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

Interim Report

2018

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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 and affiliates
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
People's Republic of China

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
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Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PO Box 1093, Boundary Hall
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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 BANKER

China Construction Bank Corporation
Jinshui Road Branch of Zhengzhou
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COMPANY WEBSITE

www.yuhuachina.com

STOCK CODE

6169

HIGHLIGHTS

(RMB'000)	**Six months ended 28 February 2018 (Unaudited)**	28 February 2017 (Unaudited)	Change
Revenue	**517,105**	421,416	+22.7%
Gross Profit	**267,291**	210,400	+27.0%
Net Profit attributable to owners of the Company	**201,731**	121,986	+65.4%
Adjusted Revenue[1]	**528,022**	421,416	+25.3%
Adjusted Gross Profit[2]	**289,921**	223,459	+29.7%
Adjusted Net Profit attributable to the owners of the Company[3]	**248,228**	185,495	+33.8%

NON-IFRS MEASURES

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), the Company also uses Adjusted Revenue, Adjusted Gross Profit, Adjusted 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.

(RMB'000)	**Six months ended 28 February 2018 (Unaudited)**	28 February 2017 (Unaudited)	Change
Adjusted items:			
Revenue adjustment for the two months ended 28 February 2018[1]	**10,917**	—	+10,917
One-off listing expenses	**—**	20,134	-20,134
Share-based compensation expense (in cost of revenue)	**8,412**	13,059	-4,647
Share-based compensation expenses (in administrative expenses)	**22,857**	40,060	-17,203
Additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited	**3,301**	—	+3,301
Derecognition of deferred tax assets due to the changes in applied taxation rate of LEI Lie Ying Limited from 1 January 2018[4]	**11,318**	—	+11,318
Government grants	**-2,647**	-9,744	+7,097

Notes:

(1) The Group completed the acquisition of LEI Lie Ying Limited on 27 December 2017. Upon the completion of the acquisition, the Group adjusted the business arrangement of Hunan International Economics University and Hunan Lie Ying Mechanic School to align with the Group's so that the period of the applicable programme over which the Group used to recognise the tuition and boarding incomes changed accordingly. For the year ending 31 August 2018, the Group only applied such change to the post-acquisition unrecognised tuition fee of LEI Lie Ying Limited for the academic year 2017/18. Assuming such business arrangement changed on 1 September 2017, the revenue contributed from LEI Lie Ying Limited would increase RMB10,917,000 for the two months ended 28 February 2018. This change in recognition timing would not affect the total revenue for an academic year earned by Hunan International Economics University and Hunan Lie Ying Mechanic School.

(2) The gross profit of the Group for the six months ended 28 February 2018 amounted to RMB267,291,000 (unaudited). The Adjusted Gross Profit is calculated as gross profit for the period, taking into account the aforesaid increase in revenue of LEI Lie Ying Limited would be recognised proportionally for the two months ended 28 February 2018 assuming that the change in business arrangement of Hunan International Economics University and Hunan Lie Ying Mechanic School happened on 1 September 2017 and excluding the impact from share-based compensation expense (in cost of revenue) and additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited.

(3) The net profit of the Group attributable to owners of the Company for the six months ended 28 February 2018 amounted to RMB201,731,000 (unaudited). The Adjusted Net Profit attributable to owners of the Company is calculated as the profit for the period, taking into account the aforesaid increase in revenue of LEI Lie Ying Limited would be recognised proportionally for the two months ended 28 February 2018 assuming that the change in business arrangement of Hunan International Economics University and Hunan Lie Ying Mechanic School happened on 1 September 2017 and excluding the impact from share-based compensation expense, additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited, derecognition of deferred tax assets due to the changes in applied taxation rate of LEI Lie Ying Limited from 1 January 2018, and government grants recognised for the six months ended 28 February 2018. In respect of the six months ended 28 February 2017, the Adjusted Net Profit attributable to owners of the Company is calculated as the profit for the period, excluding the impact from certain expenses including (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the initial public offering and listing of the shares of the Company on the Stock Exchange in February 2017 as well as the government grants recognised during the period.

(4) For further details of this item, please refer to note 9 of the interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 17 years of operating private schools in Henan province, the Group is one of the leading private school operators in central China in terms of student enrolment.

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

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

The business of the Group remained relatively stable for the six months ended 28 February 2018. As such, there have been no material changes in respect of the business of the Group since 31 August 2017.

The Group's Schools

As at 28 February 2018, the Group had 26 schools located in Henan province of China and one school located in Hunan province of China. Subsequent to 31 August 2017, being the year-end date of the Group's fiscal year: (i) the Group's new high school on Xuchang Yuhua Elite School campus commenced operation on 1 September 2017; and (ii) the Group acquired Hunan International Economics University, Hunan Lie Ying Mechanic School and Hunan International Economics University Vocational Skills Training Centre (altogether ("**HIEU Schools**")) through acquiring LEI Lie Ying Limited in December 2017. The following table shows a summary of the Group's schools by category as at the end of February 2018 and 2017:

The Group's schools	**As at 28 February 2018**	As at 28 February 2017
University	**2**	1
High schools	**4**	3
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**8**	8
Total	**27**	25

Note: HIEU Schools as a whole is accounted as one university.

OUTLOOK

Future Development

The Group has a strong pipeline for opening new schools in Henan province. The Group will also continue to explore other potential acquisition targets or cooperation opportunities in China to supplement our school network.

Event after the Reporting Period

On 18 April 2018, Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司) (the "**Purchaser**") and Kaifeng City Huibo Education Information Consulting Co., Ltd. (開封市慧博教育資訊諮詢有限公司) (the "**Seller**") entered into the investment agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell a 70% equity interest in Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育資訊諮詢有限公司) for a cash consideration of RMB107.1 million. For further details, please refer to the Company's announcement dated 18 April 2018.

FINANCIAL REVIEW

Overview

For the six months ended 28 February 2018, the Group recorded an Adjusted Revenue[1] of RMB528.0 million, revenue of RMB517.1 million, an Adjusted Gross Profit of RMB289.9 million and a gross profit of RMB267.3 million. The Adjusted Gross Profit Margin[2] of the Group was 54.9% for the six months ended 28 February 2018 as compared with 53.0% for the corresponding period in 2017. The gross profit margin was 51.7% for the six months ended 28 February 2018 as compared with 49.9% for the corresponding period in 2017.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2018 was RMB248.2 million, representing an increase of RMB62.7 million or a 33.8% increase from the corresponding period in 2017. The Adjusted Net Profit Margin[3] attributable to the owners of the Company was 47.0% and 44.0% for the six months ended 28 February 2018 and 28 February 2017, respectively.

The net profit attributable to owners of the Company amounted to RMB201.7 million and RMB122.0 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The net profit margin attributable to owners of the Company amounted to 39.0% and 28.9% for the six months period ended 28 February 2018 and 28 February 2017, respectively.

Revenue

For the six months ended 28 February 2018, revenue of the Group amounted to RMB517.1 million, representing an increase of RMB95.7 million or 22.7% as compared with RMB421.4 million for the corresponding period in 2017. The increase was primarily due to the result of an increase in student enrolment and tuition fees, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

1 See the section headed "Highlights" of this interim report above for the definition of the Adjusted Revenue.

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

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

For the six months ended 28 February 2018, the Adjusted Revenue of the Group amounted to RMB528.0 million, representing an increase of RMB106.6 million or 25.3% as compared with RMB421.4 million for the corresponding period in 2017. The increase was primarily due to the result of an increase in student enrolment and tuition fees, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

Cost of Revenue

For the six months ended 28 February 2018, the Adjusted Cost of Revenue[4] of the Group amounted to RMB238.1 million, representing an increase of RMB40.1 million or 20.3% as compared with RMB198.0 million for the corresponding period in 2017. The increase was primarily the result of an increase in the number of teachers and teachers' salary, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

The cost of revenue of the Group amounted to RMB249.8 million and RMB211.0 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The increase was primarily the result of an increase in the number of teachers and teachers' salary, additional depreciation and amortization due to the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

Gross Profit and Gross Profit Margin

For the six months ended 28 February 2018, the Adjusted Gross Profit of the Group amounted to RMB289.9 million, representing an increase of RMB66.4 million or 29.7% as compared with RMB223.5 million for the corresponding period in 2017, primarily due to an increase in revenue caused by an increase of student enrolments and tuition fees, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2018 was 54.9%, compared with 53.0% for the corresponding period in 2017.

The Group's gross profit amounted to RMB267.3 million and RMB210.4 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The Group's gross margin amounted to 51.7% and 49.9% for the six months ended 28 February 2018 and 28 February 2017, respectively. The increase was mainly due to the decrease of share-based compensation expenses, absence of listing-related expenses and the result of an increase in student enrolment and tuition fees for the six months ended 28 February 2018, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

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

Selling Expenses

For the six months ended 28 February 2018, the selling expenses of the Group amounted to RMB1.9 million, representing a decrease of RMB0.2 million or 9.5% from RMB2.1 million during the corresponding period in 2017. There were no material changes to selling and marketing activities during the six months ended 28 February 2018.

Administrative Expenses

For the six months ended 28 February 2018, the Adjusted Administrative Expenses[5] of the Group amounted to RMB41.0 million, representing an increase of RMB10.9 million as compared with RMB30.1 million for the corresponding period in 2017. The increase was primarily due to the increase in employee benefit expenses and consultancy and professional fee.

The administrative expenses of the Group amounted to RMB63.9 million and RMB90.3 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The decrease was primarily due to absence of listing-related expenses for the six months ended 28 February 2018.

Other Income

For the six months ended 28 February 2018, the other income of the Group amounted to RMB3.6 million, representing a decrease of RMB6.2 million or 63.3% as compared with RMB9.8 million for the corresponding period in 2017. This was primarily due to a decrease in the government grants obtained.

Other Gains and Losses

For the six months ended 28 February 2018, the other gains and losses of the Group amounted to a gain of RMB2,461,000 as compared with a loss of RMB13,000 for the corresponding period in 2017. This was primarily due to fair value gains on financial instruments that are designated at fair value through profit or loss.

Operating Profit

The operating profits of the Group amounted to RMB207.6 million and RMB127.8 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The increase was primarily due to absence of listing-related expenses, a decrease in share-based compensation expenses, and the result of an increase in student enrolment and tuition fees for the six months ended 28 February 2018, and the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

Finance Income

Finance income increased by 900.0% from RMB1.0 million for the six months ended 28 February 2017 to RMB10.0 million for the corresponding period in 2018 due to an increase in interest income from term deposits with initial term of over three months and restricted cash.

[5] 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.

Finance Expenses

Finance expenses decreased by 54.4% from RMB6.8 million for the six months ended 28 February 2017 to RMB3.1 million for the corresponding period in 2018 due to repayment of bank loans for the six months ended 28 February 2018.

Net Profit Attributable to Owners of the Company for the Period

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2018 was RMB248.2 million, representing an increase of RMB62.7 million or a 33.8% increase from the corresponding period in 2017. The Adjusted Net Profit Margin attributable to owners of the Company was 47.0% and 44.0% for the six months ended 28 February 2018 and 28 February 2017, respectively.

The net profit attributable to owners of the Company amounted to RMB201.7 million and RMB122.0 million for the six months ended 28 February 2018 and 28 February 2017, respectively. The net profit margin attributable to owners of the Company amounted to 39.0% and 28.9% for the six months period ended 28 February 2018 and 28 February 2017, respectively. The increases in both the net profit and the net profit margin attributable to owners of the Company were mainly due to the increase in student enrolment and tuition fees for several schools, the decrease in share-based compensation expense, and absence of one-off listing-related expenses.

Liquidity and Source of Funding and Borrowing

As at 28 February 2018, the Group's cash and cash equivalents decreased by 82.1% from RMB1,455.3 million as at 28 February 2017 to RMB261.1 million. The significant decrease of cash and cash equivalents for the six months ended 28 February 2018 primarily resulted from the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools), the financial results of which have been consolidated into the Group's upon completion of the acquisition.

As at 28 February 2018, the current assets of the Group amounted to RMB1,419.7 million, including RMB1,229.5 million in bank balances and cash and other current assets of RMB190.2 million. The current liabilities of the Group amounted to RMB1,449.9 million, of which RMB640.1 million was deferred revenue, RMB746.3 million was accruals and other payables, RMB62.6 million was borrowings, and RMB0.9 million was other current liabilities. As at 28 February 2018, the current ratio, which is equivalent to the current assets divided by the current liabilities, of the Group was 0.98 as compared with 2.08 as at 28 February 2017.

Gearing Ratio

As at 28 February 2018, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 4.1%, representing a decrease of 0.1 percentage point as compared with 4.2% as at 28 February 2017. The decrease was primarily due to increase in equity.

Material Investments

The Group did not make any material investments during the six months ended 28 February 2018.

Material Acquisitions and Disposals

On 27 December 2017, China YuHua Education Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and LEI China Limited (the "**Seller**") entered into an acquisition agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the entire issued share capital of LEI Lie Ying Limited for a total consideration of RMB1,430 million. Further details of the acquisition is set out in the announcement of the Company dated 28 December 2017. As at 28 February 2018, the acquisition was completed. The financial results of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools) have been consolidated into the Group's upon completion of the acquisition.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2018.

Pledge of Assets

As at 28 February 2018, the bank borrowings of the Group were secured by certain prepaid land lease payments of the Group and guaranteed by the Company's consolidated affiliated entities.

Contingent Liabilities

Details of contingent liabilities as at 28 February 2018 are set out in note 22 of the interim condensed consolidated financial statements.

Foreign Exchange Exposure

During the six months ended 28 February 2018, the Group mainly operated in China and the majority of the transactions were settled in Renminbi ("**RMB**"), the Company's primary consolidated affiliated entities functional currency. As at 28 February 2018, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Employee and Remuneration Policies

As at 28 February 2018, the Group had 5,647 full-time employees (28 February 2017: 4,102). The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

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

The Company also has a Pre-IPO Share Option Scheme and a Share Award Scheme. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V to the Prospectus for further details.

The total remuneration cost incurred by the Group for the six months ended 28 February 2018 was RMB181.7 million (for the six months ended 28 February 2017: RMB167.6 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 28 February 2018, the Company has complied with all applicable code provisions set out in the CG Code.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2018.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2018.

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 28 February 2018 of HK$0.047 (2017: HK$0.037) per share to shareholders whose names appear on the register of members of the Company at the close of business on 18 May 2018. The interim dividend will be distributed to shareholders of the Company on 15 June 2018.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 16 May 2018 to 18 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 15 May 2018.

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2018 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

OTHER BOARD COMMITTEES

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

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 7 November 2017, the Company completed a top-up placing of an aggregate of 253,150,000 new shares at a placing price of HK$3.70 each share. The net proceeds from the top-up placing of new shares amounted to HK$925.5 million, which will be applied to enhance the capital base of the Company and to prepare for any potential acquisitions in the education sector.

Save as disclosed above, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2018.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2018. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 28 February 2018.

LAND USE RIGHT CERTIFICATES

As of 28 February 2018, 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. 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 28 February 2018, 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. 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 28 February 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 28 February 2018, (i) approximately HK$60 million of the proceeds had been applied towards facilities upgrade and capacity expansion of the Company's existing schools; (ii) approximately RMB100 million (approximately HK$118 million) had been applied to repay the bank loans; and (iii) approximately HK$450.4 million has been fully utilized for the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools).

QUALIFICATION REQUIREMENT

The foreign investor in a Sino-foreign joint venture school for PRC students at a kindergarten, high school and higher education institution must be a foreign educational institution with relevant qualification and experience at the same level and in the same category of education (the "**Qualification Requirement**"). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial level. Please refer to the section headed "Contractual Arrangements" in the Prospectus for the Group's efforts and actions undertaken to comply with the Qualification Requirement. There have been no updates since the publication of the Prospectus. The Group's PRC Legal Adviser has advised the Group there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement.

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

As at 28 February 2018, 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:

(i) 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[2]	Beneficial owner/ Founder of a discretionary trust	2,157,249,000[2]&[3]	66.07	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner	2,162,152,000[2]&[4]&[5]	66.22	Long position
Qiu Hongjun	Beneficial owner	3,261,000[5]	0.10	Long position

Notes:

(1) The calculation is based on the total number of 3,264,938,460 Shares in issue as at 28 February 2018.

(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 (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 2,137,500,000 Shares held by GuangYu Investment.

(3) Includes Mr. Li's entitlement to receive up to 19,156,530 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 23,596,220 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, Ge Cong, is interested in 326,000 Shares and therefore, Ms. Li is deemed to be interested in the 326,000 Shares held by Ge Cong.

(6) Includes Qiu Hongjun's entitlement to receive up to 3,097,950 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.

(ii) 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 positon
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB18,000,000	36%	Long positon
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB30,000,000	60%	Long positon
Ms. Li	YuHua Investment Management	Beneficial owner	RMB10,000,000	20%	Long positon
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB32,000,000	64%	Long positon
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB20,000,000	40%	Long positon

Save as disclosed above, as at 28 February 2018, 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 28 February 2018, 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[4]	66.07	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner	2,162,152,000[5]&[6]	66.22	Long position
Baikal Lake Investment[2]	Interest in controlled corporation	2,137,500,000	65.47	Long position
GuangYu Investment[2]	Beneficial owner	2,137,500,000	65.47	Long position
TMF (Cayman) Ltd.[3]	Trustee	2,137,500,000	65.47	Long position

Notes:

(1) The calculation is based on the total number of 3,264,938,460 Shares in issue as at 28 February 2018.

(2) The entire share capital of GuangYu Investment 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) Includes Mr. Li's entitlement to receive up to 19,156,530 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.

(5) Includes Ms. Li's entitlement to receive up to 23,569,220 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.

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

(7) 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, as at 28 February 2018, 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Share Incentive Schemes

In order to incentivize the Group's Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Group has adopted the Pre-IPO Share Option Scheme effective from 1 September 2016.

Details on the movement of the relevant scheme for the six months ended 28 February 2018 is set out in note 14 to the interim condensed consolidated financial information.

1. *Pre-IPO Share Option Scheme*

   The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage 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.

   The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as of 28 February 2018. No options were granted since 28 February 2018 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 14 to the interim condensed consolidated financial information.

Grantee	Position Held	Opening balance as at 1 September 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 28 February 2018	Exercise Price per Share
Director and associates								
Mr. Li	Executive Director; Chairman of the Board	19,749,000	–	592,470	–	–	19,156,530	HK$0.00001 per Share
Ms. Li	Executive Director; vice chairman of the Board;chief executive officer	24,326,000	–	729,780	–	–	23,596,220	HK$0.00001 per Share
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	3,261,000	–	163,050	–	–	3,097,950	HK$0.00001 per Share
Ge Cong (葛聰)	Director of the University and spouse of Ms. Li	326,000	–	16,300	–	–	309,700	HK$0.00001 per Share
Subtotal:		47,662,000	–	1,501,600	–	–	46,160,400	
Other employees								
325		132,338,000	–	10,286,860	–	–	122,051,140	HK$0.00001 per Share
Employees Subtotal:		132,338,000	–	10,286,860	–	–	122,051,140	
TOTAL		180,000,000	–	11,788,460	–	–	168,211,540	

2. *Share Award Scheme*

The summary of the principle terms of the Share Award Scheme, adopted on 8 February 2017, are contained 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. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As at the date of this interim 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 interim 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA YUHUA EDUCATION CORPORATION LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 60, which comprises the interim condensed consolidated balance sheet of China YuHua Education Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 28 February 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2018

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 28 February 2018 RMB'000 (Unaudited)	28 February 2017 RMB'000 (Unaudited)
Revenue	6	**517,105**	421,416
Cost of revenue	8	**(249,814)**	(211,016)
Gross profit		**267,291**	210,400
Selling expenses	8	**(1,904)**	(2,109)
Administrative expenses	8	**(63,883)**	(90,339)
Other income		**3,603**	9,828
Other gains/(losses) – net		**2,461**	(13)
Operating profit		**207,568**	127,767
Finance income		**9,980**	1,007
Finance expenses		**(3,069)**	(6,788)
Finance income/(expenses) – net		**6,911**	(5,781)
Profit before income tax		**214,479**	121,986
Income tax expense	9	**(9,388)**	—
Profit for the period		**205,091**	121,986
Profit attributable to:			
— Owners of the Company		**201,731**	121,986
— Non-controlling interests		**3,360**	—
		205,091	121,986
Earnings per share attributable to owners of the Company (RMB)			
Basic earnings per share	10	**0.06**	0.06
Diluted earnings per share	10	**0.06**	0.06

The notes on pages 26 to 60 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2018 RMB'000 (Unaudited)	28 February 2017 RMB'000 (Unaudited)
Profit for the period	**205,091**	121,986
Other comprehensive loss		
Item that may be reclassified to profit or loss		
Currency translation differences	**(79,089)**	—
Other comprehensive loss for the period, net of tax	**(79,089)**	—
Total comprehensive income for the period	**126,002**	121,986
Total comprehensive income for the period attributable to:		
– Owners of the Company	**122,642**	121,986
– Non-controlling interests	**3,360**	—
	126,002	121,986

The notes on pages 26 to 60 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2018 RMB'000 (Unaudited)	As at 31 August 2017 RMB'000 (Audited)
Assets			
Non-current assets			
Prepaid land lease payments	11	**813,878**	236,322
Property, plant and equipment	11	**2,250,720**	1,477,434
Intangible assets	11	**761,581**	1,689
Other non-current assets		**16,837**	17,687
Total non-current assets		**3,843,016**	1,733,132
Current assets			
Trade and other receivables	12	**74,113**	12,944
Financial assets at fair value through profit or loss		**116,028**	153,114
Cash and cash equivalents		**261,118**	642,506
Restricted cash		**251,828**	587
Term deposits with initial term of over three months		**716,567**	832,237
Total current assets		**1,419,654**	1,641,388
Total assets		**5,262,670**	3,374,520
Equity			
Equity attributable to owners of the Company			
Share capital	13	**28**	26
Share premium	13	**2,130,457**	1,318,313
Reserves		**357,407**	516,564
Retained earnings		**730,194**	642,193
Equity attributable to owners of the Company		**3,218,086**	2,477,096
Non-controlling interests		**227,647**	—
Total equity		**3,445,733**	2,477,096
Liabilities			
Non-current liabilities			
Borrowings	16	**101,381**	—
Deferred tax liabilities	18	**250,048**	—
Provisions	17	**15,615**	—
Total non-current liabilities		**367,044**	—
Current liabilities			
Accruals and other payables	15	**746,259**	265,713
Borrowings	16	**62,630**	—
Deferred revenue		**640,112**	631,711
Other current liabilities		**892**	—
Total current liabilities		**1,449,893**	897,424
Total liabilities		**1,816,937**	897,424
Total equity and liabilities		**5,262,670**	3,374,520

The notes on pages 26 to 60 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company									
	Note	Share capital (Note 13) (RMB'000)	Share premium (Note 13) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Translation reserve (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited											
Balance at 1 September 2017		26	1,318,313	150,046	334,153	91,578	–	(59,213)	642,193	–	2,477,096
Comprehensive income											
Profit for the period		–	–	–	–	–	–	–	201,731	3,360	205,091
Other comprehensive income											
Currency translation differences		–	–	–	–	–	–	(79,089)	–	–	(79,089)
Total transactions with owners											
Acquisition of subsidiaries	7	–	–	–	–	–	–	–	–	224,287	224,287
Placing of new shares	13	2	785,948	–	–	–	–	–	–	–	785,950
Dividends relating to the year ended 31 August 2017 paid in February 2018	19	–	–	–	–	–	–	–	(113,730)	–	(113,730)
Share-based compensation	14	–	–	–	–	31,269	–	–	–	–	31,269
Share issued upon exercise of share-based compensation	14	–	26,196	–	–	(26,196)	–	–	–	–	–
Purchase of treasury shares	14(a)	–	–	–	–	–	(85,141)	–	–	–	(85,141)
Total transactions with owners		2	812,144	–	–	5,073	(85,141)	–	(113,730)	224,287	842,635
Balance at 28 February 2018		28	2,130,457	150,046	334,153	96,651	(85,141)	(138,302)	730,194	227,647	3,445,733

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owner of the Company									
	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Translation reserve (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited										
Balance at 1 September 2016	65	–	150,000	236,557	–	–	–	523,026	–	909,648
Comprehensive income										
Profit for the period	–	–	–	–	–	–	–	121,986	–	121,986
Total transactions with owners										
Capital contribution from owner	19	–	–	–	–	–	–	–	–	19
Repurchase of shares	(65)	–	46	–	–	–	–	–	–	(19)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	7	1,318,313	–	–	–	–	–	–	–	1,318,320
Share-based compensation	–	–	–	–	53,119	–	–	–	–	53,119
Total transactions with owners	(39)	1,318,313	46	–	53,119	–	–	–	–	1,371,439
Balance at 28 February 2017	26	1,318,313	150,046	236,557	53,119	–	–	645,012	–	2,403,073

The notes on pages 26 to 60 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 28 February 2018 RMB'000 (Unaudited)	28 February 2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**31,602**	65,305
Interest paid		**(1,641)**	(5,324)
Income tax paid		**(3,518)**	—
Net cash generated from operating activities		**26,443**	59,981
Cash flows from investing activities			
Purchases of property, plant and equipment		**(47,931)**	(75,712)
Payment of prepaid land lease payments		**(40,050)**	—
Purchases of intangible assets		**(715)**	(177)
Proceeds from disposal of property, plant and equipment		**10**	487
Return of prepaid land lease payments		**—**	48,472
Purchases of financial instruments at fair value through profit or loss		**(291,616)**	—
Disposals of financial instruments at fair value through profit or loss		**332,000**	—
Acquisition of subsidiaries	7	**(467,049)**	—
Change of term deposits with initial term of over three months		**90,109**	—
Change of restricted bank deposits		**(272,232)**	—
Interest received		**3,703**	920
Payments for the assignment of creditor's rights	7(d)	**(214,841)**	—
Net cash used in investing activities		**(908,612)**	(26,010)
Cash flows from financing activities			
Placing of new shares	13	**794,777**	—
Payment of share issuance cost		**(19,759)**	(30,681)
Purchase of treasury shares	14(a)	**(134,313)**	—
Proceeds from issuance of shares upon IPO		**—**	1,361,918
Dividends paid to owners of the company		**(113,730)**	—
Finance lease payments	16	**(3,464)**	—
Proceeds from borrowings		**—**	30,000
Repayments of borrowings		**—**	(245,000)
Borrowings from related parties		**—**	6,864
Repayments of borrowings to related parties		**—**	(6,864)
Net cash generated from financing activities		**523,511**	1,116,237
Net (decrease)/increase in cash and cash equivalents		**(358,658)**	1,150,208
Cash and cash equivalents at beginning of the period		**642,506**	304,986
Exchange (losses)/gains on cash and cash equivalents		**(22,730)**	87
Cash and cash equivalents at end of the period		**261,118**	1,455,281

The notes on pages 26 to 60 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 28 February 2017.

This condensed consolidated interim financial information is presented in Renminbi (RMB), unless otherwise stated.

Key events

Business combination

On 27 December 2017, one of the Company's wholly owned subsidiaries, China YuHua Education Investment Limited, a company incorporated in the British Virgin Islands with limited liability (the "purchaser"), and LEI China Limited, an indirect subsidiary of Wengen Alberta LP incorporated in Hong Kong with limited liability, entered into an acquisition agreement, pursuant to which the purchaser has conditionally agreed to purchase the entire issued share capital of LEI Lie Ying Limited ("LEI Lie Ying") (the "Acquisition") with the consideration amounting to RMB1,165,159,000. Upon completion of the Acquisition, GuangYu Investment Holdings Limited became the ultimate holding company of LEI Lie Ying. On 27 December 2017, the Acquisition was completed and Mr. Li Guangyu became the ultimate controlling party of LEI Lie Ying and its subsidiaries (collectively referred to as "LEI Lie Ying Group").

LEI Lie Ying was incorporated in Hong Kong on 26 March 2009 as a limited liability company. LEI Lie Ying Group provides private university and vocational education services in Hunan Province of the PRC.

1. GENERAL INFORMATION (CONTINUED)

Key events (Continued)

LEI Lie Ying's subsidiaries as at 28 February 2018 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by LEI Lie Ying, and the proportion of ownership interests held equals the voting rights held by LEI Lie Ying. The country of incorporation or registration is also their principal place of business.

Company name	Country/place and date of incorporation/ establishment	Registered and paid-up capital	Attributable equity interests of LEI Lie Ying Group: As at 28 February 2018	As at the date of this report	Principal activities/ place of operation
Directly owned by LEI Lie Ying:					
Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司)	the PRC/ 17 Dec 1996	RMB113,333,334	70%*	70%*	Investment holding, the PRC
Indirectly owned by LEI Lie Ying:					
Hunan International Economics University ("HIEU") (湖南涉外經濟學院)	the PRC/ 13 May 1997	RMB10,000,000	70%	70%	Education service, the PRC
Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司)	the PRC/ 29 July 2002	RMB2,000,000	70%	70%	Property management service, the PRC
Hunan Lie Ying Mechanic School (湖南獵鷹技工學校)	the PRC/ 10 Sep 2007	RMB500,000	70%	70%	Education service, the PRC

* Due to the civil proceedings with Guangdong Nanbo Education Investment Pte Ltd. ("Nanbo"), 22.8% of the equity interests of Hunan Lie Ying Industry Co., Ltd held by LEI Lie Ying was frozen by an order of the Higher People's Court of Hunan, the PRC on 12 December 2017. For the details, please refer to Note 22(b).

1. GENERAL INFORMATION (CONTINUED)

Key events (Continued)

Placing of new shares

On 2 November 2017, the Company, GuangYu Investment Holding Limited ("GuangYu Investment"), CITIC CLSA Limited (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 2 November 2017; 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 HK$925,500,000, which will be applied to enhance the capital base of the Company and the aforementioned acquisition. Details of the placing and subscription were set out in the Company's announcement dated 3 November 2017.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 28 February 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Group had net current liabilities of approximately RMB30,239,000 as at 28 February 2018. The Group assesses its liquidity by its ability to generate cash from operating activities to fund its operations and borrow funds on favourable economic terms.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from the owner and related parties to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing.

2. BASIS OF PREPARATION (CONTINUED)

Taking into account the financial resources of the Group, including the anticipated operation cash flow and the Group's undrawn bank facilities and the ability of the management in adjusting the pace of its operation expansion and controlling the operating expenses of the Group, the directors are of the opinion that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next 12 months. Therefore, the financial information has been prepared on a going concern basis.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2017, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2018 and the accounting policies applied in Note 3(c) subsequent to the acquisition of the subsidiaries disclosed in Note 7.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2018 do not have a material impact on the Group.

(b) Impact of new or amended standards and interpretations that have been issued and may be applicable to the Group but not yet effective for the six months ended 28 February 2018:

		Effective for accounting periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Insurance Contracts	1 January 2018 or when the entity first applies IFRS 9
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 40	Transfers of Investment Property	1 January 2018

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of new or amended standards and interpretations that have been issued and may be applicable to the Group but not yet effective for the six months ended 28 February 2018: (Continued)

The Group has not early adopted the above mentioned new or amended standards and interpretations in this condensed consolidated interim financial information and will apply these new or amended standards and interpretations in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group of these standards and interpretation, in particular IFRS 15, IFRS 9 and IFRS 16 as follows:

(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.

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.

3. ACCOUNTING POLICIES (CONTINUED)

(i) IFRS 9 Financial instruments (Continued)

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.

(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 recognised 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 September 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 results in almost all leases being recognised 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 recognised. 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 RMB41,703,000. 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.

3. ACCOUNTING POLICIES (CONTINUED)

(iii) IFRS 16 Leases (Continued)

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.

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.

(c) Accounting policies applied by the Group subsequent to the acquisition of subsidiaries

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have infinite useful life.

Trademarks impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of trademarks is compared to the recoverable amount, which is the higher of VIU and FVLCD.

3. ACCOUNTING POLICIES (CONTINUED)

(c) Accounting policies applied by the Group subsequent to the acquisition of subsidiaries (Continued)

(iii) Finance lease

Lease of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(iv) Rental income

Rental income on operating leases where the Group is a lessor is recognised on a straight-line basis over the term of the lease.

4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 August 2017 except for the ones below.

(a) Deferred income tax

The Group recognises deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. ESTIMATES (CONTINUED)

(b) Estimation of goodwill impairment and trademarks impairment

The goodwill and the trademark arose from the Acquisition. Trademark is typically not a CGU and should not normally be tested alone. The Group tests whether goodwill and trademark have suffered any impairment on an annual basis in accordance with the accounting policy stated in Note 3(c). The recoverable amount of a CGU is determined based on the higher of FVLCD and VIU which requires the use of estimates and valuation techniques. When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

(c) Estimation of impairment of other non-current assets

Prepaid land lease payments, property, plant and equipment and other intangible assets are stated at cost less depreciation and amortisation. The carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts 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 to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's financial position and results of operations.

(d) Provisions for legal claim

Provisions for legal claims 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 measured at the present value of management's best estimate of the expenditure required to settle the present obligation discounted at 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.

The management of the Group do not recognise but disclose a contingent liability unless the possibility of an outflow of resources embodying economic benefits is remote, if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2017.

There have been no changes in the risk management policies since year end.

5.2 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.

As at 28 February 2018, the Group has cash and cash equivalents of RMB261,118,000 (31 August 2017: RMB642,506,000) and trade receivables of RMB1,016,000 (31 August 2017: RMB201,000) that are expected to readily generate cash inflows for managing liquidity risk.

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Unaudited				
As at 28 February 2018				
Borrowings (principal plus interests)	63,954	107,942	—	171,896
Accruals and other payables (excluding non-financial liabilities)	651,234	—	—	651,234
	715,188	107,942	—	823,130
Audited				
As at 31 August 2017				
Accruals and other payables (excluding non-financial liabilities)	170,315	—	—	170,315

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 28 February 2018 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).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at 28 February 2018 and 31 August 2017:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Level 3		
Assets		
Financial instruments at fair value through profit or loss	**116,028**	153,114

The following table presents the movement in level 3 instruments for the six months ended 28 February 2018:

	Investments in wealth management products (level 3) RMB'000
Balance at 1 September 2017	153,114
Additions	291,616
Settlements	(332,000)
Gains and losses recognised in profit or loss	3,298
Balance at 28 February 2018	**116,028**
Changes in unrealised gains or losses included in profit or loss for the period	643

There were no movement or balance in level 3 instruments for the six months ended 28 February 2017.

As at 28 February 2018, 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.

6 SEGMENT INFORMATION

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

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

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

For the purposes of monitoring segment performance and allocating resources among segments, segment results represent profit for the period 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 and Hunan Province of the PRC, while all of the Group's revenue and operating profit are derived within Henan Province and Hunan Province of the PRC, and all of the Group's operations and non-current assets are located in Henan Province and Hunan Province of the PRC.

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 28 February 2018 and 2017.

6. SEGMENT INFORMATION (CONTINUED)

The information of the reportable segments provided to the CODM for the six months ended 28 February 2018 and 2017 is as follows:

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended 28 February 2018						
Revenue	29,120	252,167	235,818	1,523	(1,523)	517,105
Cost of revenue	(16,486)	(136,882)	(96,446)	–	–	(249,814)
Gross profit	12,634	115,285	139,372	1,523	(1,523)	267,291
Selling expenses	–	(258)	(1,536)	(110)	–	(1,904)
Administrative expenses	(3,941)	(16,160)	(15,700)	(29,605)	1,523	(63,883)
Other income	–	3,189	414	–	–	3,603
Other gains/(losses) — net	109	1,885	811	(344)	–	2,461
Operating profit	8,802	103,941	123,361	(28,536)	–	207,568
Finance income/(expenses) — net	111	(344)	(679)	7,823	–	6,911
Profit before income tax	8,913	103,597	122,682	(20,713)	–	214,479
Income tax expense	–	–	(9,388)	–	–	(9,388)
Profit for the period	8,913	103,597	113,294	(20,713)	–	205,091
As at 28 February 2018						
Total assets	150,988	1,655,898	3,581,790	3,838,724	(3,964,730)	5,262,670
Total liabilities	57,249	931,595	1,101,709	1,945,589	(2,219,205)	1,816,937
Other segment information						
For the six months ended 28 February 2018						
Additions to non-current assets	917	10,159	23,712	32	–	34,820
Depreciation and amortisation	(2,013)	(20,685)	(25,864)	(2,685)	–	(51,247)
Losses on disposal of property, plant and equipment	(4)	(181)	(7)	4	–	(188)

6. SEGMENT INFORMATION (CONTINUED)

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

7. BUSINESS COMBINATIONS

As disclosed in Note 1, on 27 December 2017, the Group completed the acquisition of 100% equity interest in LEI Lie Ying from a third party for a consideration of RMB1,165,159,000. The goodwill of RMB555,408,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer; obtaining economies of scale by cost reductions from purchasing efficiencies.

The following table summarises the purchase consideration for LEI Lie Ying Group, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 27 December 2017 (RMB'000)
Acquisition consideration	1,165,159
Indemnification (i)	(108,275)
Less:	
Cash and cash equivalents	159,293
Prepaid land lease payments	583,120
Property, plant and equipment	784,407
Intangible assets	226,301
Deferred tax assets	11,317
Trade and other receivables	6,057
Accruals and other payables	(337,368)
Current income tax liabilities	(6,069)
Deferred revenue	(244,785)
Borrowings	(167,327)
Deferred tax liabilities	(251,977)
Provisions	(15,329)
Non-controlling interests	(224,287)
Goodwill	**533,531**
Acquisition-related costs (included in administrative expenses in the condensed consolidated interim statement of profit or loss for the six months ended 28 February 2018)	1,390
Outflow of cash to acquire business, net of cash acquired	
Acquisition consideration	1,165,159
Indemnification	(108,275)
Payables for acquisition consideration (Note 15)	(430,542)
Cash paid	626,342
Cash and cash equivalents in subsidiaries acquired	(159,293)
Cash outflow on acquisition	467,049

7. BUSINESS COMBINATIONS (CONTINUED)

Note:

(i) Indemnification

Pursuant to the acquisition agreement, the purchaser shall be indemnified by the seller under certain circumstances. The directors of the Group estimated that the indemnification would be amounted to RMB108,275,000.

(a) Acquired receivables

The fair value of trade and other receivables is RMB6,057,000 and includes that of trade receivables of RMB471,000. The gross contractual amount for trade receivables past due is RMB1,534,000, of which RMB1,063,000 is expected to be uncollectible.

(b) Provisional fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets (including the brand) of RMB226,301,000 is provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of RMB30,012,000 has been provided in relation to these fair value adjustments.

(c) Revenue and profit contribution

The revenue and net profit included in the consolidated statement of profit or loss contributed by LEI Lie Ying Group since 27 December 2017 was RMB62,729,000 and RMB10,201,000, respectively. If the acquisition had occurred on 1 September 2017, consolidated revenue and consolidated profit for the half year ended 28 February 2018 would have been RMB663,176,000 and RMB231,296,000 respectively.

(d) Assignment of creditor's rights

Pursuant to an agreement among HIEU, YuHua Investment Management Co., Ltd. and Laureate Investment Consulting (Shanghai) Co., Ltd. ("LIC") dated 27 December 2017, LIC assigned its right in the balance due from HIEU amounting to RMB214,841,000 to YuHua Investment Management Co., Ltd. at a consideration of RMB214,841,000.

(e) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interests.

8 EXPENSES BY NATURE

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Employee benefit expenses	**181,702**	167,619
— Wages, salaries, bonus and other welfare	**150,433**	114,500
— Share-based compensation expenses (Note 14)	**31,269**	53,119
Depreciation of property, plant and equipment (Note 11)	**45,028**	34,376
Amortisation of prepaid land lease payments (Note 11)	**5,564**	2,560
Amortisation of intangible assets (Note 11)	**655**	146
Canteen expenditure	**14,126**	14,821
Student training and scholarship expenses	**9,217**	7,162
School consumables	**19,907**	17,028
Utilities expenses	**14,418**	12,725
Maintenance expenses	**4,511**	9,296
Marketing expense	**1,408**	1,928
Operating lease payments	**2,245**	2,136
Expense in relation to the Listing	**—**	20,134
Office expenses	**5,566**	5,275
Consultancy and professional fee	**3,233**	10
Travel and entertainment expense	**1,463**	3,599
Expense in relation to the Acquisition	**1,390**	—
Other expenses	**5,168**	4,649
	315,601	303,464

9 INCOME TAX EXPENSE

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	**—**	—
Deferred tax		
Decrease in deferred tax assets	**11,318**	—
Decrease in deferred tax liabilities	**(1,930)**	—
Deferred tax expense for the period	**9,388**	—
Income tax expense	**9,388**	—

9 INCOME TAX EXPENSE (CONTINUED)

(a) Cayman Islands profits tax

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

(b) British Virgin Islands profit tax

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

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 28 February 2018 and 2017.

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

CIT is provided on assessable profits of entities incorporation in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 28 February 2018 and 2017.

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

Subsequent to the Acquisition, China YuHua Education Investment Limited, a subsidiary of the Company and the sponsor of HIEU, decided not to require reasonable returns from HIEU, and the articles of HIEU has been changed from requiring reasonable returns to not requiring reasonable returns accordingly. The directors believed that HIEU is eligible to enjoy the corporate income tax exemption for the tuition and boarding income beginning from 1 January 2018 from local tax authority. Therefore, the deferred tax assets arising from the tax losses carried forward and other timing differences of HIEU as at 31 December 2017 were derecognised in this period.

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

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 28 February 2018 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2018.

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**201,731**	121,986
Weighted average number of ordinary shares in issue (thousands)	**3,164,528**	2,179,558
Basic earnings per share (RMB)	**0.06**	0.06

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company for the six months ended 28 February 2018 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**201,731**	121,986
Weighted average number of ordinary shares in issue (thousands)	**3,164,528**	2,179,558
Adjustments for:		
—Pre-IPO share options (thousands)	**93,931**	7,120
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,258,459**	2,186,678
Diluted earnings per share (RMB)	**0.06**	0.06

11. PREPAID LAND LEASE PAYMENTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Prepaid land lease payments (RMB'000) (Unaudited)	Property, plant and equipment (RMB'000) (Unaudited)	Goodwill (RMB'000) (Unaudited)	Trademark (Note 7) (RMB'000) (Unaudited)	Other intangible assets (RMB'000) (Unaudited)
Six months ended 28 February 2018					
Opening net book amount	**236,322**	**1,477,434**	**—**	**—**	**1,689**
Acquisition of subsidiaries (Note 7)	**583,120**	**784,407**	**533,531**	**219,000**	**7,301**
Additions	**—**	**34,105**	**—**	**—**	**715**
Disposals	**—**	**(198)**	**—**	**—**	**—**
Depreciation and amortisation	**(5,564)**	**(45,028)**	**—**	**—**	**(655)**
Closing net book amount as at 28 February 2018	**813,878**	**2,250,720**	**533,531**	**219,000**	**9,050**
Six months ended 28 February 2017					
Opening net book amount	224,693	1,465,026	—	—	1,792
Additions	—	66,985	—	—	177
Disposals	—	(400)	—	—	—
Depreciation and amortisation	(2,560)	(34,376)	—	—	(146)
Closing net book amount as at 28 February 2017	222,133	1,497,235	—	—	1,823

(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 RMB461,737,000 (31 August 2017: RMB199,971,000) as at 28 February 2018, 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 28 February 2018, the land use right of the Group with a carrying amount of RMB266,135,000 (31 August 2017: nil) was pledged as security for bank borrowings of the Group. The land use right of the Group with a carrying amount of RMB16,808,000 (31 August 2017: nil) was pledged as security for a personal bank loan with a principal amount of RMB12,000,000 owed by a former employee of Hunan Lie Ying Industry Co., Ltd..

(d) As at 28 February 2018, the carrying amount of prepaid land lease payments without land use right certificates was RMB47,442,000 (31 August 2017: RMB73,920,000). The Group is in the process of applying for the certificates.

(e) As at 28 February 2018, the carrying amount of buildings without building ownership certificates was RMB1,447,848,000 (31 August 2017: RMB1,056,915,000). The Group is in the process of applying for the certificates.

12. TRADE AND OTHER RECEIVABLES

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Trade receivables		
Due from students	**2,183**	201
Provision for impairment	**(1,167)**	—
	1,016	201
Other receivables		
Amounts due from related parties	**29,303**	—
Deposits	**1,811**	1,359
Staff advance	**571**	—
Interest receivables	**13,072**	7,152
Others	**1,928**	325
	46,685	8,836
Provision for impairment	**(30,094)**	—
	16,591	8,836
Prepayments		
Prepayment for purchase of treasury shares (Note 14(a))	**49,172**	—
Prepaid expenses	**5,858**	3,798
Prepayments to suppliers	**1,476**	109
	56,506	3,907
	74,113	12,944

As at 28 February 2018 and 31 August 2017, the aging analysis of trade receivables based on the recognition date were as follows:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Less than 1 year	**1,840**	201
Over 1 year	**343**	—
	2,183	201

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Trade receivables		
Neither overdue nor impaired	670	201
Overdue and impaired	1,167	—
Overdue but not impaired	346	—
	2,183	201

13. SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK$
Unaudited		
As at 28 February 2018	50,000,000,000	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 2017	3,000,000,000	HK$30,000	26	1,318,313	1,318,339
Placing of new shares	253,150,000	HK$2,532	2	785,948	785,950
Share issued upon exercise of share-based compensation	11,788,460	HK$118	—	26,196	26,196
Balance at 28 February 2018	3,264,938,460	HK$32,650	28	2,130,457	2,130,485

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK$
Unaudited		
As at 28 February 2017	50,000,000,000	500,000

13. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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 2016	10,000	US$10,000	65	—	65
Capital contribution from owner	2,250,000,000	HK$22,500	19	—	19
Repurchase of shares	(10,000)	(US$10,000)	(65)	—	(65)
Issuance of shares relating to initial public offering	750,000,000	HK$7,500	7	1,318,313	1,318,320
Balance at 28 February 2017	3,000,000,000	HK$30,000	26	1,318,313	1,318,339

14. SHARE-BASED PAYMENTS

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

	Unaudited Six months ended 28 February 2018	
	Average exercise price in HK$ per share option	Number of share options
Opening balance	0.00001	180,000,000
Share options exercised	0.00001	(11,788,460)
Closing balance	0.00001	168,211,540
Exercisable at period end	0.00001	1,280,040

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

14. SHARE-BASED PAYMENTS (CONTINUED)

Options exercised for the six months ended 28 February 2018 resulted in 11,788,460 shares (2017: nil) being issued at a weighted average price of HK$4.16 each (2017: nil).

Share options outstanding as at 28 February 2018 have the following expiry date and exercise prices:

	Unaudited 28 February 2018	
Expiry date	**Exercise price in HK$ per share option**	**Number of share options**
1 September 2036	0.00001	168,211,540

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

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

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2018, 4,881,050 share options have been vested, and 382,750 share options have not yet exercised.

15,658,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2018, 782,900 share options have been vested, and 750,290 share options have 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. As at 28 February 2018, 220,100 share options have been vested, and 16,300 share options have not yet exercised.

14. SHARE-BASED PAYMENTS (CONTINUED)

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2018, 81,800 share options have been vested and not yet exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 28 February 2018, 130,400 share options have been vested, and 48,900 share options have not yet exercised.

44,075,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 28 February 2018, 1,322,250 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2018, 5,650,000 share options have been vested and exercised.

The fair value of the options granted under the Pre-IPO Share Option Scheme as determined using the Binomial 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 interim condensed consolidated statement of profit or loss for the six months ended 28 February 2018 amounted to HK$36,318,000 (equivalent to RMB31,269,000) (2017: HK$ 60,820,000, equivalent to RMB53,119,000).

(a) Purchase of treasury shares

In order to establish and enhance the share award scheme in the medium and long run, during January and February 2018, the Group entrusted and paid an aggregate of HK$162,000,000 (equivalent to RMB134,313,000) to Haitong International Securities Co., Ltd. ("Haitong Securities") to purchase shares of the Company from the market as an incentive subject. During this period, Haitong Securities purchased 23,502,000 shares of the Company in total amounting to HK$105,190,000 (equivalent to RMB85,141,000), which was deducted from "treasury shares" under reserves. The remaining amount of HK$56,810,000 (equivalent to RMB49,172,000) is disclosed in trade and other receivables (Note 12).

15. ACCRUALS AND OTHER PAYABLES

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Amounts due to related parties	**14,619**	1,122
Payables for prepaid land lease payments	**8,422**	48,472
Payables for purchases of property, plant and equipment	**91,058**	91,514
Salary and welfare payables	**54,421**	51,681
Payables for annual fees	**1,300**	1,300
Deposits received	**22,096**	19,322
Miscellaneous expenses received from students	**34,434**	12,353
Payables for teaching materials and other operating expenditure	**27,818**	14,082
Payables for contracting canteens	**2,156**	2,408
Government subsidies payable to students and teachers	**19,251**	1,604
Payables in relation to the Listing	**3,742**	14,874
Payables of costs in relation to the Acquisition (Note 7)	**1,390**	—
Interest payables	**136**	—
Accrued expenses	**7,706**	—
Taxes payable	**6,170**	—
Payables for acquisition consideration (Note 7)	**430,542**	—
Others	**20,998**	6,981
	746,259	265,713

16. BORROWINGS

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Non-current		
Secured		
Bank loans	**80,000**	—
Finance lease liabilities	**21,381**	—
	101,381	—
Current		
Secured		
Bank loans	**60,000**	—
Finance lease liabilities	**2,630**	—
	62,630	—
Total borrowings	**164,011**	—

16. BORROWINGS (CONTINUED)

(a) Movements in borrowings is analysed as follows:

Unaudited	(RMB'000)
Six months ended 28 February 2018	
Opening amount as at 1 September 2017	**—**
Acquisition of subsidiaries (Note 7)	**167,327**
Finance lease payments	**(3,464)**
Finance charge on finance leases	**148**
Closing amount as at 28 February 2018	**164,011**
Six months ended 28 February 2017	
Opening amount as at 1 September 2016	315,000
Proceeds of borrowings	30,000
Repayments of borrowings	(245,000)
Closing amount as at 28 February 2017	100,000

(b) As at 28 February 2018, there were no undrawn bank facility (31 August 2017:nil).

(c) Bank borrowings of the Group which were guaranteed and pledged by certain prepaid land lease payments of a subsidiary of the Company are shown below:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Guaranteed and pledged by a subsidiary of the Group	**30,000**	—

(d) Bank borrowings of the Group which were guaranteed by a subsidiary of the Company are shown below:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Guaranteed by a subsidiary of the Group	**110,000**	—

16. BORROWINGS (CONTINUED)

(e) The carrying amounts of assets pledged as security for borrowings are:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Finance lease		
Buildings	**38,139**	—
Bank borrowings		
Prepaid land lease payments	**282,943**	—

17. PROVISIONS

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Legal Claim		
At beginning of the period	**—**	—
Acquisition of subsidiaries (Note 7)	**15,329**	—
Charged to profit or loss	**286**	—
At end of the period	**15,615**	—

(a) On 27 July 2016, a legal claim was filed against HIEU by a bank to claim for the joint liability of an overdue loan owed by a former employee of Hunan Lie Ying Industry Co., Ltd. as the loan was pledged by a land use right owned by HIEU with a carrying amount of RMB16,808,000 as at 28 February 2018. This matter is currently under consideration by the court. Taking into the consideration of the legal opinion that HIEU will be highly probable to bear the liability, the Group recognised provisions for the legal claim amounting to RMB15,615,000 as at 28 February 2018 including the interests incurred.

18. DEFERRED TAX ASSETS AND LIABILITIES

The gross movement in the deferred income tax account is as follows:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Opening amount	—	—
Acquisition of subsidiaries (Note 7)	(240,660)	—
Charged to profit or loss (Note 9)	(9,388)	—
Closing amount	(250,048)	—

19. DIVIDENDS

On 30 April 2018, the Board of Directors has resolved to declare an interim dividend of HK$0.047 (2017: HK$0.037) per share to shareholders whose names appear on the register of members of the Company at the close of business on 18 May 2018. This interim dividend, amounting to HK$153,492,000 (2017: HK$111,674,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company 0n 15 June 2018.

A dividend in respect of the year ended 31 August 2017 of HK$0.043 per share amounting to a total dividend of RMB113,730,000 was approved at the annual general meeting held on 9 February 2018 and paid on 26 February 2018.

20. COMMITMENTS

(a) Capital commitments

As at 28 February 2018, there were no capital expenditures contracted for but not yet incurred (31 August 2017: nil).

(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 as follows:

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
No later than 1 year	3,007	3,704
Later than 1 year and no later than 5 years	12,312	12,085
Later than 5 years	26,384	29,617
	41,703	45,406

21. 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 equity holders, 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
Ms. Liu Chunhua	The spouse of the Controlling Shareholder
Ms. Li Hua	The daughter of the Controlling Shareholder
Zhengzhou Corn Culture Communication Co., Ltd.	A company controlled by the Controlling Shareholder
Hunan Lie Ying Construction Engineering Co., Ltd.	A company controlled by a close family member of a shareholder with significant influence of subsidiaries
Hunan Golf Vocational College	A company controlled by a close family member of a shareholder with significant influence of subsidiaries
Lie Ying Science and Education	A company controlled by a close family member of a shareholder with significant influence of subsidiaries

(a) Transactions with related parties

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Borrowings from related parties	**—**	6,864
Repayments of borrowings to related parties	**—**	(6,864)
Purchases of office building lease services	**1,075**	358
— A company controlled by the Controlling Shareholder's family	**575**	192
— Ms. Liu Chunhua	**232**	89
— Ms. Li Hua	**268**	77

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 28 February 2018 (RMB'000) (Unaudited)	As at 31 August 2017 (RMB'000) (Audited)
Amounts due to related parties		
— The Controlling Shareholder	**717**	739
— Zhengzhou Corn Culture Communication Co., Ltd.	**575**	383
— Hunan Lie Ying Construction Engineering Co., Ltd.	**9,969**	—
— Others	**3,358**	—
	14,619	1,122
Amounts due from related parties		
— Hunan Golf Vocational College	**2,276**	—
— Others	**7,505**	—
	9,781	—
Provision for impairment		
— Hunan Golf Vocational College	**(2,276)**	—
— Others	**(7,469)**	—
	(9,745)	—
	36	—
Loans to related parties		
— Lie Ying Science and Education	**19,522**	—
Provision for impairment	**(19,522)**	—
	—	—

As at 28 February 2018, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due to the Controlling Shareholder and related parties are unsecured.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

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

	Six months ended	
	28 February 2018 (RMB'000) (Unaudited)	28 February 2017 (RMB'000) (Unaudited)
Wages, salaries and bonuses	**1,029**	715
Contributions to pension plans	**75**	66
Welfare and other expenses	**57**	46
Share-based payments	**18,704**	37,614
	19,865	38,441

22. CONTINGENT LIABILITIES

As at 28 February 2018, the Group had contingent liabilities in respect of:

(a) Dispute with Ms. Li Shihong and Hunan Lie Ying Education Investment Management Co., Ltd.

In June 2016, Ms. Li Shihong, a third party, and Hunan Lie Ying Education Investment Management Co., Ltd., a company formerly controlled by Mr. Zhang Jianbo, commenced civil proceedings in the Changsha Intermediary Court in the PRC against Mr. Zhang Jianbo, Mr. Zhang Jiangbo, Ms. Chen Zhengxian, Hunan New Lie Ying Science and Education Co., Ltd. ("Lie Ying Science and Education"), a company controlled by Mr. Zhang Jianbo and HIEU, claiming an amount of RMB170,000,000 pursuant to a debt repayment document executed in 2014 (and any interest and litigation expenses).

The document was signed by Mr. Zhang Jiangbo, Ms. Chen Zhengxian, Lie Ying Science and Education and Mr. Zhang Jianbo, allegedly on behalf of HIEU, in effect as a guarantor and a seal was affixed, allegedly being that of HIEU. HIEU's defence contended that Mr. Zhang Jianbo was not authorised to execute the document on behalf of HIEU, nor to affix any HIEU's seal, and that in any event an education institution is not permitted to guarantee a loan for non-educational purposes. Mr. Zhang Jianbo has admitted to the court that he lacked such authorisation. On 4 November 2017, HIEU was informed by the court that the case against it would be dismissed. On 25 November 2017, Ms. Li Shihong and Hunan Lie Ying Education Investment Management Co., Ltd. filed an appeal against the court's decision. On 19 April 2018, the first hearing of the appeal was convened in the Higher People's Court of Hunan in the PRC. No verdict has been made by the court. The directors of the Company indicate that although there is still uncertainty until the final court decision has made, it is probable that the court will be in favour of its previous judgement.

22. CONTINGENT LIABILITIES (CONTINUED)

(b) Dispute with Nanbo

In December 2017, Nanbo commenced civil proceedings in the Higher People's Court of Hunan against LEI Lie Ying and LIC, with HIEU and Hunan Lie Ying Industry Co., Ltd. joined as third parties and sought an order that: (i) LEI Lie Ying and LIC shall compensate HIEU for a total amount of RMB265,000,000 for impairment of HIEU's interests; (ii) the exclusive technical support and consultation service agreement entered into between HIEU and LIC be declared void and invalid; and (iii) LEI Lie Ying and LIC shall bear all the costs and legal fees for the proceedings. On 12 December 2017, the Higher People's Court of Hunan granted an order that the equity interests in Hunan Lie Ying Industry Co., Ltd. held by LEI Lie Ying and Nanbo shall be frozen to preserve the relevant assets before proceedings. The case has not been heard in court. According to the legal opinion, it is not probable that the judgement will be in favour of the claims from Nanbo.

(c) Dispute with Hunan Lieying Real Estate Co., Ltd. ("Lieying Real Estate")

On 20 December 2017, Lieying Real Estate commenced civil proceedings in the court against HIEU and sought an order of: (i) the dissolution of an operating lease contract of one layer of a building entitled to Lieying Real Estate, pursuant to which HIEU was a leasee and the lease period was eleven months starting from 1 February 2012; (ii) HIEU's immediate return of the property's use right to Lieying Real Estate; (iii) the payments of total rentals of RMB2,502,000 and a penalty of RMB6,707,000 to Lieying Real Estate; and (iv) HIEU bearing all the costs and legal fees for the proceedings. As at the date of this report, HIEU still occupies the property. The case was heard in court on 5 March 2018 and no verdict has been made by the court. Taking into consideration of the legal opinion that HIEU will be highly probable to bear the rental liability, the Group recognised rental expenses of RMB69,000 for the six months ended 28 February 2018. In the opinion of the directors of the Company and the legal counsel, it is not probable that HIEU will be required to pay the penalty that the plaintiff sought for.

(d) Disputes with Ms. Chen Zhengxian

On 23 October 2017, Ms. Chen Zhengxian, the non-controlling shareholder of Hunan Lie Ying Industry Co., Ltd. and the mother of Mr. Zhang Jianbo, commenced civil proceedings in People's Court of Yuelu, Changsha, against Hunan Lie Ying Industry Co., Ltd. and sought an order that Hunan Lie Ying Industry Co., Ltd. shall cooperate with Ms. Chen Zhengxian to inspect and photocopy the accounting records of Hunan Lie Ying Industry Co., Ltd. and its wholly-owned subsidiaries commencing from the year ended 31 December 2010 and that Hunan Lie Ying Industry Co., Ltd. shall bear all costs of the proceedings. On 25 December 2017, the court dismissed the case against Hunan Lie Ying Industry Co., Ltd.. On 21 January 2018, Ms. Chen Zhengxian filed an appeal against the court's decision. According to the legal opinion, it is not probable that the judgement will be in favour of the claims from Ms. Chen Zhengxian.

22. CONTINGENT LIABILITIES (CONTINUED)

(d) Disputes with Ms. Chen Zhengxian (Continued)

On 28 November 2017, Ms. Chen Zhengxian commenced civil proceedings in the Hunan Provincial Higher Court against LEI Lie Ying and Mr. Lin Zhiwen (林至文), a former director of Hunan Lie Ying Industry Co., Ltd., HIEU and Hunan Lie Ying Property Management Co., Ltd., with HIEU, Hunan Lie Ying Industry Co., Ltd., LIC, Mr. Zhang Jianbo and Mr. Zhang Jiangbo listed as third parties. Ms. Chen Zhengxian sought an order that: (i) LEI Lie Ying shall return the capital withdrawn of RMB172,020,000 and shall pay a total amount of RMB28,000,000 as compensation for interests; (ii) the aforesaid amounts shall be distributed to Ms. Chen Zhengxian, Mr. Zhang Jianbo and Mr. Zhang Jiangbo in the same proportion as their previous shareholding proportion in Hunan Lie Ying Industry Co., Ltd.; and (iii) Mr. Lin Zhiwen shall be held jointly liable. On 22 December 2017, the court granted an interim order that LEI Lie Ying's bank deposits of RMB200,020,000 or equivalent assets shall be frozen to preserve the relevant assets before proceedings, which has not been executed as of the reporting date. The case has not been heard in court. According to the legal opinion, it is not probable that the judgement will be in favour of the claims from Ms. Chen Zhengxian.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 19.

(b) Details of the litigation proceedings are given in Note 22.

(c) On 18 April 2018, the Company and Kaifeng City Huibo Education Information Consulting Co., Ltd ("Huibo Education") entered into the Investment Agreement, pursuant to which the Company has conditionally agreed to purchase and Huibo Education has conditionally agreed to sell a 70% equity interest in Kaifeng City Yubohui Education Information Consulting Co., Ltd., a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. Kaifeng City Xiangfu District Bowang High School is wholly-owned by Kaifeng City Yubohui Education Information Consulting Co., Ltd., which has over 4,000 students.

The acquisition was set out in the Company's announcement dated 18 April 2018. The acquisition is subject to fulfilment of certain conditions by Huibo Education or the Company. As at the date of this report, the acquisition has not been completed.

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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 Company's 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 interim report, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"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"	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
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Li, Ms. Li and the 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
"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
"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

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IPO"	initial public offering of the Shares on 16 February 2017
"K-12"	kindergarten to grade 12
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
"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
"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
"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
"PRC Holdcos"	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
"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
"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

"Prospectus"	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended 28 February 2018
"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
"Share Award Scheme"	the share award scheme approved and adopted by the then 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
"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
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"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 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
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