteen food and boiler safety management, police and security work, medical health management, dormitory safety management, school bus safety management, rectification of the campus and surrounding environment, etc. In terms of the campus environment, the Company regularly disinfects different areas of the campus on a daily basis and maintains air-conditioning every month. At the same time, it strictly implements the anti-smoking regulations and carries out regular smoking control inspection to ensure the health of teachers and students and to avoid any incident harming the safety of the campus.

Regarding fire safety, the Company has set up mini-fire stations in each of the campuses which are specifically responsible for the fire safety work in the campuses. In addition, the Company holds fire drills and emergency escape drills every semester, which helps teachers and students to cope with sudden fire incidents while popularizing the fire safety awareness. The Company's schools organize regular fire drills every year, inviting local firefighters to come to schools to educate teachers, staff and students on fire safety knowledge and guide the fire drills. During the Reporting Period, a total of 37 fire drills were conducted at schools of the Company with the participation of a total of 59,643 people.

During the Reporting Period, there were no work-related injuries and deaths in the Company.

Fire Drill Scene

Development and Training

In order to improve the teaching ability and management level of teachers and management personnel, all departments and subsidiaries of the Company have set up training programs throughout the school year according to the actual situation. Training activities focus on the dissemination of culture and improvement of working capabilities. Aiming at the extraction and inheritance of experience, training activities mainly use a training model of case analysis to comprehensively enhance the knowledge reserve and working capabilities of teachers and management personnel. Training activities organized by the Company can be divided into three categories: internal training, external training and self-training by staff.

During the Reporting Period, the major training activities organized by the Company include the following categories:

- From 17 February to 19 February 2016 and from 1 August to 3 August 2017, special winter and summer vacation training activities for teachers were held respectively. Through teacher commendation, expert lectures, practice sharing, group discussion and other modes, nearly 2,000 on-the-job teachers attended the training;

- On 17 September 2016, training activities on maintenance skills and service specifications were conducted for 120 supporting staff, including the chief of general affairs, officers and maintenance staff.

- On 19 November 2016, 62 supporting staff, including the chief of general affairs, officers, asset management personnel and keepers, etc., attended the training on asset management and cost control.

- In order to enhance the service quality of the canteen in the school, on 25 February 2017, 85 regular members, such as general affairs personnel, officers and the food committee, etc., attended the training on canteen management specifications.

- Between the period from March and August 2017, pre-service training activities for newly graduated young teachers were carried out to help young teachers to integrate rapidly into education work through intensive training, internships and follow-up training.

- The “Blue Project” implemented by the Company carries out one-hour training activities for all young teachers every week, so that senior teachers can play the role of teaching, helping and guiding.

During the Reporting Period, all staff of the Company participated in the training activities held by the Company. Among them, senior and mid-level management personnel completed an average of 48 training hours while other staff completed an average of 128 training hours.

Photos of Training Activities

Labor standards

The Company prohibits any employment of child labor and forced labor, clearly stipulates in the recruitment policy and process that employment of child labor and forced labor is forbidden, recruits and hires teachers and staff in strict compliance with the *Labor Law*, the *Protection of Minors*, the *Prohibition of Using Child Labor*, the *Teacher Law*, the *Code of Ethics of Teachers in Primary and Secondary Schools* and other laws and regulations of PRC, and protects their legitimate rights and interests.

II. OPERATING PRACTICES

Supply Chain Management

The Company is an educational service operator, and its suppliers are enterprises mainly supplying office supplies, furniture, electronic equipment, teaching materials and guidance materials, clothing and other supplies. To standardize material supply procedures, improve work efficiency, efficiently complete the supply of high quality materials and strengthen monitoring and management of cooperative clients, the Company has formulated the *Measures on Management of Customers of YuHua Education Corporation* for conducting scientific management of the Group's suppliers, including classification and screening of customers, management of information base and assessment and other aspects. The Company conducts assessment and rating of customers after the supply of goods in the annual summer and winter vacation is completed, and if unqualified suppliers are found, cooperation should be terminated in a timely manner.

The Company fully considers environmental and social risk factors of suppliers when screening suppliers. For example, we require suppliers to provide environmental impact assessment and quality inspection report of Henan Province when purchasing uniforms and other materials; we check the qualification certificate for products of raw materials provided by suppliers when purchasing furniture, electrical appliances, teaching equipment, etc.; we require suppliers to provide production and management qualification and the list of raw materials when purchasing construction projects. In addition, if the amount of the contract object exceeds the prescribed amount, the Company will conduct fair evaluation by way of open bidding and bidding negotiation, etc. to select the best ones.

As for the supply chain management, the Company also takes the measures propitious to the environmental and social benefits. First of all, the Company includes the material purchase and approval process in the enterprise resource planning (ERP) system implementation and realizes the whole course of paperless office. In addition, the Company adopts the semi-electronic operation in the process of bidding and all kinds of documents are presented in electronic version to reduce the use of paper.

According to the *Supplier Management Operation Manual* of the Company, the procurement department of the Company has formed a set of mature and complete practices of supplier employment. For the procurement items with smaller contract object, the supplier employment shall follow the principle of "giving priority to efficiency and giving consideration to quality" while for the items with larger contract object, the bidding must be carried out in strict accordance with the Company's system. The procurement department shall combine the local market quotations and fully consider the quality and price of goods before proceeding to the selection and engagement. At the same time, the Company has also established a good monitoring mechanism. The supplier's goods found with problems shall be handled promptly and decisively and a new supplier shall be selected and engaged according to the Company regulations.

During the Reporting Period, the Company totally has 124 suppliers, of which 6 were from Beijing, 1 from Nanjing and the other 117 from Henan province.

Product Responsibility

The Company mainly provides educational services to school-age students and the Group and its subordinate schools carry out the education work in strict accordance with the *Education Law,* the *Compulsory Education Law,* the *Non-governmental Education Promotion Law,* the *Provisions for Non-government University Management* and regulations of other relevant national laws of PRC. Each campus of the Company has introduced a series of policies to ensure the health and safety of teaching:

- In order to ensure the normal teaching order, perfect the teaching monitoring system and reduce the occurrence of teaching safety accidents, Zhengzhou Technology and Business University has formulated the *Interim Measures for Identification and Handling of Teaching Accidents*; the regulation measures introduced for the safe, stable and healthy development of students include the *Regulations for Student Safety Management,* the *Regulations for Student Dormitory Management,* the *Measures for Electricity Utilization Safety Management of Student Dormitory*, etc.; at the same time, the school has also formulated the *Examination Rules,* the *Temporary Provisions for Examination Paper Confidentiality,* the *Measures for Examination Monitoring Management* and other measures to standardize the examination management and examination paper confidentiality;

- The Company has the supervision office in each of its subordinate primary and secondary schools and the supervisor tours and inspects all kinds of work of the whole school and regularly produce and publish the *Supervision Bulletin* to ensure the normal teaching service; in addition, every campus and kindergarten regularly carry out fire drill, drowning prevention knowledge publicity, traffic safety knowledge publicity and other relevant safety education activities.

To provide high quality teaching services for students has always been the unremitting pursuit of the Company. The Company adopts effective system and takes effective measures from various aspects such as lesson preparation, teaching and research and curriculum assessment and evaluation in schools at all levels to ensure the teaching service quality of the subordinate schools of the Group:

- University education: the academic affairs office compiles and publishes the *Teaching Quality and Monitoring Report* every week and informs and summarizes in the academic affairs meeting; to establish the *Teaching Inspection Tour System* and carry out inspection tour uninterruptedly every day to promptly identify problems and report; in addition, in order to ensure the teaching quality, the school has also formulated the *Administrative Personnel Class Attendance System*, the *Work Plan for Supervision of School and College,* the *Teaching Information Feedback,* the *Measures for Level Recognition of Teaching Quality Evaluation* and other systems and measures;

- Primary and secondary school education: to adopt the collective lesson preparation model, form the standardized teaching plan, ensure the quality of teaching and organize the teaching and research activities regularly at the same time; The classroom will not be locked when the teacher gives lessons to facilitate the supervision on teaching by the academic affairs office, supervision office and other teachers as well as the observation and learning of other teachers at the same time; to carry out the "Blue Project" to help the young teachers improve the teaching level quickly;

- Kindergarten education: beside the regular organization of teaching and research activities, the high quality class appraise, assistant's high quality class evaluation, observation class and other activities are actively carried out to enrich the content of teaching; in addition, the contents learned by young children are assessed and evaluated every month and the results are included in the performance appraisal standards of teachers.

For the teacher who has problems in teaching quality, the academic affairs office, teaching and research group and other departments of the schools will respectively talk to and guide him/her to improve, thus avoiding the recurrence of teaching accidents.

In terms of knowledge copyright protection, the teaching materials used by the subordinate schools of the Company are all ordered from formal publishers and the Company purchases the teaching resources website accounts for teachers to ensure that the schools at all levels use the educational resources with copyright. The Company has also formulated the *Measures for Morality and Foster Talents Enhancement Teaching Material Management,* the *Measures for Intellectual Property Management of Zhengzhou Technology* and *Business University and* the *Measures for Patent Management of Zhengzhou Technology and Business University* to ensure that the relevant intellectual property and patent are protected properly.

The Company has formulated the *Student File Management Work,* the *Measures for Archive Management,* the *Measures for Student File Management of Zhengzhou Technology and Business University* and other policies to protect the security of personal information and signed the *Non-disclosure Agreement* with the staff that may be involved in the student information safety and privacy and carries out relevant training to instruct teachers and staff to strictly abide by the obligation of maintaining confidentiality and respect the privacy of students.

In terms of complaints about education services, the Company sets up a special investigation team and arranges the school leader to communicate with the students and parents and listens carefully to the opinions of parents, find the shortcomings and improve in time and constantly improve the supervision and inspection efforts. During the Reporting Period, the subordinate schools of the Company totally received 1 complaint.

Anti-corruption

Teaching with clean hands and being a role model for others is an important standard of conduct for education service staff. During the daily operation, the Company strictly obeys the laws and regulations of the state to prevent bribery, extortion, fraud and money laundering including the *Criminal Law,* the *Anti-Unfair Competition Law,* the *Company Law,* the *Anti-Money Laundering Law*, etc. In order to regulate the professional behaviors of the staff, the Company strictly obeys the relevant laws, industry norms and standards, professional ethics and rules and regulations of the Company and at the same time also formulates the *Management Measures for Anti-embezzlement and Reporting Management Mechanism* to prevent bribery, extortion, fraud, money laundering and other embezzlement behaviors to establish a good atmosphere of honesty, diligency and devotion and realize the sustainable, stable and healthy development of the Company.

In addition to the above measures, the Company requires any staff involved in economic activities such as material procuring, outsourcing processing and facility engineering and the staff who can sign and negotiate contract and agreement externally to sign and abide by the *Letter of Commitment of Honesty and Self-discipline* and all the suppliers, service providers and contractors in business relations with the Company must also sign the *Anti-Commercial Bribery Agreement* before establishing the cooperative relations. At the same time, the human resources department, the legal department and the internal control department of the Company also carry out a series of training and vocational education to strengthen the training of staff members for bribery, extortion, fraud, money laundering and other illegal behaviors, guides them from the positive perspective, establishes the correct values and strengthens the staff members' ability to identify and distinguish legal act and illegal act and honest and moral act and dishonest and immoral act.

The Company is constantly perfecting the measures to prevent bribery, extortion, fraud and money laundering and meanwhile also constantly perfecting the reporting procedures of illegal acts and relevant implementation and supervision methods:

- to set up the reporting telephone and mailbox as the channel to report, impeach and expose actual or suspected embezzlement cases, and the internal control department is responsible for accepting, retaining and handling the reporting information; The internal control department may also carry out random checks on the work procedures and results of the departments engaged in economic activities;

- the finance department regularly examines the economic activities transacted every year and delivers the suspected embezzlement case to the internal control department for investigation;

- the asset department checks the work of the departments with purchasing power through market research and delivers the suspected embezzlement case to the internal control department for investigation;

- for all the staff who engage in embezzlement, regardless of whether or not constituting a criminal offense, the internal control department shall suggest the management of the Company to impose corresponding internal economic and administrative disciplinary punishment according to the regulations; the staff with act in violation of the criminal law shall be transferred to the judicial authority for handling according to law.

During the Reporting Period, the Company did not have any bribery, extortion, fraud, money laundering or other embezzlement cases.

COMMUNITY INVESTMENT

The Company observes disciplines and obeys laws and operates with integrity and meanwhile its subordinate schools actively dedicate themselves to the construction of the community at their location to contribute to the harmonious and stable development of the community. Internally, the Company, on the one hand, fully reflects staff care in providing jobs and good working environment and meanwhile providing diversified training and promotion opportunities and, on the other hand, attaches great importance to the ideological and moral education of students and strives to cultivate the students with good moral character and a strong sense of social responsibility and meanwhile regularly communicates with parents on education methods to create harmonious family environment. Externally, in terms of community development, the Company gives full play to the advantages of Yuhua itself, actively participates in all kinds of community activities and organizes teachers and students to carry out supporting community education, humanistic care, culture and art, urban construction and other activities with the relevant activities including but not limited to:

- Community construction activities: the members of the Communist Youth League Committee of the secondary school in each campus enter the community to help the elderly, assist the traffic police to direct the traffic, clean the illegal advertisements in the community, etc.

- “Henan Festival” serial activities: the primary schools in each campus carry out investigative studies to learn the study and go to the street to actively propagate the Henan’s local characteristics, traditional culture, material cultural heritage, development achievements of modern Henan and other knowledge to the people around and actively spread the positive energy of Henan.

- “Thanksgiving Day” serial activities: the primary school in each campus organizes students to participate in social practice to feel the contributions made by different professions to the society and guides students to be grateful to their parents and teachers, love their hometown and motherland, together abide by social ethics, respect working people and become civilized citizens.

- Environmental protection publicity activities: each kindergarten organizes young children to send warmth to the sanitation workers, acting as “Little Environmental Protection Guard” to clean up the environment and publicizing the knowledge of environmental protection to the passersby.

- Volunteer activities: all campuses set up volunteer associations in which the teachers and students may join voluntarily and regularly carry out the volunteer service activities in the community.

Public Welfare Activities

In the past year, the Company has actively organized and participated in all kinds of social public welfare and donation activities and given full play to the social role of each of its subordinate schools where it locates to promote the harmonious and healthy development of the community. During the Reporting Period, the major social public welfare activities held by each school of the Company are:

Campus	Major social public welfare activities
Zhengzhou Campus	• On 16–17 October 2016, the Young Volunteers Association of Zhengzhou Technology and Business University held the “Warm Childhood” fund-raising activity in Zhengzhou Technology and Business University and the activity mainly raised fund and collect donation in kind for the poor families in Xinfang Homeland through Xiangtan Hexie Chuntian Property Services Co., Ltd. • On 16 November 2016, together with “Clothing and Quilts to Help Others”, a voluntary organization in Zhengzhou, we carried out a clothing donation activity in Zhengzhou Technology and Business University, collecting nearly 10,000 kilograms of clothing for the organization. Then the donated clothes were distributed by the organization to the needed in Zhengzhou’s surrounding countryside. • On 18 December 2016, the School of Civil Engineering and School of Economics Management organized 150 volunteers to participate in the greeting activities of “Care for the Vulnerable Group” and “Care for Autistic Children” in Zhengzhou Jingcheng Ability Training Center. • On 24 December 2016, we launched the campaign of “Delivering Warmth on Christmas Eve” for cleaners under the Memorial Tower in Erqi Square in Zhengzhou. During the campaign, participants sent warmth to cleaners and expressed thankfulness to their contributions to the city’s environment. • On 11 and 25 April 2017, the School of Economics Management held “Care for the Elderly” campaign in Liuji Town Community. The School of Civil Engineering carried out the activity of “Giving Greetings to the Elderly in Baisha Town Nursing Home in Warm Spring”. Over 150 volunteers participated in these two campaigns.

Campus	Major social public welfare activities
Kaifeng Campus	• In March 2017, the primary school sector organized some students to greet the elder people in Sunred Nursing House of Kaifeng City. During the visit, they expressed warm concerns to lonely elderly and presented artistic performances to them. • On Children's Day in 2017, the primary school sector, joining hands with "Brother Cake House", went to SOS Children Village in Kaifeng to visit orphans, bring cakes as gifts and present entertaining performances.
Jiaozuo Campus	• Jiaozuo Campus organized regular visits by teachers and students to Jiaozuo Children's Welfare Home and gathered all teachers and students to donate books, stationery and food.
Luohe Campus	• On 31 May 2017, the "Loving Angel" Team of Luohe YuHua Elite School brought food, books, toys and sports supplies, etc. to visit orphans in Luohe Children's Welfare Home.

In addition, each campus also plays an active role in various kinds of community services, making contributions to community development and dedicating themselves to a harmonious, healthy and prosperous environment.


Social Welfare Activities

Volunteer Services

As the only higher education school of the Company, Zhengzhou Technology and Business University has always been committed to voluntary services in the community. While contributing to the community, this can also provide a platform for students to practice and improve themselves and foster the sense of social responsibilities. During this school year, we have totally taken part in over 31 voluntary services, in which nearly 10,000 participants were involved. Major voluntary services mainly include but are not limited to the following:

- On 13 October 2016, we attended the "Charity Day" held by Zhengzhou Charity Federation.
- From 25 to 27 October 2016, we carried out a campaign to recruit young volunteers in China.
- In November 2016, we launched voluntary activities respectively in Henan Geological Museum and in Zhengzhou Museum.
- During this school year, we organized volunteers to support education in Yuxing No. 1 Temporary Primary School of Zhengdong New District.
- During this school year, we launched the voluntary activity of "A Drop of Water" to serve water to water deficient areas.
- On 1 December 2016, we launched "World AIDS Day" campaign.
- On 5 March 2017, we took part in the voluntary service of "Learning from Leifeng" in Jinshui District of Zhengzhou.
- On 25 March 2017, we served as volunteers for "Children's Hospital" campaign in Zhengzhou Children's Hospital.
- On 8 April 2017, we participated in the "Forest of Zhengzhou" voluntary services in Zhengzhou Park in Dongxin District of Zhengzhou.

Volunteer activities

Staff Care

As teaching staff is a significant asset of an educational service institution, we have always been showing great care to our staff. After fully understanding the actual needs of our staff, we offer various supports in the form of money, materials, manpower, greetings and so on to help our staff overcome difficulties they are faced in daily life, jobs and minds.

In addition to providing welfare to our teachers in accordance with relevant state laws, each unit of the Company has also set special consolation funds to show care and condolence to those who get married, whose relatives die and so on. We extend timely concern, donation and other necessary supports to those who or whose family members suffer from critical accidents such as traffic accidents, serious diseases and family difficulties.

Staff Care

ENVIRONMENTAL

In face of the environmental issues that are increasingly prominent, we are guided by the idea that "protecting the environment is within everyone's duty". While strictly complying with the *Environmental Protection Law of the PRC*, we exercise strict control over all our schools to preclude any cases that would have a severe impact on our environment during daily operation. Furthermore, in order to enhance energy-saving awareness and build up the saving concept of all members in our schools, we specially drew up the Training Program of *Energy Conservation and Emission Reduction*, upon which we train all staff and students on a regular basis so as to create a harmonious and civilized campus with low carbon emission and environmental protection.

Emissions

The Company is principally engaged in education services. No substantial emissions are produced by combustion of any fuels in daily operation. During the Reporting Period, the principle emission of the Company is exhaust generated by the Company's vehicles. The major emission data are as follows:

Major emissions	Unit	Emission volume
Nitrogen oxide (NO_x)	Gram	927,029.2
Sulphur dioxide (SO_x)	Gram	832.9
PM	Gram	95,142.5

As the Company is not engaged in industrial production, no emissions of greenhouse gases are discharged from any fixed combustion source. The direct emission of greenhouse gases is mainly from mobile combustion source of self-owned vehicles. In addition, the emissions of greenhouse gases are produced indirectly by electric power and air travel as well. During the Reporting Period, the Company's emission data of major greenhouse gases are as below:

Greenhouse gases	Unit	Emission volume
Carbon dioxide	Ton	17,031.6
Methane	Ton	0.3
Nitrous oxide	Ton	19.4

To promote the implementation of energy conservation and emission reduction, and propel the construction of conservation-oriented campus, the Company has established the *Detailed Regulations for Energy Conservation Management* in combination with the practice of energy management and energy conservation in various units. The detailed regulations require each campus to check all units for energy conservation at irregular intervals. We have set up the accountability system of energy conservation and emission reduction for the use of potential hazardous materials in an attempt to strengthen the supervision of energy use in each department, reduce water, electricity, gas and other energy consumption as well as pollutant discharge such as exhaust gas, residue and waste water and thus to realize effective and rational use of energy. During the Reporting Period, the Company's schools have achieved a reduction of 16,659.1 tons in carbon dioxide by planting various types of trees.

Besides, no hazardous waste is produced during daily operation of the Company. Non-hazardous waste produced from school mainly includes various household waste. The Company's household waste is collected and transported to the garbage recycling area in a unified manner. Waste will be transferred by the municipal disposal Company with legal qualifications and regulatory requirements to the garbage transfer station designated by environmental, health and other departments in line with relevant national and regional treatment standards. Meanwhile, garbage collection areas of schools of the Company are disinfected twice at least each day. During the Reporting Period, the Company did not have specific statistical data on non-hazardous wastes. The Company has always been focusing on the classification, disposal and reuse of the waste. While implementing education and guidance work, the Company advocates the concept of "turning waste into wealth and treasure". Based on the *Regulations on the Management of Waste Disposal by YuHua Education Corporation*, the Company has established relevant waste recycling system to further promote the construction of the conservation and environmental-friendly school community.

Use of Resources

With the good fashion of saving being a glory and waste being a shame, we make rational use of energy and resources such as water, electricity and natural gas. At the same time, we help students develop good habits of using energy resources and put waste to an end. During the Reporting Period, the main energy and resource consumption of the Company is as follows:

Type of energy	Unit	Consumption
Total amount of electricity consumed	Magawatt-hour	29,738.8
Intensity	Magawatt-hour per school	1,143.8
Total amount of water consumed	Ton	1,188,582.7
Intensity	Ton/school	45,714.7
Total natural gas consumption	m^3	2,202,862.8
Intensity	m^3/school	84,725.5
Total gasoline consumption	Liter	56,658.1
Intensity	Liter/school	2,179.2

According to the *Detailed Regulations for Energy Conservation Management*, we establish an energy-saving leading group to control energy use of the Group from the aspects of management, technology and behavior, etc. We have gradually set up the system of energy consumption statistics and energy efficiency publicity and thus developed the school energy system with comprehensive measurement, accurate monitoring and classification management. On the technical side, we promote the use of new energy-saving and environmental protection products. We obsolete products that fail to meet the national energy-saving standards. Meanwhile, we encourage the use of new techniques and technologies, and new measures for energy saving and emission reduction. We also promote the use of new energy-saving and environment-friendly products and secondary utilization of renewable energy in an attempt to reduce the cost of energy expenditure. Moreover, with the aim to cultivate the energy-saving consciousness of all schools and to promote healthy and sustainable development of campus, the Company has launched an energy-saving training scheme for all teachers and students. During the Reporting Period, the Company has launched projects including expansion of sewage stations, burning gas instead of coal in boiler, energy-saving project for air-conditioning etc. For instance, the project of green lightening promoted the application of LED lightening to improve the lightening facilities in schools. Within the Reporting Period, the total electricity consumption and per capita electricity consumption both decreased by approximately 0.5% and 6.4% respectively. Overall, the Company has achieved a better result through energy-saving emission reduction work.

The Company does not have any problems in sourcing water that is fit for purpose. All Company's schools have stable sources of water supply. Depending on the enacted *Detailed Regulations for Energy Conservation Management*, the Company has formulated strict water utilization system through management, supervision and charging method to realize water-saving purpose. In the meantime, the Company has implemented reconstruction projects in water supply pipeline to raise the use rate of water. During the Reporting Period, the total water consumption and per capita water consumption have dropped approximately 0.16% and 6% respectively, which means a higher use rate of water.

As the Company does not manufacture any products during daily operation, the Company does not use any kind of packaging materials.

Environment and Natural Resources

The Company's schools do not have any major impact on the environment and natural resources during daily operation. Paper consumption is the major factor to impact the environment and natural resources. Therefore, the Company strictly promotes the paperless office environment to minimize the paper consumption while strictly implementing the *Provisions on the Use of Paper*. The Company also orders the textbooks in accordance with the demand. In addition, the Company strongly promotes the afforestation activities to abide the obligation of protecting the environment. During the Reporting Period, the Company has planted approximately 725 thousand of trees and greened nearly 21 thousand square meters of lawn.

pwc

羅兵咸永道

To the Shareholders of China Yuhua Education Corporation Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Yuhua Education Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 141, which comprise:

- the consolidated balance sheet as at 31 August 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follow:

Key Audit Matter	How our audit addressed the Key Audit Matter
Income Taxes Refer to note 4(b) Critical accounting estimates and judgements — Income taxes and note 11 Income tax expense to the consolidated financial statements. No corporate income tax has been provided on the tuition and boarding income during the year for all schools within the Group as those schools are eligible to the preferential tax treatment based on the assessment made by the management. Significant judgement is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations in respect to the preferential tax treatment enjoyed by the schools. Each of the schools within the Group have elected to be the private schools which do not require reasonable returns. Pursuant to the Implementation Rules for the Law for Promoting Private Education, private schools whose sponsors do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, which are exempt from corporate income tax based on historical experiences. However, there have been no rules specifying the preferential tax treatment enjoyed by public schools in Corporate Income Tax Law of the People's Republic of China (2017 Amendment) or other relevant tax rules and regulations. Therefore, we focus on this area due to the high level of management judgements involved on whether the Group is subject to the applicable preferential tax treatment on the corporate income tax.	We assessed the reasonableness of the management's judgements by performing the following audit procedures: — Confirmed their status as private schools which do not require reasonable returns by: • Checking the legal documents such as the registration documents and articles of all schools; • Reviewing the board meeting minutes and financial statements to make sure no dividend has been declared or paid by all schools; — Discussed with the Group's PRC legal advisors about the tax position taken by the schools within the Group and obtained their legal opinions that confirmed each of the schools is not required to pay corporate income tax by their respective tax authorities and it is in compliance with applicable laws and regulations in China that those schools enjoy such preferential tax treatments; — Interviewed with the local tax bureaus of a sample of selected schools to confirm that each of them could enjoy the preferential income tax treatment and should be exempt from the corporate income tax, also there is no violation of PRC tax laws; — Assessed the eligibility of the preferential tax treatment of a sample of selected schools with the assistance of the internal tax experts by reviewing the applicable tax laws and regulations, any new policies or rules, and historical tax returns filed to assess if the management's understanding and interpretation could be supported; Based on the procedures performed, we found the management's judgements on the preferential tax treatment enjoyed by the schools were supported by the audit evidences we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the corporate information, financial information and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and company profile, directors and senior management, report of directors, corporate governance report, environmental, social and governance report and financial summary, which are expected to be made available to us after that date.

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

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

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

When we read company profile, directors and senior management, directors' report, corporate governance report, environmental, social and governance report and financial summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 November 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 August 2017 RMB'000	2016 RMB'000
Revenue	5	**846,222**	781,331
Cost of revenue	8	**(410,464)**	(375,133)
Gross profit		**435,758**	406,198
Selling expenses	8	**(3,755)**	(4,196)
Administrative expenses	8	**(147,203)**	(70,421)
Other income	6	**22,870**	6,442
Other gains/(losses) — net	7	**1,060**	(337)
Operating profit		**308,730**	337,686
Finance income	10	**15,527**	1,376
Finance expenses	10	**(10,456)**	(27,386)
Finance income/(expenses) — net		**5,071**	(26,010)
Profit before income tax		**313,801**	311,676
Income tax expense	11	**—**	—
Profit attributable to equity holders of the Company		**313,801**	311,676
Earnings per share attributable to equity holders of the Company (RMB Yuan)			
Basic	12	**0.12**	0.14
Diluted	12	**0.12**	0.14

CONSOLIDATED BALANCE SHEET

	Note	As at 31 August 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Prepaid land lease payments	13	**236,322**	224,693
Property, plant and equipment	14	**1,477,434**	1,465,026
Intangible assets	15	**1,689**	1,792
Other non-current assets	16	**17,687**	20,587
Total non-current assets		**1,733,132**	1,712,098
Current assets			
Trade and other receivables	17	**12,944**	11,324
Financial assets at fair value through profit or loss	18	**153,114**	—
Cash and cash equivalents	19 (a)	**642,506**	304,986
Restricted cash	19 (b)	**587**	—
Term deposits with initial term of over three months	20	**832,237**	—
Total current assets		**1,641,388**	316,310
Total assets		**3,374,520**	2,028,408
Equity			
Equity attributable to equity holders of the Company			
Share capital	22	**26**	65
Share premium	22	**1,318,313**	—
Reserves	23	**516,564**	386,557
Retained earnings		**642,193**	523,026
Total equity		**2,477,096**	909,648
Liabilities			
Non-current liabilities			
Borrowings	27	**—**	195,000
Other non-current liabilities	28	**—**	37,898
Total non-current liabilities		**—**	232,898
Current liabilities			
Accruals and other payables	25	**265,713**	156,669
Deferred revenue	26	**631,711**	609,193
Borrowings	27	**—**	120,000
Total current liabilities		**897,424**	885,862
Total liabilities		**897,424**	1,118,760
Total equity and liabilities		**3,374,520**	2,028,408

The notes on pages 79 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 September 2015		–	–	150,000	148,607	–	–	299,300	597,907
Comprehensive income									
Profit for the year		–	–	–	–	–	–	311,676	311,676
Transactions with equity holders									
Capital contribution from Controlling Shareholder		65	–	–	–	–	–	–	65
Profit appropriation to statutory surplus reserves		–	–	–	87,950	–	–	(87,950)	–
Total transactions with equity holders		65	–	–	87,950	–	–	(87,950)	65
At 31 August 2016		65	–	150,000	236,557	–	–	523,026	909,648
At 1 September 2016		**65**	**–**	**150,000**	**236,557**	**–**	**–**	**523,026**	**909,648**
Comprehensive income									
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**313,801**	**313,801**
Other comprehensive income									
Currency translation differences		**–**	**–**	**–**	**–**	**–**	**(59,213)**	**–**	**(59,213)**
Transactions with equity holders									
Capital contribution from Controlling Shareholder		**19**	**–**	**–**	**–**	**–**	**–**	**–**	**19**
Repurchase of shares		**(65)**	**–**	**46**	**–**	**–**	**–**	**–**	**(19)**
Profit appropriation to statutory surplus reserves		**–**	**–**	**–**	**97,596**	**–**	**–**	**(97,596)**	**–**
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs		**7**	**1,318,313**	**–**	**–**	**–**	**–**	**–**	**1,318,320**
Dividends relating to the year	35	**–**	**–**	**–**	**–**	**–**	**–**	**(97,038)**	**(97,038)**
Share-based compensation	24	**–**	**–**	**–**	**–**	**91,578**	**–**	**–**	**91,578**
Total transactions with equity holders		**(39)**	**1,318,313**	**46**	**97,596**	**91,578**	**–**	**(194,634)**	**1,312,860**
At 31 August 2017		**26**	**1,318,313**	**150,046**	**334,153**	**91,578**	**(59,213)**	**642,193**	**2,477,096**

The notes on pages 79 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 August 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	29	526,460	446,793
Interest paid		(10,654)	(26,650)
Net cash generated from operating activities		515,806	420,143
Cash flows from investing activities			
Disposal of a subsidiary, net of cash paid		—	(2,210)
Purchases of property, plant and equipment		(87,941)	(162,509)
Purchases of prepaid land lease payments		(16,821)	—
Refund of prepaid land lease payments	25(e)	48,472	—
Proceeds from disposal of property, plant and equipment		835	416
Proceeds from disposal of prepaid land lease payments		—	1,044
Purchases of intangible assets		(177)	(554)
Purchases of financial assets at fair value through profit or loss		(328,000)	(45,000)
Disposal of financial assets at fair value through profit or loss		176,292	106,732
Purchases of term deposits with initial term of over three months		(869,616)	—
Change of restricted cash		(587)	58,000
Interest received		1,116	2,013
Net cash used in investing activities		(1,076,427)	(42,068)
Cash flows from financing activities			
Proceeds from issuance of shares upon IPO		1,361,918	—
Payment of share issuance cost		(36,513)	(693)
Capital contribution from Controlling Shareholder		—	65
Proceeds from borrowings		30,000	280,000
Repayments of borrowings		(345,000)	(467,000)
Borrowings from the Controlling Shareholder	31(a)	—	65,533
Repayments of borrowings to the Controlling Shareholder	31(a)	—	(58,579)
Borrowings from related parties	31(a)	6,864	80,014
Repayments of borrowings to related parties	31(a)	(6,864)	(90,014)
Borrowings from third parties		—	4,000
Repayments of borrowings to third parties		—	(40,800)
Dividends paid to company's shareholders		(97,038)	—
Net cash generated/(used) in financing activities		913,367	(227,474)
Net increase in cash and cash equivalents		352,746	150,601
Cash and cash equivalents at the beginning of year		304,986	154,339
Exchange (losses)/gains on cash and cash equivalents		(15,226)	46
Cash and cash equivalents at end of year		642,506	304,986

The notes on pages 79 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**313,801**	311,676
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	**(59,213)**	—
Other comprehensive income for the year, net of tax	**(59,213)**	—
Total comprehensive income for the year	**254,588**	311,676
Total comprehensive income attributable to:		
Equity holders of the Company	**254,588**	311,676

The notes on pages 79 to 141 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 74 to 141 were approved and authorised for issue by the board of directors on 22 November 2017 and are signed on its behalf by:

Li Hua
Director

Qiu Hongjun
Director

1 GENERAL INFORMATION

China YuHua Education Corporation Limited ("the Company") was incorporated in the Cayman Islands on 25 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands. The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") provide private formal full-coverage non-vocational education services in Henan province of People's Republic of China (the "PRC") (collectively referred to as the "Business").

The ultimate holding company of the Company is GuangYu Investment Holdings Limited ("GuangYu Investment"). The ultimate controlling party of the Group is Mr. Li Guangyu, who is also the executive Director and chairman of the Board of the Company (the "Mr. Li" or the "Controlling Shareholder").

Prior to the incorporation of the Company and the completion of the reorganisation as described below, which was completed on 7 September 2016 (the "Reorganisation"), 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 (collectively the "Consolidated Affiliated Entities") which were incorporated in the PRC and owned by Mr. Li, Ms. Li Hua, the daughter of Mr. Li, and Ms. Liu Chunhua, the wife of Mr. Li under an act in concert arrangement of which all parties under this arrangement in the past, present and future are 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 ("Xizang Yuanpei"), has 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, enable Xizang Yuanpei and the Group to:

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

— exercise equity holder's voting rights of the Consolidated Affiliated Entities;

— receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational services, intellectual property licensing services as well as technical and business support services provided by Xizang Yuanpei. Such services include the provision of advisory services and recommendations on asset and business operation, debt restructuring, material contracts, and mergers and acquisitions; research and development on educational software and course materials; employee on-the-job management training; technology development, transfer and consulting services; public relation services; market survey, research and consulting services; market development and planning services; human resources and internal information management; website development, upgrade and ordinary maintenance services; sales of proprietary products; software, trademark, domain name and know-how and/or the use of related intellectual property rights; and other additional services as the parties may mutually agree from time to time;

1 GENERAL INFORMATION (CONTINUED)

— obtain an irrevocable and exclusive right to purchase all of equity interests in the PRC Investment Holding Companies from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Xizang Yuanpei may exercise such options at any time until it has acquired all equity interests in and/or all assets of the PRC Investment Holding Companies permitted under PRC laws and regulations. In addition, the PRC Investment Holding Companies are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Xizang Yuanpei; and

— obtain a pledge over the entire equity interest of PRC Investment Holding Companies from their equity holders to secure performance of the obligations of the PRC Investment Holding Companies and their respective subsidiaries under the contractual arrangements.

Upon completion of the above Reorganisation, the Company became the holding company of the subsidiaries 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 (the “Listing”) by way of its initial public offering (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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year, the functional currency of the Company and subsidiaries outside mainland of the PRC have been changed from RMB to Hong Kong Dollar (“HKD”) by the management of those entities. Since those entities just established since April 2016 and the operations were limited in prior period, the prior period’s financial statements have not been restated as the impact caused by the change of accounting policy of those entities was immaterial. Further details of the above are set out in Note 2.4(a).

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards to IFRSs effective for the financial year beginning on or after 1 January 2017 do not have a material impact on the Group.

- *Amendments to IAS 7 — Statement of Cash Flows*
- *Amendments to IAS 12 — Income Taxes*

(b) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been published but are not yet effective for the annual period beginning from 1 January 2017 and which the Group has not early adopted. The Directors of the Company have already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective except for IFRS 9 'Financial instruments', IFRS 16 'Lease' and IFRS 15 'Revenue from contracts with customer' set out below:

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

There will be no significant impact on the Group's accounting for financial assets and liabilities, as the new requirements only affect the accounting for financial assets and liabilities that are designated at fair value through profit or loss and the Group has already recognised such assets as financial assets that are designated at fair value through profit or loss under IAS 39, and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

(i) IFRS 9 Financial instruments (Continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. As the Group does not have any current hedge relationships, the Group does not expect a significant impact on the accounting resulted from the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

(ii) IFRS 15 Revenue from contracts with customers

The International Accounting Standards Board has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. IFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the financial years beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Based on the assessment up to this stage, management does not expect the adoption of the new standard will have a material impact on the Group.

(iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB45,406,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

(iii) IFRS 16 Leases (Continued)

The standard is mandatory for the financial years beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

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

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

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

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

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

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements is presented in RMB, which is the functional currency of the subsidiaries carrying out the principle activities of the Group in the mainland of the PRC. The functional currency of the Company is HKD.

During the year, the functional currency of the Company and subsidiaries outside mainland of the PRC has been changed from RMB to HKD by the management of those entities. The aligning of the functional currency with the underlying operations better reflects the results of their operations subsequent to the Company's listing of its shares in Hong Kong as the majority of their businesses including the investing and financing activities are denominated in HKD. Since those entities just established since April 2016 and the operations were limited in prior period, the impact caused by the change of accounting policy of those entities to the prior period's financial statements was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

2.5 Property, plant and equipment

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

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

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

— Buildings	30–50 years
— Leasehold improvements	Shorter of lease terms and estimated useful lives
— Motor vehicles	5 years
— Electronic equipment	5 years
— Furniture and fixture	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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

2.6 Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC and is recognised in the consolidated statement of profit or loss.

2.7 Intangible assets

Computer software

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

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents', 'restricted cash' and 'term deposits with initial term of over three months' in the balance sheet (Notes 2.12 and 2.13).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables is subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss within 'Other gains/(losses) — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical expedience, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.9.2 for further information about the group's accounting for trade receivables and Note 2.11 for a description of the group's impairment policies.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Accruals and other payables

Accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings

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

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

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

2.17 Borrowing costs

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

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) Pension obligations

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

(b) Housing funds

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

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

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

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

(b) Equity-settled share-based payment transactions

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

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the amounts received or receivable for the education services that we provided in the normal course of business, net of cash discounts, financial assistance and refunded tuitions.

Service income includes tuition fees and boarding fees from university, high schools, middle schools, primary schools and kindergartens of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

Tuition and boarding fees received from university, high schools, middle schools, primary schools and kindergartens are generally received in advance prior to the beginning of each school year, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue. Amounts which will be earned within one year is reflected as a current liability, and which will be earned beyond one year is reflected as a non-current liability.

2.23 Interest income

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

2.24 Government grants

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

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

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

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks. Risk management is carried out by the senior management of the Group and approved by the executive Directors.

(a) Market risk

Foreign exchange risk

With all operating entities located in China, the Group operates its business in RMB. Some of the Group's cash at bank and on hand, short-term bank deposits, term deposits with initial term of over three months, interest receivables and other payables are denominated in USD or HKD. Foreign exchange risk arises from the fluctuation in exchange.

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits and term deposits with initial term of over three months denominated in foreign currencies during the year. The Group did not enter into any forward contract to manage its exposure to foreign exchange risk for the year.

As at 31 August 2017, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currency of the respective group entities are as follows:

	As at 31 August 2017		As at 31 August 2016	
	HKD	**USD**	HKD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and on hand	**7,191**	**4,798**	77	1,464
Short-term bank deposits	**156,500**	**170,842**	—	—
Cash and cash equivalents	**163,691**	**175,640**	77	1,464
Term deposits with initial term of over three months	**—**	**832,237**	—	—
Interest receivables	**76**	**6,943**	—	—
Accruals and other payables	**9,946**	**4,219**	—	8,174

As at 31 August 2017, if HKD and USD had weakened/strengthened by 5% against the RMB with all other variables held constant, the result of the group would have been RMB599,000 (2016: RMB77,000) lower/higher.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, term deposits with initial term of over three months, financial assets at fair value through profit or loss and trade and other receivables shown on consolidated balance sheets.

As at 31 August 2017, 19% (2016: 52%) of the Group's cash and cash equivalents, restricted cash, term deposits with initial term of over three months and financial assets at fair value through profit or loss were held in state-owned financial institutions, which management believes are of high credit quality. The rest are deposited in local banks with good reputation. Management does not expect any losses from non-performance by these counterparties.

Credit risk is managed on a group basis. The Group has no significant concentrations of credit risk. The carrying amounts of receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to these financial assets. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. The utilization of credit terms is regularly monitored and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 27. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

As at 31 August 2017, the Group has cash and cash equivalents of approximately RMB642,506,000 (2016: RMB304,986,000) (Note 19), term deposits with initial term of over three months of approximately RMB832,237,000 (2016: nil) (Note 20) and trade receivables of approximately RMB201,000 (2016: RMB35,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 August 2017				
Accruals and other payables (excluding non-financial liabilities)	**170,315**	**—**	**—**	**170,315**
As at 31 August 2016				
Borrowings (principal plus interests)	134,597	86,250	116,508	337,355
Accruals and other payables (excluding non-financial liabilities)	120,343	—	—	120,343
Other non-current liabilities (principals plus interests)	—	41,000	—	41,000
	254,940	127,250	116,508	498,698

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains constant throughout the year.

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 Group will balance its overall capital structure through raising new debts as well as redemption of the existing debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratios of the Group as at 31 August 2017 and 2016 were as follows:

	As at 31 August	
	2017	2016
The liability-to-asset ratio	**26.6%**	55.2%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 August 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3 RMB'000	Total RMB'000
At 31 August 2017		
Assets		
Financial instruments at fair value through profit or loss	**153,114**	153,114
Total assets	**153,114**	153,114

The following table presents the group's assets that are measured at fair value at 31 August 2017.

At 31 August 2016		
Assets		
Financial instruments at fair value through profit or loss	**–**	–
Total assets	**–**	–

There were no transfers between levels 1 and 2 for the year ended 31 August 2017.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Financial instruments in level 3

The following table presents the movement in level 3 instruments for the years ended 31 August 2017.

	Investments in wealth management products (level 3) RMB'000
Balance at 1 September 2016	**—**
Additions	**328,000**
Settlements	**(176,292)**
Gains and losses recognized in profit or loss (Note 7)	**1,406**
Balance at 31 August 2017	**153,114**
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year (Note 7)	**1,114**

The following table presents the movement in level 3 instruments for the years ended 31 August 2016.

	Investments in wealth management products (level 3) RMB'000
Balance at 1 September 2015	60,003
Additions	45,000
Settlements	(106,536)
Gains and losses recognized in profit or loss (Note 7)	1,533
Balance at 31 August 2016	—
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year (Note 7)	—

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

As at 31 August 2017, the carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash, term deposits with initial term of over three months and trade and other receivables, and financial liabilities, including accruals and other payables, approximate their fair values due to the short maturities.

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the year.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Income taxes

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

(c) Useful life and recoverability of prepaid land lease payments

The Group's management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its prepaid land lease payments. This estimate is based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid land lease payments may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2017, the carrying amount of prepaid land lease payments are RMB236,322,000 (2016: RMB224,693,000) (Note 13). Any change in these estimates may have a material impact on the results of the Group.

5 SEGMENT INFORMATION

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

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

The CODM considers the business from the service perspective. 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 and University respectively.

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

5 SEGMENT INFORMATION (CONTINUED)

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, 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, no single customer accounted for more than 10% of the Group's total revenue for the year ended 31 August 2017.

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2017 are as follows:

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 August 2017						
Revenue	57,371	468,627	320,224	2,416	(2,416)	846,222
Cost of revenue	(30,891)	(254,197)	(125,376)	–	–	(410,464)
Gross profit	26,480	214,430	194,848	2,416	(2,416)	435,758
Selling expenses	–	(368)	(3,387)	–	–	(3,755)
Administrative expenses	(8,446)	(32,783)	(11,628)	(96,762)	2,416	(147,203)
Other income	66	17,948	4,856	–	–	22,870
Other gains/(losses) — net	43	1,538	(414)	(107)	–	1,060
Operating profit	18,143	200,765	184,275	(94,453)	–	308,730
Finance income/(expenses) — net	169	(3,065)	(6,293)	14,260	–	5,071
Profit before income tax	18,312	197,700	177,982	(80,193)	–	313,801
As at 31 August 2017						
Total assets	149,950	1,708,285	1,260,580	2,361,077	(2,105,372)	3,374,520
Total liabilities	85,811	1,078,866	427,517	1,192,245	(1,887,015)	897,424
Other segment information						
Additions to non-current assets	2,779	47,526	46,649	544	–	97,498
Depreciation and amortisation (Note 8)	(4,095)	(42,043)	(27,194)	(2,051)	–	(75,383)
(Losses)/gains on disposal of property, plant and equipment (Note 7)	(6)	181	(414)	(7)	–	(246)

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments for the year ended 31 August 2016 are as follows:

	Kindergartens RMB'000	Grade 1–12 RMB'000	University RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 August 2016						
Revenue	51,007	435,773	294,551	–	–	781,331
Cost of revenue	(29,230)	(237,860)	(108,043)	–	–	(375,133)
Gross profit	21,777	197,913	186,508	–	–	406,198
Selling expenses	(38)	(707)	(3,451)	–	–	(4,196)
Administrative expenses	(6,011)	(28,837)	(11,997)	(23,576)	–	(70,421)
Other income	–	5,637	618	187	–	6,442
Other (losses)/gains — net	(7)	(431)	723	(622)	–	(337)
Operating profit	15,721	173,575	172,401	(24,011)	–	337,686
Finance income/(expenses) — net	30	(11,016)	(14,943)	(81)	–	(26,010)
Profit before income tax	15,751	162,559	157,458	(24,092)	–	311,676
As at 31 August 2016						
Total assets	123,840	1,537,059	1,174,785	1,243,085	(2,050,361)	2,028,408
Total liabilities	84,174	1,136,180	522,168	1,252,839	(1,876,601)	1,118,760
Other segment information						
Additions to non-current assets	2,478	50,307	69,522	1,242	–	123,549
Depreciation and amortisation (Note 8)	(3,931)	(38,613)	(29,474)	(1,994)	–	(74,012)
(Losses)/gains on disposal of property, plant and equipment (Note 7)	(7)	(640)	(764)	190	–	(1,221)
Gains on disposal of prepaid land lease payments (Note 7)	–	209	–	–	–	209

6 OTHER INCOME

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Government grants and subsidies	**21,230**	5,775
Others	**1,640**	667
	22,870	6,442

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	**(246)**	(1,221)
Gains on disposal of prepaid land lease payments	**—**	209
Loss on disposal of a subsidiary	**—**	(812)
Donation	**(100)**	—
Gains on disposal of investment in wealth management products	**292**	1,533
Fair value gains/(losses) on financial instruments:		
— Investments in wealth management products	**1,114**	—
— Derivative financial instruments for interest rate swap contract	**—**	(46)
	1,060	(337)

8 EXPENSES BY NATURE

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**232,472**	220,511
Depreciation of property, plant and equipment (Note 14)	**69,911**	68,657
Share-based payment expenses (Note 24)	**91,578**	—
Amortisation of prepaid land lease payments (Note 13)	**5,192**	5,119
Amortisation of intangible assets (Note 15)	**280**	236
Canteen expenditure	**26,089**	27,095
Student training and scholarship expenses	**13,620**	24,107
School consumables	**28,283**	26,900
Utilities expenses	**22,970**	18,177
Marketing expenses	**3,365**	3,654
Operating lease payments	**4,458**	3,409
Expenses in relation to the Listing (Note 22(e))	**24,503**	10,380
Office expenses	**12,086**	11,588
Travel and entertainment expenses	**6,272**	6,709
Auditors' remuneration		
— Audit services	**2,400**	85
— Non-audit services	**—**	—
Other expenses	**17,943**	23,123
	561,422	449,750

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**201,033**	186,433
Contributions to pension plan(a)	**18,423**	19,565
Welfare and other expenses	**13,016**	14,513
	232,472	220,511

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

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Cost of revenue	**197,429**	181,201
Administrative expenses	**34,653**	38,768
Selling expenses	**390**	542
	232,472	220,511

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Contributions to pension plan

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

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year include one (2016: one) Director, whose remuneration are included in the analysis presented in Note 34. Details of the remunerations of the remaining highest paid non-director individuals during the year are set out as below:

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,395**	1,056
Contributions to pension plan	**10**	24
Welfare and other expenses	**5**	14
	1,410	1,094

The remunerations fell within the following band:

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Emolument band		
Nil to HK$1,000,000	**4**	4

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

10 FINANCE EXPENSES — NET

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Finance income		
Interest income from deposits	**8,318**	1,328
Net foreign exchange gains	**7,209**	48
	15,527	1,376
Finance expenses:		
Interest expenses	**(10,456)**	(29,888)
	(10,456)	(29,888)
Less: interests capitalised on qualifying assets	**—**	2,502
	(10,456)	(27,386)
Finance expenses — net	**5,071**	(26,010)

11 INCOME TAX EXPENSE

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Current tax on profits for the year	**—**	—
Deferred tax	**—**	—
	—	—

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

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**313,801**	311,676
Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries	**78,450**	77,919
Tuition profit not subject to tax (iv)	**(78,450)**	(77,919)
	—	—

11 INCOME TAX EXPENSE (CONTINUED)

(i) The Cayman Islands profits tax

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

(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 year.

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

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the year, except that one subsidiary of the Group was taxed at a preferential tax rate of 9% (2016: 9%) under the relevant PRC tax rules and regulations.

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 are elected to be schools that do not require reasonable returns. Thus, for the year ended 31 August 2017, there is no CIT provision provided in the PRC (2016: nil).

12 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**313,801**	311,676
Weighted average number of ordinary shares in issue (Thousand)	**2,593,151**	2,250,000
Basic earnings per share (RMB Yuan)	**0.12**	0.14

(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 during the year.

	For the year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	**313,801**	311,676
Weighted average number of ordinary shares in issue (Thousand)	**2,593,151**	2,250,000
Adjustments for:		
— Share options (Thousand)	**52,995**	—
Weighted average number of ordinary shares for diluted earnings per share (Thousand)	**2,646,146**	2,250,000
Diluted earnings per share (RMB Yuan)	**0.12**	0.14

13 PREPAID LAND LEASE PAYMENTS

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
At beginning of the year		
Cost	**254,001**	255,046
Accumulated amortisation	**(29,308)**	(24,399)
Net book amount	**224,693**	230,647
Opening net book amount	**224,693**	230,647
Additions	**16,821**	—
Disposal	**—**	(835)
Amortisation (Note 8)	**(5,192)**	(5,119)
Closing net book amount	**236,322**	224,693
Cost	**270,822**	254,001
Accumulated amortisation	**(34,500)**	(29,308)
Net book amount	**236,322**	224,693

(a) The Group's land use rights are either purchased from or allocated by the government.

(b) The carrying value of the land use right allocated by the government of RMB199,970,803 (2016: RMB204,654,000) as at 31 August 2017, has no definite life of use stated in the relevant land use right certificates. The estimated useful lives is 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

(c) As at 31 August 2017, the carrying amount of prepaid land lease payments without land use right certificates was RMB73,920,000 (2016: RMB58,514,000). The Group is in the process to obtain the certificates.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold Improvements RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 August 2016							
Opening net book amount	1,287,339	17,096	6,731	47,120	39,163	11,379	1,408,828
Additions	3,490	–	1,903	13,304	16,078	91,730	126,505
Transfer upon completion	98,992	–	–	–	–	(98,992)	–
Disposals	(59)	(47)	(106)	(1,012)	(413)	–	(1,637)
Disposal of a subsidiary	–	–	–	–	(13)	–	(13)
Depreciation charge (Note 8)	(36,412)	(4,372)	(2,560)	(11,074)	(14,239)	–	(68,657)
Closing net book amount	1,353,350	12,677	5,968	48,338	40,576	4,117	1,465,026
At 31 August 2016							
Cost	1,531,175	21,751	18,531	101,088	97,959	4,117	1,774,621
Accumulated depreciation	(177,825)	(9,074)	(12,563)	(52,750)	(57,383)	–	(309,595)
Net book amount	1,353,350	12,677	5,968	48,338	40,576	4,117	1,465,026
Year ended 31 August 2017							
Opening net book amount	**1,353,350**	**12,677**	**5,968**	**48,338**	**40,576**	**4,117**	**1,465,026**
Additions	**1,479**	**118**	**853**	**7,040**	**7,472**	**66,438**	**83,400**
Transfer upon completion	**70,180**	**–**	**–**	**–**	**–**	**(70,180)**	**–**
Disposals	**(157)**	**–**	**(183)**	**(536)**	**(205)**	**–**	**(1,081)**
Depreciation charge (Note 8)	**(40,691)**	**(4,611)**	**(2,077)**	**(10,665)**	**(11,867)**	**–**	**(69,911)**
Closing net book amount	**1,384,161**	**8,184**	**4,561**	**44,177**	**35,976**	**375**	**1,477,434**
At 31 August 2017							
Cost	**1,602,662**	**21,869**	**18,719**	**105,550**	**104,044**	**375**	**1,853,219**
Accumulated depreciation	**(218,501)**	**(13,685)**	**(14,158)**	**(61,373)**	**(68,068)**	**–**	**(375,785)**
Net book amount	**1,384,161**	**8,184**	**4,561**	**44,177**	**35,976**	**375**	**1,477,434**

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Cost of revenue	**65,359**	63,744
Administrative expenses	**4,552**	4,913
	69,911	68,657

(b) Construction-in-progress as at 31 August 2017 and 2016 mainly comprise buildings being constructed in the PRC.

(c) The Group has capitalised borrowing costs amounting to RMB2,502,000 on qualifying assets (Note 10), and the borrowing costs were capitalised at the weighted average rate of its specific and general borrowings of 6.1% for the year ended 31 August 2016. For the year ended 31 August 2017, the Group did not capitalise any borrowing cost.

(d) As at 31 August 2017, the carrying amount of buildings without building ownership certificates was RMB1,056,915,000 (2016: RMB1,035,294,000). The Group is in the process to obtain the certificates.

15 INTANGIBLE ASSETS

	Software RMB'000
Year ended 31 August 2016	
Opening net book amount	1,474
Additions	554
Amortisation (Note 8)	(236)
Closing net book amount	1,792
At 31 August 2016	
Cost	2,714
Accumulated depreciation	(922)
Net book amount	1,792
Year ended 31 August 2017	
Opening net book amount	**1,792**
Additions	**177**
Amortisation (Note 8)	**(280)**
Closing net book amount	**1,689**
At 31 August 2017	
Cost	**2,891**
Accumulated depreciation	**(1,202)**
Net book amount	**1,689**

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

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Cost of revenue	**155**	151
Administrative expenses	**125**	85
	280	236

16 OTHER NON-CURRENT ASSETS

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Prepayments of rental expenses	**10,866**	13,766
Prepayments for prepaid land lease payment	**6,571**	6,571
Rental deposits	**250**	250
	17,687	20,587

17 TRADE AND OTHER RECEIVABLES

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Trade receivables (a)		
Due from students	**201**	35
Other receivables	**8,836**	3,957
Deposits	**1,359**	1,359
Staff advance	**—**	1,668
Interest receivables	**7,152**	—
Others	**325**	930
Prepayments	**3,907**	4,012
Prepaid expenses	**3,798**	3,903
Prepayments to suppliers	**109**	109
Accrued expenses in relation to the Listing (b)	**—**	3,320
	12,944	11,324

(a) The aging analysis of the trade receivables based on the recognition date is set as followings:

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Less than 1 year	**201**	35
	201	35

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The listing expenses that are attributable to the issuance of new shares are accrued during the listing process and will be deducted from equity when issuing new shares.

(c) As at 31 August 2017 and 2016, all trade and other receivables were denominated in RMB except that the interest receivables amounting to approximately RMB7,019,000 were denominated in HKD and USD, further details were set out in Note 3.1(a).

(d) As at 31 August 2017 and 2016, the fair values of trade and other receivables, except the prepayments which are not financial assets of the Group, approximated their carrying amounts.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Investment in wealth management products (a)	**153,114**	—

(a) For the year ended 31 August 2017, the gains on settlements and fair value gains of financial assets at fair value through profit or loss amounted to approximately RMB292,000 and RMB1,114,000 (2016: RMB1,533,000 and nil) respectively, which have been recognised as 'Other gains/(losses) — net' (Note 7) in the consolidated statement of profit or loss.

The fair value of the financial assets at fair value through profit or loss is determined by using the valuation technique of discounting the future cash flows at the expected yield rate with reference to the benchmark yield rates of the similar financial investment products of banks.

19 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand	**315,164**	304,986
Short-term bank deposits	**327,342**	—
Cash and cash equivalents	**642,506**	304,986

(b) Restricted Cash

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Restricted Cash	**587**	—

All the Group's restricted cash is denominated in RMB.

The restricted cash is mainly the deposit of education reserve required by local authority in dedicated bank account.

20 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Term deposits with initial term of over three months	**832,237**	—

The carrying amounts of term deposits with initial term of over three months approximated their fair values due to the nature and short maturities of the related assets.

The term deposits with initial term of over three months were denominated in USD.

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Assets at fair value through profit & loss RMB'000	Total RMB'000
At 31 August 2017			
Assets as per consolidated balance sheets			
Trade and other receivables excluding prepayments	9,037	—	9,037
Financial assets at fair value through profit or loss	—	153,114	153,114
Cash and cash equivalents	642,506	—	642,506
Restricted Cash	587	—	587
Term deposits with initial term of over three months	832,237	—	832,237
	1,484,367	153,114	1,637,481

	Financial liabilities at amortised cost RMB'000	Total RMB'000
At 31 August 2017		
Liabilities as per consolidated balance sheet		
Accruals and other payables excluding non-financial liabilities	214,032	214,032

	Loans and receivables RMB'000	Assets at fair value through profit & loss RMB'000	Total RMB'000
At 31 August 2016			
Assets as per consolidated balance sheets			
Trade and other receivables excluding prepayments	3,992	—	3,992
Cash and cash equivalents	304,986	—	304,986
	308,978	—	308,978

21 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost RMB'000	Total RMB'000
At 31 August 2016		
Liabilities as per consolidated balance sheet		
Borrowings	315,000	315,000
Accruals and other payables excluding non-financial liabilities	117,838	117,838
Other non-current liabilities	37,898	37,898
	470,736	470,736

22 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	**Number of ordinary shares**	**Nominal value of ordinary shares**
As at 25 April 2016 (Establishment date of the Company)	**50,000**	**US$50,000**
As at 1 September 2016	**50,000**	**US$50,000**
Increase of shares	**50,000,000,000**	**HK$500,000**
Cancellation of shares	**(50,000)**	**(US$50,000)**
As at 31 August 2017	**50,000,000,000**	**HK$500,000**

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2015	–	–	–	–	–
Capital contribution from the Controlling Shareholder (a)	10,000	US$10,000	65	–	65
Balance at 1 September 2016	10,000	US$10,000	65	–	65
Capital contribution from the Controlling Shareholder (b)	2,250,000,000	HK$22,500	19	–	19
Repurchase of shares (c)	(10,000)	(US$10,000)	(65)	–	(65)
Issuance of shares relating to IPO (e)	750,000,000	HK$7,500	7	1,318,313	1,318,320
Balance at 31 August 2017	**3,000,000,000**	**HK$30,000**	**26**	**1,318,313**	**1,318,339**

22 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 25 April 2016 with an authorised share capital of US$50,000 divided into 50,000 shares of a nominal or par value of US$1.00 each, of which 10,000 shares were issued and paid.

(b) On 7 September 2016, the authorised share capital of the Company was increased by HK$500,000 divided into 50,000,000,000 shares. On the same day, the Company allotted and issued 2,250,000,000 shares to GuangYu Investment, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the company, for a subscription price of HK$22,500.

(c) Immediately following the allotment and issue of the 2,250,000,000 shares, the Company repurchased 10,000 shares of par value US$1.00 each from GuangYu Investment at an aggregate consideration of HK$22,500 which was paid out of the proceeds of the aforesaid subscription.

(d) Immediately following the repurchase, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of par value of US$1.00 each and became HK$500,000 divided into 50,000,000,000 Shares of par value of HK$0.00001 each.

(e) On 28 February 2017, the Company completed its IPO by issuing 750,000,000 new shares with nominal value of HK$0.00001 each at a price of HK$2.05 per share. The gross proceeds raised was approximately HK$1,537,500,000 (equivalent to RMB1,361,918,000), with which share capital was increased by approximately RMB7,000 and share premium was increased by approximately RMB1,318,313,000. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, of which, the share issuance costs directly attributable to the issuance of the new shares amounting to RMB43,598,000 were charged to share premium, and the share issuance costs attributable to the listing of the old shares amounting to RMB24,503,000 were charged to the consolidated statement of profit or loss for the year ended 31 August 2017.

23 RESERVES

	Capital reserve (a) RMB'000	Statutory surplus reserves (b) RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 September 2015	150,000	148,607	–	–	298,607
Profit appropriation to statutory surplus reserves	–	87,950	–	–	87,950
At 31 August 2016	150,000	236,557	–	–	386,557
At 1 September 2016	**150,000**	**236,557**	**–**	**–**	**386,557**
Profit appropriation to statutory surplus reserves	**–**	**97,596**	**–**	**–**	**97,596**
Repurchase of shares	**46**	**–**	**–**	**–**	**46**
Share-based compensation	**–**	**–**	**91,578**	**–**	**91,578**
Currency translation differences	**–**	**–**	**–**	**(59,213)**	**(59,213)**
At 31 August 2017	**150,046**	**334,153**	**91,578**	**(59,213)**	**516,564**

(a) Capital reserve

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

(b) Statutory surplus reserves

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

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

23 RESERVES (CONTINUED)

(b) Statutory surplus reserves (Continued)

(i) (Continued)

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

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

24 SHARE-BASED PAYMENTS

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

	31 August 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

24 SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding as at 31 August 2017 have the following expiry date and exercise prices:

	31 August 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 31 August 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 31 August 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 31 August 2017, 130,400 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 31 August 2017, 1,322,250 share options have been vested but not yet exercised.

24 SHARE-BASED PAYMENTS (CONTINUED)

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 31 August 2017, 3,600,000 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 profit or loss over the vesting period of the options. Total share option expenses charged to the consolidated statement of profit or loss for the year ended 31 August 2017 amounted to HK$106,366,000 (equivalent to RMB91,578,000).

25 ACCRUALS AND OTHER PAYABLES

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Amount due to related parties (Note 31 (b))	**1,122**	—
Payable for the prepaid land lease payments (e)	**48,472**	—
Payables for purchases of property, plant and equipment	**91,514**	58,157
Salary and welfare payables	**51,681**	38,831
Payables for annual fees	**1,300**	1,300
Deposits received from teachers and students	**19,322**	19,274
Miscellaneous expenses received from students (a)	**12,353**	7,192
Payables for teaching materials and other operating expenditure (d)	**14,082**	13,130
Payables for contracting canteens (b)(d)	**2,408**	2,343
Government subsidies payable to students	**1,604**	1,887
Payables in relation to the Listing	**14,874**	10,629
Interest payables	**—**	198
Others	**6,981**	3,728
	265,713	156,669

25 ACCRUALS AND OTHER PAYABLES (CONTINUED)

(a) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

(b) A few of third party canteens were contracted by the Group to provide catering service to schools.

(c) The carrying amount of the Group's accruals and other payables were denominated in RMB.

(d) As of 31 August 2017 and 2016, the ageing of payables for teaching materials and other operating expenditure and payables for contracting canteens were less than 1 year.

(e) During the year, because of the local government structure reorganisation, Zhengzhou Technology and Business University, a subsidiary of the Group, has received a refund of prepaid land lease payments from the original local authority amounting to RMB48,472,000, which will be instructed to pay to the new local authority in charge of the land management. Such amount is expected to be paid within next 12 month.

26 DEFERRED REVENUE

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Tuition and boarding fees	**631,711**	609,193

27 BORROWINGS

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Non-current		
Bank borrowings		
— secured	–	105,000
— unsecured	–	90,000
	–	195,000
Current		
Bank borrowings		
— secured	–	80,000
— unsecured	–	40,000
	–	120,000
Total borrowings	–	315,000

Total borrowings are comprised of the following loans:

(a) Bank borrowings of the Group which are pledged by right over the tuition fee and guaranteed by related parties are shown below:

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Guaranteed by a subsidiary of the Group and the Controlling Shareholder	–	185,000

(b) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
A subsidiary of the Group	–	100,000
A subsidiary of the Group and the Controlling Shareholder	–	30,000
	–	130,000

27 BORROWINGS (CONTINUED)

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

	As at 31 August	
	2017	2016
Bank borrowings	–	5.4%

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

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Within 1 year	–	120,000
Between 1 and 2 years	–	80,000
Between 2 and 5 years	–	115,000
	–	315,000

(e) The Group has the following unutilised borrowing facilities and undrawn bank borrowings:

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Floating rate and expiring beyond one year		
— Undrawn bank borrowings	–	100,000
	–	100,000

(f) The Group's borrowings were denominated in RMB.

28 OTHER NON-CURRENT LIABILITIES

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Payables for purchases of property, plant and equipment	–	37,898

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 August 2017 RMB'000	2016 RMB'000
Profit before income tax	**313,801**	311,676
Adjustments for:		
— Amortisation of prepaid land lease payments (Note 13)	**5,192**	5,119
— Depreciation of property, plant and equipment (Note 14)	**69,911**	68,657
— Amortisation of intangible assets (Note 15)	**280**	236
— Losses on disposal of property, plant and equipment (see below) (Note 7)	**246**	1,221
— Gains on disposal of prepaid land lease payments (Note 7)	**—**	(209)
— Fair value gains on financial assets at fair value through profit or loss (Note 7)	**(1,114)**	—
— Gains on disposal of financial assets at fair value through profit or loss (Note 7)	**(292)**	(1,533)
—Share-based payments	**91,578**	—
— Fair value losses on derivative instruments (Note 7)	**—**	46
— Finance expenses — net (Note 10)	**(5,071)**	26,010
— Loss on disposal of a subsidiary (Note 7)	**—**	812
Changes in working capital:		
— Trade and other receivables	**2,104**	1,963
— Other non-current assets	**2,900**	2,001
— Deferred revenue	**22,518**	19,830
— Accruals and other payables	**24,407**	10,964
Cash generated from operations	**526,460**	446,793

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 August 2017 RMB'000	2016 RMB'000
Net book amount (Note 14)	**1,081**	1,637
Losses on disposal of property, plant and equipment (Note 7)	**(246)**	(1,221)
Proceeds from disposal of property, plant and equipment	**835**	416

30 COMMITMENTS

(a) Capital commitments

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

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	**–**	5,860
	–	5,860

(b) Operating lease commitments

The Group leases certain buildings under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
No later than 1 year	**3,704**	797
Later than 1 year and no later than 5 years	**12,085**	4,034
Later than 5 years	**29,617**	30,990
	45,406	35,821

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties:

Names of the related parties	**Nature of relationship**
Mr. Li Guangyu	The Controlling Shareholder
Ms. Qiu Hongjun	Executive Director
Zhengzhou Jiadehao Real Estate Co. Ltd	A company controlled by the Controlling Shareholder's relatives
Zhengzhou Polytechnic Network Technology Co., Ltd.	A company controlled by the Controlling Shareholder's relatives
Zhengzhou Corn Culture Communication Co. Ltd.	A company controlled by the Controlling Shareholder

(a) Transactions with related parties

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Borrowings from the Controlling Shareholder	**—**	65,533
Repayments of borrowings to the Controlling Shareholder	**—**	(58,579)
Purchases of services from the Controlling Shareholder	**739**	—
Borrowings from related parties	**6,864**	80,014
— Zhengzhou Jiadehao Real Estate Co. Ltd.	**—**	—
— Qiu Hongjun	**6,864**	—
— Zhengzhou Polytechnic Network Technology Co., Ltd	**—**	80,014
Repayments of borrowings to related parties	**(6,864)**	(90,014)
— Zhengzhou Jiadehao Real Estate Co. Ltd.	**—**	(10,000)
— Qiu Hongjun	**(6,864)**	—
— Zhengzhou Polytechnic Network Technology Co., Ltd	**—**	(80,014)
Purchases of services from related parties	**383**	—

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balance with related parties

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Amounts due to related parties		
— The Controlling Shareholder	**739**	—
— Zhengzhou Corn Culture Communication Co. Ltd.	**383**	—
	1,122	—

As at 31 August 2017, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due from and due to the Controlling Shareholder and related parties are unsecured and repayable on demand.

(c) Guarantees for borrowings

	As at 31 August	
	2017	2016
	RMB'000	RMB'000
Borrowings guaranteed by the Controlling Shareholder	**—**	215,000

(d) Key management compensation

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Year ended 31 August	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,384**	1,765
Contributions to pension plans	**124**	106
Welfare and other expenses	**95**	64
	1,603	1,935

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	Note	Year ended 31 August 2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		**40,316**	—
Total non-current assets		**40,316**	—
Current assets			
Trade and other receivables		**7,218**	2,380
Cash and cash equivalents		**334,495**	—
Term deposits with initial term of over three months		**832,237**	—
Total current assets		**1,173,950**	2,380
Total assets		**1,214,266**	2,380
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		**26**	65
Share premium	(a)	**1,318,313**	—
Reserves	(a)	**32,230**	—
Accumulated losses	(a)	**(168,509)**	(6,943)
Total deficit		**1,182,060**	(6,878)
Liabilities			
Current liabilities			
Accruals and other payables		**32,206**	9,258
Total current liabilities		**32,206**	9,258
Total liabilities		**32,206**	9,258
Total deficit and liabilities		**1,214,266**	2,380

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Attributable to Equity holders of the Company					
	Share premium RMB'000	Capital Reserve RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 25 April 2016						
Comprehensive income						
Profit for the year	–	–	–	–	(6,943)	(6,943)
Total Comprehensive income	–	–	–	–	(6,943)	(6,943)
At 31 August 2016	–	–	–	–	(6,943)	(6,943)
At 1 September 2016	–	–	–	–	(6,943)	(6,943)
Comprehensive income						
Profit for the year	–	–	–	–	(64,528)	(64,528)
Total Comprehensive income	–	–	–	–	(64,528)	(64,528)
Other comprehensive income						
Items that may be reclassified to profit or loss						
Currency translation differences	–	–	–	(59,394)	–	(59,394)
Total Other comprehensive income	–	–	–	(59,394)	–	(59,394)
Transactions with equity holders						
Repurchase of shares	–	46	–	–	–	46
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	1,318,313	–	–	–	–	1,318,313
Dividends relating to the year	–	–		–	(97,038)	(97,038)
Share-based compensation	–	–	91,578	–	–	91,578
Total transactions with equity holders	1,318,313	46	91,578	–	(97,038)	1,312,899
At 31 August 2017	1,318,313	46	91,578	(59,394)	(168,509)	1,182,034

33 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 August 2017:

Name of subsidiaries	Country/ Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Directly held:						
China YuHua Education Investment Limited (中國宇華教育投資有限公司)	BVI/ 28 April 2016	US$1.00	100%	100%	Holding company	BVI
Indirectly held:						
China HongKong Yuhua Education Limited (中國香港宇華教育有限公司)	Hong Kong/ 12 May 2016	HK$1,000.00	100%	–	Holding company	Hong Kong
Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司)	PRC/ 22 July 2016	US$500,000.00	100%	–	Holding company	PRC
Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司)	PRC/ 9 April 2004	RMB50,000,000	100%	–	Holding company	PRC
Zhengzhou YuHua Elite School (鄭州市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校)	PRC/ 1 September 2001	RMB20,000,000	100%	–	High school and middle school	PRC
Zhengzhou YuHua Elite Primary School (鄭州市宇華實驗小學) Formerly known as "the Foreign Language Primary School of the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校外國語小學)	PRC/ 1 September 2005	RMB10,000,000	100%	–	Primary school	PRC
Zhengzhou YuHua Elite Bilingual Kindergarten (鄭州市宇華實驗雙語幼兒園) Formerly known as "the Bilingual Kindergarten of the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校雙語幼兒園)	PRC/ 1 September 2005	RMB5,000,000	100%	–	Kindergarten	PRC

33 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country/ Place and date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity interests held by the Group	Percentage of equity interests directly held by the Company	Principal activities	Places of operation
Indirectly held: (Continued)						
Zhengzhou Technology and Business University (鄭州工商學院) Formerly known as "Wanfang College of Science & Technology Henan Polytechnic University" (河南理工大學萬方科技學院)	PRC/ 9 April 2013	RMB100,000,000	100%	–	University	PRC
Jiaozuo YuHua Elite School (焦作市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiaozuo Campus (北京大學附屬中學河南分校焦作校區)	PRC/ 18 July 2011	RMB10,000,000	100%	–	High school Middle school Primary school	PRC
Xingyang YuHua Shengshi Elite School (滎陽宇華盛世實驗學校) Formerly known as "Zhengzhou Yizhong Middle School" (鄭州一中實驗初中)	PRC/ 15 June 2015	RMB1,000,000	100%	–	Middle school	PRC
Kaifeng YuHua Elite School (開封市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus" (北京大學附屬中學河南分校開封校區)	PRC/ 7 September 2012	RMB3,000,000	100%	–	Middle school Primary school	PRC
Luohe YuHua Elite School (漯河市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Luohe Campus (北京大學附屬中學河南分校漯河校區)	PRC/ 23 August 2013	RMB10,000,000	100%	–	High school Middle school Primary school	PRC
Xuchang YuHua Elite School (許昌宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Xuchang Campus" (北京大學附屬中學河南分校許昌校區)	PRC/ 1 November 2014	RMB3,000,000	100%	–	Middle school Primary school	PRC
Jiyuan YuHua Elite School (濟源市宇華實驗學校) Formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiyuan Campus" (北京大學附屬中學河南分校濟源校區)	PRC/ 1 November 2014	RMB1,000,000	100%	–	Middle school Primary school	PRC

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each Director for the years ended 31 August 2017 and 2016 are set out below:

For the year ended 31 August 2017	Salary RMB'000	Discretionary bonuses RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Name of executive director					
Mr. Li Guangyu	121	–	11	15,579	15,711
Ms. Li Hua	305	–	37	19,190	19,532
Ms. Qiu Hongjun	68	–	11	1,160	1,239
Name of independent non-executive director					
Mr. Chen Lei	90	–	–	–	90
Mr. Xia Zuoquan	90	–	–	–	90
Mr. Zhang Zhixue	90	–	–	–	90
	764	–	59	35,929	36,752

For the year ended 31 August 2016	Salary RMB'000	Discretionary bonuses RMB'000	Contribution to pension plan, welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Name of executive director					
Mr. Li Guangyu	120	70	6	–	196
Ms. Li Hua	285	70	33	–	388
Ms. Qiu Hongjun	67	30	6	–	103
	472	170	45	–	687

Note:

Mr. Chen Lei, Mr. Xia Zuoquan and Mr. Zhang Zhixue were appointed as the Company's independent non-executive Directors on 1 March 2017. No emoluments have been paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

34 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 31 August 2017, no retirement benefits were paid or receivable by any directors in respect of their services in connection with the management of the affairs of the company or its subsidiary undertaking (2016: nil).

(c) Directors' termination benefits

During the year ended 31 August 2017, no payments was made to directors as compensation for early termination of the appointment (2016: nil).

(d) Consideration provided to third parties for making available directors' service

During the year ended 31 August 2017, no payment was made to the former employer of directors or third parties for making available the services as a director of the company (2016: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 August 2017, there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (2016: nil).

(f) Directors' material interests in transactions, arrangements or contracts

During the year ended 31 August 2017, no significant transaction, arrangement and contract in relation to the Group's business to which the group companies were parties and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the years except for the transactions disclosed in Note 31(a) (2016: nil).

35 DIVIDENDS

The dividends paid in 2017 and 2016 were RMB97,038,000 (HKD0.037per share) and nil respectively. A dividend in respect of the year ended 31 August 2017 of HKD0.043 per share, amounting to a total dividend of RMB117,903,000, is to be proposed at the annual general meeting to be held on 9 February 2018. These financial statements do not reflect this dividend payable.

	2017 **RMB'000**	2016 RMB'000
Interim dividend paid of HKD0.037(2016:nil) per ordinary share	**97,038**	—
Proposed final dividend of HKD0.043(2016:nil) per ordinary share	**117,903**	—

36 SUBSEQUENT EVENTS

(a) On 2 November 2017, the Company, GuangYu Investment, CITIC CLSA (the placing agent) and Mr. Li Guangyu entered into the Placing and Subscription Agreement, pursuant to which (a) the placing agent has agreed to place 253,150,000 shares at a price of HK$3.70 per share on behalf of GuangYu Investment to independent third parties and (b) GuangYu Investment has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to GuangYu Investment, up to 253,150,000 new shares at the same price. The number of the subscription shares represents: (a) approximately 8.44% of the total number of shares of the Company in issue as at the date of this report; and (b) approximately 7.78% of the enlarged total number of shares of the Company in issue upon the completion of the subscription.

The net proceeds from the subscription are approximately HK$925.6 million, which will be applied to enhance the capital base of the Company and to prepare for any potential acquisitions in the education sector. Details of the placing and subscription were set out in the Company's announcement dated 2 November 2017. As at the date of this report, the placing and subscription has completed.

DEFINITIONS

"Affiliate"	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
"Articles of Association"	the articles of association of the Company adopted on 8 February 2017 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Auditor"	PricewaterhouseCoopers
"Award"	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the cash equivalent from the sale of the Award Shares, as the Board may determine in accordance with the terms of the Share Award Scheme Rules
"Award Shares"	the Shares granted to a Selected Participant in an Award
"Baikal Lake Investment"	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2016 and the sole shareholder of GuangYu Investment and one of the Controlling Shareholders
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this Annual Report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term "Chinese" has a similar meaning
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time

"Company", "the Company" or "the "Company"	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Li, Ms. Li and the Group's consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
"Corporate Governance Code", or "CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of the Company from time to time
"Eligible Persons"	any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person
"Group"	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time

"GuangYu Investment"	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
"high school(s)"	schools that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HongKong Yuhua"	China HongKong Yuhua Education Limited (中國香港宇華教育有限公司), a company incorporated in Hong Kong with limited liability on 12 May 2016 and a wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent College"	(獨立學院) a type of private higher education institution offering undergraduate courses that are run by non-governmental institutions or individuals through cooperation with public universities
"IPO"	initial public offering of the Shares on 16 February 2017
"Jiyuan YuHua Elite Bilingual Kindergarten"	Jiyuan YuHua Elite Bilingual Kindergarten (濟源市宇華實驗雙語幼兒園), a campus established in September 2014 for private kindergarten and formerly known as "Jiyuan Zhongmei Bilingual Kindergarten" (濟源市中美雙語幼兒園)
"Jiyuan YuHua Elite School"	Jiyuan YuHua Elite School (濟源市宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Jiyuan Campus" (北京大學附屬中學河南分校濟源校區)
"K-12"	kindergarten to grade 12

"Kaifeng YuHua Elite School"	Kaifeng YuHua Elite School (開封市宇華實驗學校), a campus established in September 2012 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus" (北京大學附屬中學河南分校開封校區)
"kindergarten(s)"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
"Listing Date"	28 February 2017, the date the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Luohe YuHua Elite School"	Luohe YuHua Elite School (漯河市宇華實驗學校), a campus established in September 2013 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Luohe Campus" (北京大學附屬中學河南分校漯河校區)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"middle school(s)"	schools that provide education for students in grade seven through grade nine
"Mr. Li"	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company
"Ms. Li"	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOFOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展及改革委員會)
"PRC Holdcos"	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
"PRC Legal Adviser"	Tian Yuan Law Firm
"Pre-IPO Share Option Scheme"	the share option scheme effective from 1 September 2016., the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus
"primary school(s)"	schools that provide education for students in grade one through grade six
"private education"	the term "private education" used in this annual report refers to private formal education
"Private HEI"	(民辦普通高校) a type of private higher education institution offering junior college, undergraduate and/or post-graduate course that are operated by non-governmental institutions or individuals and not affiliated with any public university
"private school(s)"	schools which are not administered by local, provincial or national governments
"Prospectus"	the prospectus of the Company published on 16 February 2017 in connection with the IPO on the Stock Exchange
"RMB"	Renminbi, the lawful currency of PRC
"Registered Shareholder(s)"	Mr. Li and Ms. Li, and each of them a Registered Shareholder
"Reporting Period"	the year ended 31 August 2017
"school year"	exception for the Group's kindergartens, the school year for all of the Group's schools, which generally starts on or around 1 September of each calendar year and ends on 31 August of the next calendar year
"Selected Participant"	any Eligible Person approved for participation in the Share Award Scheme
"SFC"	The Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the Company of par value of HK$0.00001 each
"Share Award Scheme"	the share award scheme approved and adopted by the sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 2. Share Award Scheme" in Appendix V to the Prospectus
"Share Award Scheme Rules"	the rules relating to the Share Award Scheme as amended from time to time
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Wanfang College"	Wanfang College of Science & Technology of Henan Polytechnic University, Zhengzhou campus (河南理工大學萬方科技學院鄭州校區), an Independent College of which the Group established in September 2009
"WFOE"	Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司), a company established in the PRC with limited liability on 22 July 2016 and a wholly-owned subsidiary of the Company
"Xuchang YuHua Elite School"	Xuchang YuHua Elite School (許昌宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Xuchang Campus" (北京大學附屬中學河南分校許昌校區)

"YuHua Investment Management"	YuHua Investment Management Co., Ltd. (宇華投資管理有限公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos
"Zhengzhou Technology and Business University" or "University"	Zhengzhou Technology and Business University (鄭州工商學院), a Private HEI, or where the context requires, Wanfang College
"Zhengzhou YuHua Education Investments"	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos
"Zhengzhou YuHua Elite School"	Zhengzhou YuHua Elite School (鄭州市宇華實驗學校), a campus established in September 2001 for private middle and high school and formerly known as "the Affiliated High School of Peking University, Henan Branch" (北京大學附屬中學河南分校)
"Zhengzhou Zhongmei Education Investments"	Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos
"%"	percent