中國教育集團控股有限公司
CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu 中教常春藤")

Stock Code : 839

TO PIONEER EXCELLENCE AND INNOVATION IN EDUCATION

Interim Report 2018

OUR MISSION

Preparing students for success through

Excellence and Innovation in education

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Guo *(Co-chairman)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

AUDIT COMMITTEE

Dr. Rui Meng *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

REMUNERATION COMMITTEE

Dr. Gerard A. Postiglione *(Chairman)*
Dr. Yu Kai
Dr. Rui Meng

NOMINATION COMMITTEE

Mr. Yu Guo *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill

AUTHORISED REPRESENTATIVES

Dr. Yu Kai
Mr. Mok Kwai Pui Bill

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
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29 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

The offices of Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

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8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are a leading private higher and vocational education provider in China. As at 30 June 2018, the Group operates two universities and three vocational schools located in four provinces, namely Jiangxi, Guangdong, Henan and Shaanxi, and enrolls students across all provinces in mainland China. During the 2017/2018 academic year, the Group has approximately 121,000 students attending 86 bachelor's degree programmes, 43 junior college diploma programmes, and 129 vocational education programmes. In the academic year of 2017/2018, the disciplines provided by us covered 97.7% of undergraduate students' choices and 91.9% of junior college students' choices in China, respectively.

Growth Strategy

Given the high-barrier of entrance to the higher education sector, we have formulated our merger and acquisition strategy as the key strategy to achieve our growth target. Within six months after Listing, we have consolidated two schools and added about 45,000 students to our student enrollment base. We will continue to explore other merger and acquisition opportunities and to select the ones with good growth potential at reasonable valuation.

Acquisition Completed During The Reporting Period

On 23 March 2018, the Group completed two acquisitions, namely Zhengzhou City Rail Transit School and Xi'an Railway College, to expand its business coverage into the central and the western regions of China. Through welcoming two schools on board, we have expanded our school portfolio from three schools into five schools. At the same time, our student enrollment base has increased by 61.2% from approximately 75,000 students at the time of our initial public offering to approximately 121,000 students. Both acquired schools focus on providing railway-related vocational education to students to equip them for their career development in the growing Chinese railway industry.

Under the guidance and support of the state's macro policies, Chinese rail transit has begun to boom during the 13th Five-Year Plan period. With the rapid development of Chinese high-speed rail, metro, intercity railways, and civil aviation, we envisage that there will be a promising demand for the graduated students of both Zhengzhou City Rail Transit School and Xi'an Railway College in the job market.

Acquisition of Zhengzhou City Rail Transit School

On 23 March 2018, the Group completed the acquisition of 80% equity interest in the sponsorship holding company which owns the entire school sponsor interest of Zhengzhou City Rail Transit School, for a total consideration of RMB855.0 million. The consideration is comprised of RMB120.0 million for the transfer of equity interest and RMB735.0 million for capital injection to reduce the debt of school and to finance its continuous expansion.

Zhengzhou City Rail Transit School was established in 2010 with the approval by Zhengzhou Municipal Education Bureau and has been incorporated into the provincial university entrance program. The school locates in Xinzheng Xincun Industrial Park, Zhengzhou City, Henan Province with site area and gross floor area of approximately 423,000 square meters and over 300,000 square meters, respectively. In the 2017/2018 academic year, Zhengzhou City Rail Transit School has enrolled over 24,000 students. The school provides a variety of urban rail transit programs and has established cooperation with many large cities (such as Beijing, Shanghai, Shenzhen, Guangzhou and Tianjin) to increase the employment opportunities of its graduates.

Acquisition of Xi'an Railway College

On 23 March 2018, the Group completed the acquisition of 62% equity interest in the sponsorship holding company which owns the entire school sponsor interest of Xi'an Railway College, for a total consideration of RMB576.6 million. The consideration is comprised of RMB472.2 million for the transfer of equity interest and RMB104.4 million for capital injection to reduce the debt of school and to finance its continuous expansion.

Xi'an Railway College was founded in 2006 under the former name of 西安數字科技專修學院 and changed its present name to 西安鐵道技師學院 in 2015 with the approval of the Department of Human Resources and Social Security of Shaanxi Province. Xi'an Railway College is a mechanic and technician college that nurtures professional talents for rail transportation. Since its establishment, the school has received significant support from the Department of Human Resources and Social Security Office and the provincial government of Shaanxi Province and has been developed into a prominent incubator for high-skilled talents to cater for the rapid economic growth of central-west region of China. Located in Xi'an, Shaanxi Province, Xi'an Railway College is open to students from all over the country. In the 2017/2018 academic year, the school has enrolled over 20,000 students.

Acquisition In Progress During The Reporting Period

On 14 June 2018, the Group entered into an agreement with an independent third party to acquire 100% ownership of a target company whose principal business is investment in Songtian Company, which in turn owns sponsor interest of the Songtian Schools (Songtian University and Songtian College). As of 30 June 2018, the acquisition is still in progress. However, the management expects the acquisition to be completed by end of 2018.

The Directors believe that the transaction marks the Group's continuous efforts to expand its school network and increase market penetration. The Directors consider that Songtian Schools are located in the economically vibrant Pearl River Delta Economic Zone and will benefit from the economic development of Guangdong-Hong Kong-Macao Greater Bay Area. The Board sees good potential in Songtian Schools to increase student enrollment and the Group will be able to leverage on its competitive advantages to streamline the operation of Songtian Schools and to enhance their financial performance. The Group intends to efficiently integrate Songtian Schools into the Group's school network and implement the Group's centralised management system to improve their operational efficiencies, increase their school sizes, optimise their pricing strategies and as a result improve the profitability of the Group as a whole.

Songtian University

Founded in 2000, Songtian University is a private university (independent college) approved by the Ministry of Education in April 2004 and operated by Songtian Company in collaboration with Guangzhou University. Locates in Guangzhou, Guangdong Province, the PRC, the University conducts unified student recruitment on a national scale. Songtian University has eight faculties and three academic departments and offers full-time undergraduate programmes. In 2017/2018 academic year, Songtian University has more than 8,700 students.

The initial employment rate of Songtian University in 2017 was approximately 95.6% while China's overall initial employment rate for higher education graduates in the same year was approximately 77.0%. Songtian University earned the Award for Guangdong's Most Competitive Independent College in the 30 Years of Reform and Opening-Up (改革開放30周年廣東最具競爭力獨立學院獎) by Guangzhou Daily. Songtian University also won the Guangzhou's Garden Organisation title from Guangzhou government for its beautiful landscape.

Songtian College

Founded in 2000, Songtian College is registered as a full-time higher vocational college with the Ministry of Education of the PRC and is established with the approval from People's Government of Guangdong Province. The College locates in Guangzhou, Guangdong Province, the PRC. Songtian College has seven faculties/academic departments and commenced recruiting students in 2007. In 2017/2018 academic year, Songtian College has approximately 3,300 full-time students.

The initial employment rate of Songtian College in 2017 was approximately 98.4% while China's overall initial employment rate for higher education graduates in the same year was approximately 77.0%. According to a report commissioned by Guangdong Department of Education in 2012, Songtian College achieved the highest satisfaction on current employment from graduates among vocational colleges in the province.

Our Schools

As at 30 June 2018, we operate two universities and three vocational schools (30 June 2017: two universities). The following table sets forth certain details of our five schools.

	School	Year Founded	Date Joined the Group	Description
1	Jiangxi University of Technology	1993	December 2007	Has been ranked number one private university in China for nine consecutive years The largest private university in China in terms of student enrollment One of the first few private universities approved by the Ministry of Education
2	Guangdong Baiyun University	1989	December 2007	Has been ranked number one private university in Guangdong Province for twelve consecutive years One of the first few private universities approved by the Ministry of Education

	School	Year Founded	Date Joined the Group	Description
3	Baiyun Technician College	1989	August 2017	Has been ranked number one vocational college in Guangdong Province for seven consecutive years The second largest private technician college in China in terms of student enrollment
4	Zhengzhou City Rail Transit School	2010	March 2018	The largest private secondary vocational school in China in terms of student enrollment
5	Xi'an Railway College	2006	March 2018	The largest private technician college in China in terms of student enrollment

Student Enrollment

In the 2017/2018 academic year, the total number of enrolled students of our Group is 121,315, up 61.2% from 2016/2017 academic year's enrollment.

	Academic Year	
	2017/2018	2016/2017
Jiangxi University of Technology	**36,368**	35,982
Guangdong Baiyun University	**26,416**	25,741
Baiyun Technician College	**13,420**	13,532
Zhengzhou City Rail Transit School	**24,476**	N/A*
Xi'an Railway College	**20,635**	N/A*
Total	**121,315**	75,255

* Zhengzhou City Rail Transit School and Xi'an Railway College were not yet our operating schools in the academic year 2016/2017.

Tuition Fees and Boarding Fees

In general, we plan to increase our tuition fees between 0% and 10% among various programmes on annual basis. The tuition fee increase is determined by our school management teams subject to the market conditions.

	Listed tuition fees in academic year		Boarding fees in academic year	
	2017/2018	2016/2017	**2017/2018**	2016/2017
	RMB	RMB	**RMB**	RMB
Jiangxi University of Technology				
Bachelor's degree programmes	**15,000 - 20,000**	14,000 - 18,000	**1,600 - 2,000**	1,480 - 1,680
Junior college diploma programmes	**12,500 - 14,000**	11,300 - 12,500	**1,600 - 2,000**	1,480 - 1,680
Continuing education programmes	**5,000**	7,300 - 7,800	**N/A**	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	**19,000 - 28,000**	19,000 - 26,000	**1,500**	1,500
Junior college diploma programmes	**30,000**	30,000	**1,500**	1,500
Continuing education programmes	**3,000 - 6,000**	3,000 - 6,000	**N/A**	N/A
Baiyun Technician College				
Post-secondary vocational diploma programmes	**11,500 - 14,000**	11,500 - 12,000	**1,500**	1,500
Secondary vocational diploma programmes	**11,000 - 13,500**	11,000 - 11,500	**1,500**	1,500
Technician diploma programmes	**12,500**	12,500	**1,500**	1,500
Zhengzhou City Rail Transit School				
Secondary vocational diploma programmes	**7,300**	N/A*	**1,000**	N/A*
Xi'an Railway College				
Technician diploma programmes	**9,800 - 16,000**	N/A*	**1,000**	N/A*

* Zhengzhou City Rail Transit School and Xi'an Railway College were not yet our operating schools in the academic year 2016/2017.

OUTLOOK

In China today, there are over 700 private higher education institutions, including private universities, private junior colleges, and independent colleges, and thousands of private vocational schools. Most of these private higher education institutions and private vocational schools are owned and operated independently. Hence, the ownership and operation of these institutions and schools are scattered. This translates into huge potentials for merger and acquisition opportunities.

On 10 August 2018, the Ministry of Justice of the People's Republic of China issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher education sector. Based on our preliminary review of the current draft, we expect more private higher education institutions, particularly the independent colleges, are willing to sell. According to the current draft of the Proposed Implementation, the public education institutions are prohibited to use their brand name to make profits. Hence, the public institutions can no longer allow the independent schools attaching to them and paying them management fees. The independent schools need to be separated from the public institutions.

However, given the current draft of Proposed Implementation is subject to amend or change, we will assess the development of the Proposed Implementation from time to time and to adjust our corporate strategies if necessary.

Mergers and Acquisitions

We have established a strong merger and acquisition team based in Shanghai, Guangzhou and Shenzhen. The team is composed of experienced professionals, including private equity fund managers, accounting, financial, legal, transaction strategies and educational consulting professionals, etc. The team has reviewed over 110 potential merger and acquisition targets since its establishment in 2017. Presently, the team is performing due diligent works on a number of targets at different stages.

Entering Into A Framework Agreement For The Establishment of China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted AUM of RMB5 billion. The Group (and/or its affiliates and nominee(s) and Value Partners (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million respectively to the China Education Fund. It is expected that Huajiao Education (or its nominee) and VP Shenzhen are to be the co-general partners of the China Education Fund.

The Directors believe that the Group's cooperation with Value Partners, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners.

Development of New Campus

The construction work of the new campus of Guangdong Baiyun University in Zhongluotan, Guangzhou, Guangdong Province, has been proceeding as planned. With a site area of 489,000 square meters, the development is divided into two phases with the first phase to be completed in 2019. The first phase will provide a student capacity of 8,000 while the second phase will accommodate 18,000 students when it is completed in 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue reached approximately RMB669.4 million for the six months ended 30 June 2018, up 65.1% as compared to the same period of last year. The significant increase in revenue was mainly driven by the inclusion of three vocational schools, namely Baiyun Technician College, Zhengzhou City Rail Transit School and Xi'an Railway College. Baiyun Technician College acquisition was completed on 14 August 2017 while both Zhengzhou City Rail Transit School and Xi'an Railway College acquisitions were completed on 23 March 2018. Of the approximately RMB669.4 million revenue recognised, the three vocational schools contributed approximately RMB213.6 million, while the two universities accounted for approximately RMB455.8 million, representing a steady growth of 12.4%.

A breakdown of revenue recognised over time is shown below:

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Tuition fees	**605,229**	368,266
Boarding fees	**51,780**	27,388
Ancillary services	**12,403**	9,721
Total	**669,412**	405,375

Tuition fees attributed 90.4% of the revenue. In which, Boarding fees and Ancillary services made up 7.7% and 1.9% of revenue, respectively.

Cost of Revenue

The cost of revenue increased from approximately RMB165.1 million for the six months ended 30 June 2017 to approximately RMB262.5 million for the six months ended 30 June 2018, representing a 59.0% increase. Of the approximately RMB262.5 million cost of revenue incurred, vocational schools accounted for approximately RMB92.0 million while the universities represented approximately RMB170.5 million. Excluding the impact of the three new schools, the cost of revenue increased by 3.3% which showed improvement on controlling of the direct cost of revenue.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, the Group recorded a gross profit of approximately RMB406.9 million, increased by 69.4% compare to the same period of last year. Likewise, gross profit margin has improved from 59.3% in first six months of 2017 to 60.8% for the first six months of 2018.

Other Gains and Losses

The other gains and losses were recorded at about RMB57.6 million for the six months ended 30 June 2018, up 12.7 times from the same period of last year. Such significant increase was mainly due to the exchange gain of RMB59.0 million, a result of the depreciating Renminbi against US dollars.

Selling Expenses

The significant increase of selling expenses incurred for the six months ended 30 June 2018 was mainly related to the increase in marketing and student recruitment expenses of the schools. The two universities incurred RMB4.2 million while the three vocational schools reported a total selling expense of RMB3.7 million.

Administrative Expenses

For the six months ended 30 June 2018, the Group incurred a total administrative expenses of approximately RMB117.8 million, a 105.2% increase as compared to the same period of last year. Such increase was primarily due to share option expense approximately RMB30.4 million, the inclusion of the administrative expenses of three vocational schools, totaling at RMB19.0 million, as well as those of Huajiao Education and Hong Kong Offices, totaling at RMB13.0 million.

Finance Costs

All the bank loans of the Group were fully settled before 31 December 2017. The finance costs of RMB15.1 million for the six months ended 30 June 2018 represented the interest expense incurred by Zhengzhou City Rail Transit School. We expect to settle all the debts of Zhengzhou City Rail Transit School by the end of 2018.

Net Profit and Net Profit Margin

Net profit increased from approximately RMB200.4 million for six months ended 30 June 2017 to approximately RMB373.1 million for the six months ended 30 June 2018, representing a 86.2% increase. Likewise, the net profit margin was widened from 49.4% to 55.7%. For the six months ended 30 June 2018, the net profit margin of the two universities improved to 56.3% while the three vocational schools reached a net profit margin of 48.0%.

Property, Plant and Equipment

Property, plant and equipment as at 30 June 2018 increased by 22% to approximately RMB3,223.3 million from 31 December 2017. Increase in property, plant and equipment was mainly due to the inclusion of Zhengzhou City Rail Transit School and Xi'an Railway College.

Prepayments for Acquisition of Business

The prepayments represent the amounts made for the acquisition of Songtian University and Songtian College which was announced on 14 June 2018.

Bank Balances and Cash

Including structure deposits and pledged bank deposits, the total bank balances and cash was decreased from approximately RMB3,293.6 million as at 31 December 2017 to approximately RMB1,279.4 million as at 30 June 2018. Most of the cash was used for school acquisitions on proposed acquisitions.

Capital Expenditure

Our capital expenditures for the six months ended 30 June 2018 were approximately RMB55.0 million and were primarily related to maintaining and upgrading the existing school premises, and construction of new buildings.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2018, the Group had bank balances and cash (including structure deposits and pledged bank deposits) of approximately RMB1,279.4 million (31 December 2017: RMB3,293.6 million) with no bank borrowing (31 December 2017: Nil).

As at 30 June 2018, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Group, was 2.0% (31 December 2017: Nil).

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain foreign currency bank balances and other payables denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

There was no material charge on the Group's assets as at 30 June 2018 and 31 December 2017.

Contingent Liabilities

As at 30 June 2018 and 31 December 2017, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any member of the Group.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Change of Financial Year-End Date

On 3 August 2018, the Board resolved to change the financial year-end date of the Group from 31 December to 31 August. The next financial year-end date of the Group will be 31 August 2018 and the next audited consolidated financial statements of the Group to be published will be in respect of the 8-month period from 1 January 2018 to 31 August 2018.

The change is to align the financial year-end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. The Board considers that the change will facilitate the preparation of the consolidated financial statements of the Group and to better reflect the operational results of the Group for the financial year.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group issued 520,202,000 new Shares (after exercising the over-allotment option in January 2018) at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 30 June 2018, the Company has utilised the net proceeds of approximately RMB1,910.7 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. The unutilised net proceeds which we expect to utilise within the next one to three years, are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 30 June 2018:

Purpose	Percentage to total amount	Net proceeds (including those from exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing RMB (million)	Utilised amount RMB (million)	Unutilised amount RMB (million)
Acquisition of or cooperation with other universities both domestically and abroad	59.50%	1,621.8	1,621.8	–
New campus development	26.90%	733.2	32.0	701.2
Repayment of certain portion of bank loans	8.00%	218.1	218.1	–
Working capital supplement	2.40%	65.4	30.6	34.8
Establishing teacher and staff training centre	1.10%	30.0	0.3	29.7
Research and development	1.10%	30.0	0.1	29.9
Provision of scholarships	0.50%	13.6	–	13.6
Maintenance, renovation and upgrading of existing schools	0.50%	13.6	7.8	5.8
	100%	**2,725.7**	**1,910.7**	**815.0**

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As of 30 June 2018, the Group had 6,275 employees (30 June 2017: 3,784).

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Staff congress (majority schools of the Group), president's office, and Board of Directors together approve the compensation range. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Some of our member schools pay fixed annual salary to senior management and top talents such as directors, deans/department heads, administrative leads, and professors. Schools participate in social insurance plans (pension, medical, unemployment, work injury and maternity insurance) under the guidance of relevant national, provincial, and municipalities policies and provide a variety of benefits for employees. For example, Jiangxi University of Technology participates in enterprise annuity for employees plan and Zhengzhou City Rail Transit School pays commercial insurance for its retired employees, etc.

Training and Development

The Group attaches great importance to employee training and development. In order to maintain and enhance staffs' teaching and management skills, the Group and its operating schools have formulated employee training programmes for the entire academic year based on the actual needs. The training activities focus on the dissemination of culture and the improvement of business capabilities. Taking the extraction and inheritance of experience as the goal, the training model of case analysis is mainly used to comprehensively upgrade employees' knowledge reserves and business. The Group strongly encourages teaching staff to participate in pre-employment training, as well as professional trainings that lead to professional teacher and counsellor qualifications, academic lectures, and innovation and entrepreneurship trainings. The Group also encourages them to participate in forums, seminars, meetings and professional training in other disciplines, as well as overseas exchange opportunities.

During the reporting period, our training programmes and projects at Group-level mainly include:

1. In 2018, the Group established 839 University, an internal training and development platform that periodically provides professional trainings for our employees. We aim to ameliorate staff qualities and skills, to promote staff professional development, to improve service standard, and to realise value-addition of human capital,

2. Accounting and internal control training (external). In addition to the internal training offered by 839 University, the Company periodically invites external professionals to provide training to our accounting and internal control staffs.

During the reporting period, our training programmes and projects at school-level mainly include:

1. Support and encourage our teachers to pursue master or doctoral degrees,

2. Short-term studies at domestic and foreign universities,

3. Practising and serving temporary positions in enterprises,

4. Carrying out cooperation in production, learning and research,

5. Carrying out teaching skill training for teachers; encouraging teachers to participate in forums, seminars, meetings in other disciplines and professional training,

6. Encouraging teaching staff to obtain teacher qualifications and counsellor qualifications,

7. Pre-employment training for new employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the CG Code. During the six months ended 30 June 2018, the Company has complied with all the code provisions as set out in the CG Code.

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that the Company complies with statutory and professional standards and align with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct regarding Directors' securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Dr. Rui Meng (Chairman), Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Group.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the SFO) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' Interest In Shares And Underlying Shares

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total	Approximate % of Issued Share Capital of the Company
Yu Guo ("Mr. Yu")	10,000,000(1)	750,000,000(2)	760,000,000(4)	1,520,000,000	75.24%
Xie Ketao ("Mr. Xie")	10,000,000(1)	750,000,000(3)	760,000,000(4)	1,520,000,000	75.24%
Yu Kai ("Dr. Yu")	10,000,000(1)	–	–	10,000,000	0.50%
Xie Shaohua ("Ms. Xie")	10,000,000(1)	–	–	10,000,000	0.50%

Notes:

(1) Each of Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie is entitled to receive up to 10,000,000 Shares pursuant to the exercise of options granted to him/her under the Pre-IPO Share Option Scheme of the Company.

(2) Mr. Yu beneficially owns the entire issued share capital of Blue Sky Education International Limited ("Blue Sky BVI") which in turn owns 750,000,000 Shares.

(3) Mr. Xie beneficially owns the entire issued share capital of White Clouds Education International Limited ("White Clouds BVI") which in turn owns 750,000,000 Shares.

(4) Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of our Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be).

(5) All interests of the Directors in the Shares as disclosed above were long positions.

Directors' Interest In Associated Corporation

Name of Director	Nature of Interest	Associated corporation	Percentage of shareholding in the associated corporation
Mr. Yu	Beneficial owner	Jiangxi University of Technology	100%
	Beneficial owner	Huafang Education	50%
Mr. Xie	Beneficial owner	Guangdong Baiyun University	100%
	Beneficial owner	Huafang Education	50%

Save as disclosed above, as at 30 June 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 and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

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

As at 30 June 2018, so far as the Directors are aware, the following substantial shareholders or institutions have interests or short positions of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholders	Capacity	Nature of interests	Shares	Approximate % of Issued Shares
Mr. Yu	Interests in controlled corporation(1)	Long	750,000,000	37.125
	Personal interest	Long	10,000,000	0.495
			760,000,000	37.620
	Other interest(2)	Long	760,000,000	37.620
			1,520,000,000	75.240
Mr. Xie	Interests in controlled corporation(3)	Long	750,000,000	37.125
	Personal interest	Long	10,000,000	0.495
			760,000,000	37.620
	Other interest(2)	Long	760,000,000	37.620
			1,520,000,000	75.240
Blue Sky BVI	Beneficial Owner(1)	Long	750,000,000	37.125
	Other interest(2)	Long	770,000,000	38.115
			1,520,000,000	75.240
White Clouds BVI	Beneficial Owner(3)	Long	750,000,000	37.125
	Other interest(2)	Long	770,000,000	38.115
			1,520,000,000	75.240

Notes:

(1) Mr. Yu beneficially owns the entire issued share capital of Blue Sky BVI.

(2) Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of the Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be).

(3) Mr. Xie beneficially owns the entire issued share capital of White Clouds BVI.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person or corporation having an interest or short position in the Shares or the underlying Shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivising eligible participants for their contribution to the Group.

Options Granted Under The Pre-IPO Share Option Scheme ("Pre-IPO Option Scheme")

Grantee	Balance at 1 January 2018	Options granted during the period (number of underlying Shares)	Exercised, lapsed or cancelled during the period	Balance as at 30 June 2018 (number of underlying Shares)
Directors				
Yu Guo	10,000,000	–	–	10,000,000
Xie Ketao	10,000,000	–	–	10,000,000
Yu Kai	10,000,000	–	–	10,000,000
Xie Shaohua	10,000,000	–	–	10,000,000
Employees in aggregate	5,500,000	–	–	5,500,000
Total	45,500,000	–	–	45,500,000

The above options with the rights for the subscription in aggregate 45,500,000 Shares at the exercise price of HK$6.45 per Share were granted on 14 December 2017.

On every anniversary of the Listing Date (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the Remuneration Committee at its discretion. In determining whether the performance condition is satisfied, the Remuneration Committee will assess the overall financial position and operating conditions of the Group on each vesting date, with a focus on growth, reputation, closing price of the Company's shares on the Stock Exchange, return to Shareholders, dividend paid and industry ranking. In particular, the

Remuneration Committee will also benchmark the Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange. Notwithstanding the above, the Remuneration Committee may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options.

The options may be exercised in whole or in part by the grantees at any time during the 10 years commencing from the Listing Date. The options were granted on 14 December 2017, the date immediately preceding the Listing Date, and the exercise price of the options was determined by the Board as HK$6.45 per underlying Share, which is equal to the final price of each of the Shares first offered by the Company for subscription by the public in December 2017.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Option Scheme.

Furthermore, no options have been granted or agreed to be granted by the Company since the adoption of the Post-IPO Share Option Scheme and no awards have been granted or agreed to be granted by the Company since adoption of the Share Award Scheme.

A summary of the principal terms of the Pre-IPO Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme were disclosed in the "Report of the Directors" of the 2017 Annual Report of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the 2017 Annual Report of the Company are set out below:

1. Mr. Yu Guo

Mr. Yu ceased to be a director of Jiangxi Fashion TV Shopping Co., Ltd.（江西風尚電視購物股份有限公司）, a company listed on the New OTC Market of the National Equities Exchange and Quotations, with effect from May 2018.

2. Dr. Gerard A. Postiglione

Dr. Postiglione has become a member of the academic committee at the Center for Higher Education Research, Southern University of Science and Technology (南方科技大學), since August 2018.

3. Dr. Rui Meng

On 25 May 2018, Dr. Rui was appointed as an independent non-executive director of Country Garden Services Holdings Company Limited, a company listed on the Stock Exchange.

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 31 May 2018, the Company and certain of its wholly-owned subsidiaries as borrowers (the ''Borrowers'') entered into a loan agreement and related financing documents (the ''Loan Agreement'') with International Finance Corporation (''IFC''), a member of the World Bank Group, as lender (the ''Lender'') in relation to a long-term loan facility up to US$200,000,000 (the ''Loan'') and with a term of up to seven years. The Loan Agreement imposes, among other things, specific performance obligations on the controlling shareholders of the Company, namely Mr. Yu Guo and Mr. Xie Ketao (collectively referred to as the ''Controlling Shareholders'').

Pursuant to the Loan Agreement, so long as any of the Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain:

(i) at all times, effective control of the Company; and

(ii) directly or indirectly, at all times (a) on or before 15 December 2018, at least 60%; and (b) after 15 December 2018, at least 50% of the beneficial ownership of the issued shares of the Company.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the Loan Agreement. Nevertheless, it will not be an event of default in respect of the above shareholding requirement to the extent that the failure to comply is not a result of a direct or indirect transfer of the shares in the Company by the Controlling Shareholders.

In addition, it is also an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 20% or more of the voting share or equity in such entities) of any of them. Nevertheless, if the Controlling Shareholders collectively (whether directly or indirectly) remain as the single largest shareholder of such entity, it would not be a change of control in the context of the above requirement.

If an event of default under the Loan Agreement occurs and is continuing, the Lender may, by notice to the Borrowers, require the Borrowers to immediately repay the Loan (or such part of the Loan) and any other payments pursuant to the Loan Agreement.

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

Pursuant to the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), the provision of higher education in the PRC falls within the "restricted" category. In particular, such catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, meaning that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, the catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national, and (b) the representative of the domestic party shall account for no less than 50% of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign school.

On 28 June 2018, the NDRC and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "Negative List"), which became effective on 28 July 2018 and has replaced the Foreign Investment Industries Guidance Catalogue. Pursuant to the Negative List, the restriction on foreign investments in higher education remain unchanged.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in a Sino-foreign school (whether as a kindergarten, high school or higher education institution, a "Sino-Foreign School") must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-foreign technical school (a "Sino-Foreign Technical School") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company's PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and have implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education operations overseas.

In 2017 the Company established a wholly owned subsidiary in the State of California, the United States, namely University of Science and Technology, for the operation and management of our education business in the State of California. The Company also engaged an independent education consultant with extensive experience and background in private post-secondary education to advise on and assist the Company in the establishment of our institution in the State of California which would initially offer two undergraduate degree programmes, namely, Bachelor of Science in Computer Science and Bachelor of Science in Business Management. As at the date of this report, University of Science and Technology has submitted licensing application to the Bureau for Private Post-secondary Education in California. We will continue to disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports.

LAND USE RIGHT CERTIFICATE, BUILDING OWNERSHIP CERTIFICATES AND FIRE CONTROL ASSESSMENT REQUIREMENTS

As disclosed in the section headed "Business – Properties – Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College" in the prospectus of the Company dated 5 December 2017, land use right certificate for a parcel of land of Guangdong Baiyun University has not been obtained (the "Land Issue"), and building ownership certificates for certain buildings of Guangdong Baiyun University and Baiyun Technician College have not been obtained and the relevant fire control assessment requirements have not been complied with (the "Building and Fire Control Issues"). We have been in discussion with the relevant parties and in the process of applying for re-compliance of the relevant certificates, permits and fire control assessment procedures (the "Rectification"). As at the date of this report, the application is in progress and we have not obtained any formal approvals from the relevant government authorities for the submissions that we made in relation to the Rectification.

Since Rectification would involve protracted discussions with various government authorities and time-consuming government administrative processes, it is expected that it may take no less than two to three years for the completion of Rectification.

We had commissioned qualified independent third parties to undertake a seismic resistance assessment and fire safety assessment on the buildings that do not have building ownership certificates. According to the assessment reports, no material safety issues were identified and the relevant buildings had passed the assessments; buildings can be operated normally as long as they maintain their existing safety conditions.

Furthermore, as disclosed in the Prospectus, we acquired the land use right certificate for the first phase of the site of Zhongluotan Land with a site area of 188,666 sq.m. which would be developed into a new campus of Guangdong Baiyun University. The new campus would have ample capacity to accommodate the expansion of the school and to facilitate the relocation of the existing operations of the buildings (the "Old Buildings") affected by the Land Issue, and the Building and Fire Control Issues. Barring unforeseen circumstances, it is anticipated that the new campus will commence operation in the 2019/2020 academic year and the operations in the Old Buildings would also be gradually relocated to the new campus. We will continue to disclose our progress in the rectification and the relocation of the existing operations of the Old Buildings in our annual and interim report.

In view of the mitigating actions that have been taken by the Group, the Directors considered that the Land Issue, and the Building and Fire Control Issues of the Old Buildings would not have a material adverse effect on the operation of the schools.

On behalf of the Board
Yu Guo and **Xie Ketao**
Co-Chairmen

Hong Kong, 23 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Education Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 80, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Continuing operations			
Revenue	3	**669,412**	405,375
Cost of revenue		**(262,497)**	(165,108)
Gross profit		**406,915**	240,267
Other income	4A	**36,829**	17,961
Investment income		**10,130**	9,304
Other gains and losses	4B	**57,589**	4,544
Selling expenses		**(7,857)**	(579)
Administrative expenses		**(117,809)**	(57,424)
Listing expenses		**–**	(10,146)
Finance costs		**(15,109)**	(10,011)
Profit before taxation		**370,688**	193,916
Taxation	5	**2,440**	(903)
Profit and total comprehensive income for the period from continuing operations		**373,128**	193,013
Discontinued operations			
Profit and total comprehensive income for the period from discontinued operations	7	**–**	7,407
Profit and total comprehensive income for the period	6	**373,128**	200,420

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Profit and total comprehensive income for the period attributable to owners of the Company			
– from continuing operations		**345,559**	193,013
– from discontinued operations		**–**	7,419
		345,559	200,432
Profit (loss) and total comprehensive income (expense) for the period attributable to non-controlling interests			
– from continuing operations		**27,569**	–
– from discontinued operations		**–**	(12)
		27,569	(12)
		373,128	200,420
From continuing and discontinued operations			
Earnings per share	9		
Basic (RMB cents)		**17.11**	13.36
Diluted (RMB cents)		**17.05**	N/A
From continuing operations			
Earnings per share	9		
Basic (RMB cents)		**17.11**	12.87
Diluted (RMB cents)		**17.05**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**3,223,345**	2,638,560
Prepaid lease payments		**63,581**	54,946
Goodwill	11	**987,810**	325,629
Intangible assets	11	**905,411**	239,547
Deposits paid for prepaid lease payments		**113,753**	40,496
Deposits paid for acquisition of property, plant and equipment		**4,475**	2,405
Prepayments for acquisition of business	12	**1,028,006**	–
		6,326,381	3,301,583
CURRENT ASSETS			
Inventories		**527**	254
Trade receivables, deposits, prepayments and other receivables	13	**170,658**	71,563
Amounts due from related parties		**6,896**	–
Financial assets at fair value through profit or loss		**89,978**	3,402
Structured deposits		**–**	50,500
Prepaid lease payments		**1,506**	1,506
Pledged bank deposits		**10,000**	–
Bank balances and cash		**1,269,398**	3,243,144
		1,548,963	3,370,369

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Deferred income		**17,168**	727,280
Trade and bills payables	14	**12,084**	10,715
Other payables, accrued expenses and provisions	15	**466,983**	196,908
Amounts due to related parties		**40,000**	–
Income tax payable		**12,299**	12,214
Contract liabilities		**436,767**	–
Other borrowings	16	**130,000**	–
		1,115,301	947,117
NET CURRENT ASSETS		**433,662**	2,423,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,760,043**	5,724,835
NON-CURRENT LIABILITIES			
Deferred income		**22,621**	25,905
Contract liabilities		**12,666**	–
Other payables	15	**104,402**	–
Deferred tax liability	17	**226,352**	59,887
		366,041	85,792
		6,394,002	5,639,043
CAPITAL AND RESERVES			
Share capital	18	**17**	17
Reserves		**6,120,747**	5,639,026
Equity attributable to owners of the Company		**6,120,764**	5,639,043
Non-controlling interests		**273,238**	–
		6,394,002	5,639,043

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital/ paid-up capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (audited)	181,680	–	–	(33,834)	–	1,071,788	1,303,984	2,523,618	3,721	2,527,339
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	–	–	200,432	200,432	(12)	200,420
Capital contribution from one of the equity holders	–	–	–	17,166	–	–	–	17,166	–	17,166
Disposal of subsidiaries (note 23)	–	–	–	(17,891)	–	(7)	17,898	–	(1,957)	(1,957)
Arising from reorganisation	(181,679)	–	181,679	–	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,752)	(1,752)
At 30 June 2017 (audited)	1	–	181,679	(34,559)	–	1,071,781	1,522,314	2,741,216	–	2,741,216
At 1 January 2018 (audited)	**17**	**2,664,032**	**181,679**	**(32,309)**	**3,077**	**1,149,841**	**1,672,706**	**5,639,043**	**–**	**5,639,043**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**345,559**	**345,559**	**27,569**	**373,128**
Acquisitions of businesses (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**245,669**	**245,669**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**30,375**	**–**	**–**	**30,375**	**–**	**30,375**
Issuance of new shares (note 18)	**–**	**105,787**	**–**	**–**	**–**	**–**	**–**	**105,787**	**–**	**105,787**
At 30 June 2018 (unaudited)	**17**	**2,769,819**	**181,679**	**(32,309)**	**33,452**	**1,149,841**	**2,018,265**	**6,120,764**	**273,238**	**6,394,002**

Notes:

i. Amounts represent the transfer of the combined paid-in capital of certain group entities to the merger reserve upon the Company became the holding company of these group entities which was effective from prior group reorganisation in 2017.

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (audited)
NET CASH USED IN OPERATING ACTIVITIES		**(368,735)**	(69,085)
INVESTING ACTIVITIES			
Placement of prepayments for acquisition of business	12	**(1,028,006)**	–
Net cash outflow from acquisitions of businesses	22	**(243,965)**	–
Purchase of structured deposits		**(102,847)**	(242,000)
Payments for additions of property, plant and equipment		**(55,346)**	(44,313)
Deposits paid for acquisition of property, plant and equipment		**(1,644)**	–
Advances to related parties		**(696)**	(23,115)
Redemption of structured deposits		**71,000**	365,712
Interest income from banks		**10,130**	1,309
Release of pledged bank deposits		**10,000**	–
Proceeds from disposal of property, plant and equipment		**5,455**	3,036
Government grants received		**4,553**	2,060
Interest income from structured deposits		**2,154**	–
Advances to related parties		**–**	(18,229)
Net cash outflow from disposal of subsidiaries	23	**–**	(9,271)
Repayments from related parties		**–**	4,926
Repayment from third parties		**–**	23
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,329,212)**	40,138

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
FINANCING ACTIVITIES			
Repayment to related parties		**(228,964)**	–
Repayment of bank and other borrowings		**(205,000)**	(136,700)
Interest paid		**(6,603)**	(11,364)
Issuance of new shares		**105,787**	–
Repayments to related parties		**–**	(5,495)
Listing expenses paid		**–**	(1,810)
Dividend paid to non-controlling interests		**–**	(1,752)
New bank borrowings raised		**–**	110,000
Capital contribution from one of the equity holders		**–**	17,166
Advance from a director		**–**	3,898
NET CASH USED IN FINANCING ACTIVITIES		**(334,780)**	(26,057)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,032,727)**	(55,004)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**3,243,144**	247,133
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**58,981**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH		**1,269,398**	192,129

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standard Board which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group is mainly engaged in the provision of private higher and vocational educational institution services in the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "Revenue".

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.1 *Key changes in accounting policies resulting from application of IFRS 15 (continued)*

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation, representing tuition, boarding and ancillary services are transferred to the students.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contract liabilities represent the Group's obligation to transfer goods or services to the students for which the Group has received tuition fees, boarding fees and fees for ancillary services from the students.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.1 *Key changes in accounting policies resulting from application of IFRS 15 (continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (commissions to agents for referring students) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15

The Group's major revenue generating operation, representing tuition fees, boarding fees and ancillary services fees (each being single performance obligations) are recognised under input methods. The Group's efforts and inputs paid in order to earn tuition fees and boarding fees are expanded evenly throughout the school terms, therefore the existing method for recognising these two streams of revenue on a straight-line basis continue to be appropriate under IFRS 15, and thus there are no adjustments to retained profits arising from initial application of IFRS 15.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018*
	RMB'000	RMB'000	RMB'000
Current liabilities			
Deferred income	727,280	(714,555)	12,725
Contract liabilities	–	714,555	714,555

* The amounts in this column are before the adjustments from the application of IFRS 9.

At the date of initial application, included in the total deferred income amounting to RMB652,114,000, RMB51,935,000 and RMB10,506,000 are related to the tuition fees, boarding fees and fees for ancillary services, respectively received in advance from students. These balances were reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impact of applying IFRS 15 in the Group's condensed consolidated statement of financial position as at 30 June 2018. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the condensed consolidated statement of financial position

	As reported at 30 June 2018 RMB'000	Adjustment RMB'000	Amounts without application of IFRS 15 at 30 June 2018 RMB'000
Current liabilities			
Deferred income	17,168	436,767	453,935
Contract liabilities	436,767	(436,767)	–
Non-current liabilities			
Deferred income	22,621	12,666	35,287
Contract liabilities	12,666	(12,666)	–

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments"

In the current period, the Group has applied IFRS 9 "Financial Instruments". IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (continued)*

Classification and measurement of financial assets (continued)

Financial assets at FVTPL (continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables arising from revenue from contracts with customers. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (continued)*

Impairment under ECL model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (continued)*

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on the bank balances has not increased significantly since initial recognition as the bank balance is determined to have low credit risk. Most of the bank balances are considered to have low credit risk as they have an internal or external credit ratings of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the debtors no longer have regular activities with the Group and are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (continued)*

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 *Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Financial assets designated at FVTPL RMB'000	Financial assets at FVTPL required by IAS 39/ IFRS 9 RMB'000
At 31 December 2017 – IAS 39	50,500	–
Effect arising from initial application of IFRS 9:		
Reclassification		
From designated at FVTPL	(50,500)	50,500
Opening balance at 1 January 2018	–	50,500

Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the structured deposits as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of RMB50,500,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments" (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables arising from revenue from contracts with customers. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics such as the status of the students.

Most of the banks which the Group placed deposits at are graded with top ratings. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, amounts due from related parties, pledged bank deposits and the bank balances and cash other than graded in the top credit rating agencies, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services in the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services.

Information reported to the Group's chief operating decision maker ("CODM"), Mr. Yu and Mr. Xie, for the purpose of resource allocation and assessment of segment performance, was focused on a single operating segment, being the operation of private higher education and vocational education. Each category of institution carrying out higher education and vocational education constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the condensed consolidated statement of profit or loss and other comprehensive income as disclosed on page 31. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Provision of primary and secondary education and other services was discontinued during the six months ended 30 June 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in note 7.

3. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major services

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Tuition fees recognised over time	**605,229**	368,266
Boarding fees recognised over time	**51,780**	27,388
Ancillary services fees recognised over time	**12,403**	9,721
	669,412	405,375

Geographical information

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

4A. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
Consultancy income	**–**	5,250
Academic administration income	**10,099**	4,697
Management fee income	**3,947**	4,319
Staff quarter income	**536**	448
Government grants (Note)	**16,061**	2,275
Others	**6,186**	972
	36,829	17,961

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment, conducting educational programmes and congratulatory subsidies on the listing of the shares of the Company on the Stock Exchange.

4B. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
(Loss) gain on disposal of property, plant and equipment	**(57)**	646
Fair value change on financial assets at fair value through profit or loss	**6,063**	3,875
Exchange gain or loss	**58,981**	–
(Impairment of) reversal of impairment of trade receivables	**(7,398)**	23
	57,589	4,544

5. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
Current tax – Enterprise Income Tax ("EIT")	**853**	903
Deferred tax (note 16)	**(3,293)**	–
	(2,440)	903

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both periods.

5. TAXATION (continued)

Pursuant to the Enterprise Income Tax law and Implementation Regulations of the Law of the PRC, the statutory tax rate of PRC subsidiaries is 25% for both periods, except for 華教教育科技(江西)有限公司 Huajiao Education Technology (Jiangxi) Company Limited ("Huajiao Education") which has been granted concessionary tax rate of 15% for the period between 1 January 2018 and 30 June 2018 from tax authority of Ganzhou, the PRC, and 禮和教育諮詢(贛州)有限公司 Lihe Education Consulting (Gangzhou) Company Limited ("Lihe Education") which is eligible for a lower tax rate of 20% as a small profit enterprise.

According to the relevant provisions of Old Implementation Rules for the Law for Promoting Private Education (abolished on 31 August 2017)/New Implementation Rules for the Law for Promoting Private Education with effective from 1 September 2017, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/the schools are elected to be not-for-profit schools. Given that the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College, 鄭州城軌交通中等專業學校 (Zhengzhou City Rail Transit School) and 西安鐵道技師學院 (Xi'an Railway Technician College) have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous EIT exemption treatment for the tuition related income.

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit and total comprehensive income for the period from continuing operations has been arrived at after charging the following items:		
Staff costs, including directors' remuneration		
– salaries and other allowances	**171,547**	88,373
– retirement benefit scheme contributions	**24,789**	19,950
– share-based payments	**30,375**	–
Total staff costs	**226,711**	108,323
Depreciation of property, plant and equipment	**66,397**	57,174
Amortisation of prepaid lease payments	**753**	660
Amortisation of intangible assets (included in cost of revenue)	**13,169**	–
Minimum operating lease rental expense in respect of rented premises	**6,656**	4,162

7. DISCONTINUED OPERATIONS

During the six months ended 30 June 2017, the Group completed disposals of a group of subsidiaries, which were mainly engaged in provision of primary and secondary education and other services (as disclosed in note 23). The disposals were consistent with the Group's long-term policy to focus its activities on operation of private higher and vocational education institutions.

The (loss) gain for the six months ended 30 June 2017 from the discontinued operations was set out below.

	Six months ended 30 June 2017 RMB'000 (audited)
Loss of discontinued operations for the period	(8,152)
Gain on disposal of discontinued operations (note 23)	15,559
	7,407

The results of the discontinued operations were as follows:

	Six months ended 30 June 2017 RMB'000 (audited)
Revenue	21,401
Cost of revenue	(27,141)
Other income	3,566
Other gains and losses	300
Selling expenses	(18)
Administrative expenses	(6,257)
Loss before taxation from the discontinued operations	(8,149)
Taxation	(3)
Loss for the period from the discontinued operations	(8,152)
Loss for the period from discontinued operation include the following:	
Depreciation of property, plant and equipment	2,900

7. DISCONTINUED OPERATIONS (continued)

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

	Six months ended 30 June 2017 RMB'000 (audited)
Operating activities	37,814
Investing activities	(10,257)
Financing activities	(10,219)
Net cash inflow	17,338

8. DIVIDENDS

No dividends was paid, declared or proposed for ordinary shareholders of the Company during the interim period.

9. EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Profit for the purpose of calculating basic and diluted earnings per share from continuing operations	**345,559**	193,013

9. EARNINGS PER SHARE (continued)

For continuing operations (continued)

	Six months ended 30 June	
	2018	2017
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,019,756**	1,500,000
Effect of dilutive potential ordinary shares:		
Share options	**5,263**	–
Over-allotment options	**1,365**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,026,384**	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the reorganisation as set out in the prospectus dated 5 December 2017 and the share allotments of 1,500,000,000 shares as described in note 18 had been in effect on 1 January 2017.

No diluted earnings per share for the six months ended 30 June 2017 was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2017.

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company during the six months ended 30 June 2017 was based on the consolidated profit attributable to the owners of the Company and the denominators detailed above for basic and diluted earnings per share.

For discontinued operations

Basic earnings per share for the discontinued operations were RMB0.49 cents per share for the six months ended 30 June 2017, based on the profit for the period from the discontinued operations of RMB7,419,000 for the six months ended 30 June 2017 and the denominators detailed above for the basic earnings per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group paid approximately RMB33,081,000 (six months ended 30 June 2017: RMB11,000,000) for construction costs for new school premises and RMB24,377,000 (six months ended 30 June 2017, RMB31,640,000) for acquisition of office equipment and furniture and fixtures. In addition, the Group acquired schools which included RMB601,287,000 in property, plant and equipment set out in note 22 (six months ended 30 June 2017: RMB248,404,000 through acquisitions of businesses).

11. GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill	**Brand name**	**Student roster**	**Total**
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000
COST				
At 1 January 2018	325,629	200,396	46,599	246,995
Acquisitions of businesses (note 22)	662,181	613,021	66,012	679,033
At 30 June 2018	987,810	813,417	112,611	926,028
AMORTISATION				
At 1 January 2018	–	–	7,448	7,448
Charge for the period	–	–	13,169	13,169
At 30 June 2018	–	–	20,617	20,617
CARRYING VALUES				
At 30 June 2018	987,810	813,417	91,994	905,411
At 31 December 2017	325,629	200,396	39,151	239,547

Notes:

i. The brand name represents the trademark of respective schools, which is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

ii. The student roster represents the secured enrollment in respective schools' programs. Student roster has finite estimated useful lives and it is amortised based on expected usage of student roster.

12. PREPAYMENTS FOR ACQUISITION OF BUSINESS

On 14 June 2018, the Group entered into an agreement (the "Songtian Acquisition Agreement") with 廣州信邦惠資產管理有限公司 (Guangzhou Xinbanghui Asset Management Company Limited) for the acquisition of 廣州邦瑞教育投資有限公司 (Guangzhou Bangrui Education Investment Company Limited), a limited liability company established under the laws of the PRC, for the purpose of acquiring the indirect sponsor interests of 廣州松田職業學院 (Guangzhou Songtian Polytechnic College), a polytechnic college located in Guangzhou, the PRC and 廣州大學松田學院 (Guangzhou University Songtian College), a university located in Guangzhou, the PRC (collectively referred to as the "Songtian Schools"), which are currently controlled by 增城市松田實業有限公司 (Zengcheng Songtian Enterprise Company Limited) ("Songtian Company") (Songtian Company and Songtian Schools collectively referred to as the "Songtian Group"), a limited liability company established under the laws of the PRC.

The completion of the acquisition is subject to fulfilment of the various criteria as set out in the Songtian Acquisition Agreement, the acquisition has yet to be completed at 30 June 2018.

The proposed consideration of the aforementioned acquisition is RMB538 million and the Group would further contribute additional capital injection of RMB881 million to the Songtian Group. At the end of the reporting period, the aggregate prepayment for the aforementioned acquisition and capital injection amounted to RMB1,028 million.

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade receivables (Note i)	**10,256**	24,679
Receivables from educational bureaus	**43,335**	21,693
Loans to third parties (Note ii)	**–**	440
Staff advances	**7,738**	1,018
Other receivables	**31,691**	11,809
Deposits	**4,431**	6,563
Prepayments and prepayments on behalf of students	**53,629**	5,361
Indemnification assets (Note iii)	**19,578**	–
	170,658	71,563

Notes:

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

ii. The amounts of loans to the third parties were unsecured, repayable on demand and non-interest bearing.

iii. Indemnification assets are recognised upon business combination as assets of the Group and on the same basis as the indemnified items, representing provisions for certain non-compliances as detailed in note 15, which are recognised as liabilities of the acquisition targets as detailed in note 22, and are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability.

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

The following is an analysis of trade receivables and receivables from education bureaus by age, presented based on debit note.

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 – 90 days	**21,642**	21,723
91 – 120 days	**63**	15,829
121 – 365 days	**28,253**	–
Over 365 days	**3,633**	8,820
	53,591	46,372

The Group considered the trade receivables overdue over 90 days for students that are not dropped out from schools are not default as the tuition fees and boarding fees will be fully received upon the graduation of the students by reference to past experience.

The Group also considered the receivables from education bureaus overdue over 90 days are not default as payments from education bureaus may take long administrative process based on historical experience.

14. TRADE AND BILLS PAYABLES

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

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 – 30 days	**3,961**	7,207
31 – 90 days	**1,517**	53
91 – 365 days	**3,943**	1,106
Over 365 days	**2,663**	2,349
	12,084	10,715

15. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Discretionary government subsidies receipt in advance (Note i)	**33,004**	15,108
Receipt on behalf of ancillary services providers	**106,330**	65,989
Retention money payables	**25,068**	10,795
Listing expenses payables	**–**	21,366
Accrued staff benefits and payroll	**49,719**	38,280
Other payables and accruals	**53,551**	29,132
Selling expenses payable	**23,025**	–
Deferred cash consideration payables (Note ii)	**246,407**	–
Other taxes payables	**14,703**	16,238
Provisions (Note iii)	**19,578**	–
	571,385	196,908
Current	**466,983**	196,908
Non-current	**104,402**	–
	571,385	196,908

Notes:

i. The amounts represent scholarships received from the government to be distributed to students and teachers of the schools.

ii. The amounts represent consideration payables for the acquisitions of businesses set out in note 22. Amount of approximately RMB142,005,000 which is repayable within twelve months after the end of the reporting period in accordance with acquisition agreements as set out in note 22 were included in other payables as current liabilities. An amount of RMB104,402,000 was included as non-current liabilities as at 30 June 2018 which were repayable beyond twelve months after the end of the reporting period.

iii. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount of provisions assumed through acquisitions of businesses, mainly representing provision of social insurance benefit, housing provident fund and penalty for lack of building ownership certificates for certain school premises, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

16. OTHER BORROWINGS

During the interim period, the Group obtained other borrowings amounting to RMB130,000,000 through acquisitions of businesses (31 December 2017: Nil). The other borrowings represent loans from independent third parties. Amounted to RMB100,000,000 carries interest at fixed market rate of 4.75% per annum and are repayable within one year and the remaining is interest-free and repayable on demand (31 December 2017: Nil).

17. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movement thereon during the current period:

	Fair value adjustments of intangible assets on business combinations RMB'000
At 1 January 2018 (audited)	59,887
Acquisitions of businesses (note 22)	169,758
Credit to profit or loss (note 5)	(3,293)
At 30 June 2018 (unaudited)	226,352

18. SHARE CAPITAL

	Number of shares	Share capital	Shown in the consolidated financial statements RMB'000
Ordinary shares			
Authorised			
At date of incorporation and 30 June 2017 (note a)	50,000	US$50,000	
Increase during the period (note c)	50,000,000,000	HK$500,000	
Cancelled during the period (note d)	(50,000)	(US$50,000)	
At 1 January 2018 and 30 June 2018	50,000,000,000	HK$500,000	
Issued and fully paid			
At date of incorporation and 30 June 2017 (note b)	100	US$100	1
Allotment of shares (note d)	1,500,000,000	HK$15,000	13
Repurchase of shares (note d)	(100)	(US$100)	(1)
Issue of new shares upon listing (note e)	500,000,000	HK$5,000	4
At 1 January 2018	2,000,000,000	HK$20,000	17
Issue of new shares upon exercise of the over-allotment options (note f)	20,202,000	HK$202	–
At 30 June 2018	2,020,202,000	HK$20,202	17

Notes:

(a) The Company was incorporated on 19 May 2017 with an authorised share capital of United States Dollar ("US$") 50,000 divided into 50,000 ordinary shares of US$1 each.

(b) On 19 May 2017, Blue Sky Education International Limited ("Blue Sky BVI"), which is incorporated in the British Virgin Islands, acquired one ordinary share in the Company at par value and 49 ordinary shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 ordinary shares were issued and allotted to White Clouds Education International Limited ("White Clouds BVI") as fully-paid at par value.

(c) On 30 August 2017, the authorised share capital of the Company was increased by HK$500,000 divided into 50,000,000,000 ordinary shares of par value HK$0.00001 each.

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

(e) During the year ended 31 December 2017, the Company issued 500,000,000 ordinary share of par value HK$0.00001 each pursuant to the listing of the shares of the Company (the "Listing") at the price of HK$6.45 per ordinary share.

(f) On 5 January 2018, the Company allotted and issued 20,202,000 ordinary shares of par value HK$0.00001 each at the price of HK$6.45 per share pursuant to the exercise of over-allotment options by BNP Paribas Securities (Asia) Limited.

19. SHARE-BASED PAYMENTS

(a) Share option scheme of the Company

The Company has adopted two share option schemes, namely the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted on 27 November 2017 for the primary purpose of providing incentives to directors and eligible employees. The Pre-IPO Share Option Scheme was effective on and valid up to 27 November 2017. After the expiry of the Pre-IPO Share Option Scheme, no further options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company, up to a total of 45,500,000 share on such terms as determined by the directors of the Company. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

At 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 45,500,000 (31 December 2017: 45,500,000), representing 2.25% of the shares of the Company in issue at that date.

As at 30 June 2018 and 1 January 2018, there are 45,500,000 share options held by the Group's directors and employees.

The exercise price for the share options granted under the Pre-IPO Share Option Scheme is HK$6.45 per share.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

19. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Pre-IPO Share Option Scheme (continued)

At the end of each interim period, the Group revises its estimates of number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

The Group recognised the total expense of RMB30,375,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil) in relation to share options granted by the Company.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to a resolution passed by the shareholders on 29 November 2017 for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company consider, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and will expire no later than 10 years from the date of the Listing. Under the Post-IPO Share Option Scheme, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the ordinary shares in issue on the date of Listing. The overall limit on the number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the ordinary shares in issue from time to time (the "Post-IPO Option Scheme Limit"). Post-IPO Option Scheme Limit may be refreshed at any time by obtaining prior approval of the shareholders of the Company in general meeting. However, the refreshed Post-IPO Option Scheme Limit cannot exceed 10% of the ordinary shares in issue as at the date of such approval.

No share option has been granted since the adoption of the Post-IPO Share Option Scheme.

19. SHARE-BASED PAYMENTS (continued)

(b) Share award scheme of the Company

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed by the shareholders on 29 November 2017. The objective of the Share Award Scheme is for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted awards. The Share Award Scheme shall be valid for a period of ten years commencing from the granting of the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the shares of the Company which may fall to be allotted and issued pursuant to the Share Award Scheme.

No share award has been granted since the adoption of the Share Award Scheme.

20. CONTINGENCIES AND COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire some property, plant and equipment and prepaid lease payment amounting RMB393,948,000 (31 December 2017: RMB368,836,000).

In addition, at 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund tentatively named VP-CEG China Education Fund (the "China Education Fund"). The Group will plan to make an initial contribution of RMB250 million to the China Education Fund.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship unobservable inputs to fair value
Financial assets at FVTPL (Listed shares)	As at 30 June 2018: RMB3,538,000 (unaudited) (31 December 2017: RMB3,402,000 (audited))	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL (Structured deposits)	As at 30 June 2018: RMB86,440,000 (unaudited) (31 December 2017: RMB50,500,000 (audited))	Level 3	Discounted cash flow – Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 measurements of the structured deposits during both periods:

	RMB'000
At 1 January 2017	418,201
Purchase of structured deposits	242,000
Redemption of structured deposits	(365,712)
Net gain on structured deposits	4,411
At 30 June 2017	298,900
At 1 January 2018	**50,500**
Acquired through acquisitions of businesses	**4,093**
Purchase of structured deposits	**102,847**
Redemption of structured deposits	**(71,000)**
Net gain on structured deposits	**2,154**
Settlements	**(2,154)**
At 30 June 2018	**86,440**

There were no transfers into or out of Level 3 fair value hierarchy during the period.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

The total gains or losses for the six months ended 30 June 2017 included an unrealised gain of RMB4,411,000 relating to financial assets that are measured at fair value at the end of each reporting period. Such fair value gains or losses are included in 'other gains and losses'.

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company when needed to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

22. ACQUISITIONS OF BUSINESSES

(i) Zhengzhou acquisition

On 13 March 2018, Junshi Education Consulting (Ganzhou) Co. Ltd. (君時教育諮詢(贛州)有限公司), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Zhengzhou Acquisition Agreements") with Mr. Yu Cuntao (the "Zhengzhou Vendor") for the acquisition of 80% equity interest in 樹仁教育管理有限公司 ("Shu Ren Education"), a limited liability company established under the laws of the PRC and owned the sponsor interest of Zhengzhou City Rail Transit School, at the consideration of RMB855,000,000 (the "Zhengzhou Consideration"). Zhengzhou Consideration comprises RMB120,000,000 ("Zhengzhou Equity Consideration") payable to Zhengzhou Vendor for the transfer of the 80% equity interest in Shu Ren Education and RMB735,000,000 for injection into Shu Ren Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Zhengzhou Acquisition Agreements, the Zhengzhou Equity Consideration shall be paid by the Group to Zhengzhou Vendor by four installments and Zhengzhou Vendor had agreed to provide a profit guarantee in relation to the financial performance of Zhengzhou City Rail Transit School for each of the three years ending 31 December 2020. The payment of the second, the third and the fourth installments of the Zhengzhou Equity Consideration of RMB20,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Zhengzhou City Rail Transit School ("Zhengzhou Actual PBT") for each of the three years ending 31 December 2020 is less than RMB45,000,000, RMB80,000,000 and RMB90,000,000 ("Zhengzhou Guaranteed PBT") for each of the year ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively:

RMB20,000,000 x (1 – (Zhengzhou Actual PBT / Zhengzhou Guaranteed PBT)

Consideration transferred

	RMB'000
Cash paid to Zhengzhou Vendor	60,000
Deferred cash consideration to Zhengzhou Vendor	44,593
Cash paid for capital injection into Zhengzhou Target Group	380,000
Deferred capital injection into Zhengzhou Target Group	337,797
	822,390

22. ACQUISITIONS OF BUSINESSES (continued)

(i) Zhengzhou acquisition (continued)

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	373,336
Prepaid lease payment	9,449
Intangible assets	337,620
Deposits paid for prepaid lease payments	73,683
Amount due from a subsidiary of the Company	337,797
Deposits, prepayments and other receivables	15,207
Structured deposits	4,093
Bank balances and cash	385,895
Pledged bank deposits	20,000
Trade, bills, other payable and provisions	(250,919)
Amounts due to related parties	(228,964)
Income tax payable	(294)
Contract liabilities	(117,394)
Bank and other borrowings	(335,000)
Deferred tax liabilities	(84,405)
	540,104

The fair values of intangible assets (representing brand name amounting RMB317,358,000 and student roster amounting RMB20,262,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of deposits and other receivables (including amount due from a subsidiary of the Company) at the date of acquisition amounted to RMB349,774,000, while the gross contractual amounts of those deposits and other receivables amounted to RMB366,980,000.

22. ACQUISITIONS OF BUSINESSES (continued)

(i) Zhengzhou acquisition (continued)

Assets acquired and liabilities recognised at the date of acquisition were as follows: (continued)

The fair value of assets acquired and liabilities assumed and thus the goodwill arising on the acquisition at the date of acquisition have been determined on a provisional basis, awaiting the completion of professional valuation.

Non-controlling interest

The non-controlling interest (20%) in Zhengzhou Target Group recognised at the acquisition date was measured by reference to the proportionate share of the amount of fair values of net assets of Zhengzhou Target Group and amounted to RMB108,021,000.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	822,390
Plus: non-controlling interests	108,021
Less: recognised amount of identifiable net assets acquired (100%)	(540,104)
Less: indemnification assets acquired	(16,340)
Goodwill arising on acquisition	373,967

Goodwill arose in the acquisition of Zhengzhou Target Group because the acquisition included the assembled workforce of Zhengzhou City Rail Transit School and synergy from alignment with the Group's specialty in vocational education. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

22. ACQUISITIONS OF BUSINESSES (continued)

(i) Zhengzhou acquisition (continued)

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	440,000
Less: cash and cash equivalent balances acquired	(385,895)
	54,105

Included in the profit for the period is RMB19,678,000 attributable to the additional business generated by Zhengzhou Target Group. Revenue for the period included RMB53,080,000 is attributable to Zhengzhou Target Group.

Had the acquisition of Zhengzhou Target Group been effected at the beginning of the interim period, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2018 would have been RMB709,279,000, and the amount of the profit for the period from continuing operations would have been RMB391,858,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

(ii) Xi'an acquisition

On 13 March 2018, Shangzhi Education Consulting (Ganzhou) Co. Ltd. (上智教育諮詢(贛州)有限公司), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Xi'an Acquisition Agreements") with all the shareholders (the "Xi'an Vendors") of 贛州西鐵教育諮詢有限公司 ("Xitie Education") for the acquisition of 62% equity interest in Xitie Education, a limited liability company established under the laws of the PRC and indirectly owns the sponsor interest of Xi'an Railway College, at the consideration of RMB576,600,000 (the "Xi'an Consideration"). Xi'an Consideration comprises RMB472,170,000 ("Xi'an Equity Consideration") payable to Xi'an Vendors for the transfer of the 62% equity interest in Xitie Education and RMB104,430,000 for injection into Xitie Education as additional capital. The acquisition was completed on 23 March 2018.

22. ACQUISITIONS OF BUSINESSES (continued)

(ii) Xi'an acquisition (continued)

Pursuant to the Xi'an Acquisition Agreements, the Xi'an Equity Consideration shall be paid by the Group to Xi'an Vendors by four installments and Xi'an Vendors had agreed to provide guarantee in relation to the future student enrollment or the financial performance of Xi'an Railway College. The payment of the second installment of the Xi'an Equity Consideration of RMB42,480,000 shall be made on the condition that the number of new students of Xi'an Railway College at the end of 30 October 2018 (the spring and fall semesters of the academic year) has attained the agreed target. The payment of the third and the fourth installments of the Xi'an Equity Consideration of RMB100,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Xi'an Railway College ("Xi'an Actual PBT") for each of the year ending 31 December 2018 and 31 December 2019 is less than RMB74,000,000 and RMB100,000,000 ("Xi'an Guaranteed PBT") for the year ending 31 December 2018 and 31 December 2019 respectively:

RMB100,000,000 x (1 – (Xi'an Actual PBT / Xi'an Guaranteed PBT)

Consideration transferred

	RMB'000
Cash paid to Xi'an Vendors	229,690
Deferred cash consideration to Xi'an Vendors	193,308
Cash paid for capital injection into Xi'an Target Group	30,310
Deferred capital injection into Xi'an Target Group	62,727
	516,035

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	227,951
Intangible assets	341,413
Amount due from a subsidiary of the Company	62,727
Trade receivables, deposits, prepayments and other receivables	57,561
Bank balances and cash	70,140
Amounts due from related parties	6,200
Trade, other payables and provisions	(146,280)
Amounts due to related parties	(40,000)
Income tax payable	(407)
Contract liabilities	(131,721)
Deferred tax liabilities	(85,353)
	362,231

22. ACQUISITIONS OF BUSINESSES (continued)

(ii) Xi'an acquisition (continued)

The fair values of intangible assets (representing brand name amounting RMB295,663,000 and student roster amounting RMB45,750,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables (including amount due from a subsidiary of the Company and amounts due from related parties) at the date of acquisition amounted to RMB114,294,000, while the gross contractual amounts of those trade receivables, deposits and other receivables amounted to RMB125,687,000.

The fair value of assets acquired and liabilities assumed and thus the goodwill arising on the acquisition at the date of acquisition have been determined on a provisional basis, awaiting the completion of professional valuation.

Non-controlling interest

The non-controlling interest (38%) in Xi'an Target Group recognised at the acquisition date was measured by reference to the proportionate share of the fair values of net assets of Xi'an Target Group and amounted to RMB137,648,000.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	516,035
Plus: non-controlling interests	137,648
Less: recognised amount of identifiable net assets acquired (100%)	(362,231)
Less: indemnification assets acquired	(3,238)
Goodwill arising on acquisition	288,214

Goodwill arose on the acquisition of Xi'an Target Group because the acquisition included the assembled workforce of Xi'an Railway College and synergy from alignment with the Group's specialty in vocational education. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

22. ACQUISITIONS OF BUSINESSES (continued)

(ii) Xi'an acquisition (continued)

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	260,000
Less: cash and cash equivalent balances acquired	(70,140)
	189,860

Included in the profit for the period is RMB25,903,000 attributable to the additional business generated by Xi'an Target Group. Revenue for the period includes RMB70,632,000 is attributable to the additional business generated by Xi'an Target Group.

Had the acquisition of Xi'an Target Group been effected at the beginning of the period, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2018 would have been RMB709,051,000, and the amount of the profit for the period from continuing operations would have been RMB378,088,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

23. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Tianxing Social Services Centre

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

23. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of Baiyun Human Resources

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

(c) Disposal of Jiangxi Technology Park

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

(d) Disposal of Jiangxi Affiliated High School

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

23. DISPOSAL OF SUBSIDIARIES (continued)

(d) Disposal of Jiangxi Affiliated High School (continued)

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

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

24. RELATED PARTIES BALANCE

(a) Related parties balances

As at 30 June 2018, amounts due to non-controlling interests of certain group entities of RMB246,407,000 (31 December 2017: Nil) was included in other payables being deferred cash consideration payables, which are unsecured and interest-free, amount of which RMB104,402,000 (31 December 2017: Nil) was repayable beyond one year and remaining balances were repayable within one year.

As at 30 June 2018, amounts due from/to related parties of RMB6,896,000 (31 December 2017: Nil) and RMB40,000,000 (31 December 2017: Nil) represented amounts due from/to non-controlling interest of certain group entities, respectively, which are unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Short-term benefits	**5,081**	373
Post-employment benefits	**61**	90
Equity-settled share-based payments	**30,375**	–
	35,517	463

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

25. EVENT AFTER THE END OF THE REPORTING PERIOD

Pursuant to a resolution of the directors of the Company passed on 3 August 2018, the Company's financial year end date is changed from 31 December to 31 August in order to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. Accordingly, the first financial period after the change is the 8-month period ending 31 August 2018.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC operating schools
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, 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)
"Company", "our Company", "the Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements, namely Huafang Education, Lihe Education, and our PRC operating schools and their respective subsidiaries

"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, our PRC operating schools and our consolidated affiliated entities
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Yu, Mr. Xie and each of them shall be referred to as a controlling shareholder.
"Director(s)"	the director(s) of the Company
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC operating schools
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huafang Education"	Ganzhou Huafang Education Consulting Company Limited (贛州市華方教育諮詢有限公司), one of our consolidated affiliated entities
"Huajiao Education"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules

"INED"	independent non-executive directors
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC operating schools
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), one of our consolidated affiliated entities
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the shares were listed and on which dealings in the shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOFCOM"	Ministry of Commence of the PRC (中華人民共和國商務部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"PRC Operating Schools"	Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College, Zhengzhou City Rail Transit School and Xi'an Railway College

GLOSSARY

"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Songtian College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), a polytechnic college located in Guangzhou, the PRC
"Songtian University"	Guangzhou University Songtian College (廣州大學松田學院), a university located in Guangzhou, the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC operating schools
"Youxin Education"	Youxin Education Consulting (Guangzhou) Co., Ltd. (有信教育諮詢（廣州)有限公司), one of our consolidated affiliated entities
"Zhengzhou City Rail Transit School"	Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC operating schools
"%"	per cent

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this report are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.