中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169

Interim Report

2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Xu Bin
Ms. Leung Suet Wing

AUTHORISED REPRESENTATIVES

Ms. Li Hua
Mr. Xu Bin

AUDITOR

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

LEGAL ADVISERS

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The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
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PRC

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COMPLIANCE ADVISER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

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STOCK CODE

6169

HIGHLIGHTS

(RMB'000)	Six months ended 28 February 2019 (Unaudited)	28 February 2018 (Unaudited)	Change
Revenue	**801,013**	517,105	+54.9%
Gross Profit	**456,572**	267,291	+70.8%
Net profit attributable to owners of the Company	**330,391**	201,731	+63.8%
Adjusted Revenue	**801,013**	528,022	+51.7%
Adjusted Gross Profit[1]	**480,163**	289,921	+65.6%
Adjusted Net Profit attributable to owners of the Company[2]	**340,402**	248,228	+37.1%

NON-IFRS MEASURES

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

Adjusted items (RMB'000)	Six months ended 28 February 2019 (Unaudited)	28 February 2018 (Unaudited)	Change
Revenue of HIEU from January to February 2018	**—**	10,917	-10,917
Share-based compensation expenses (in cost of revenue)	**6,203**	8,412	-2,209
Share-based compensation expenses (in administration expenses)	**13,857**	22,857	-9,000
Additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited	**9,602**	3,301	6,301
Derecognition of deferred tax assets due to the changes in applied taxation rate of LEI Lie Ying Limited from 1 January 2018	**—**	11,318	-11,318
Additional depreciation and amortisation due to the provisional fair value adjustments to the acquired identifiable assets of Kaifeng City Xiangfu District Bowang High School	**7,786**	–	7,786
Government grants	**-22,221**	-2,647	-19,571

Notes:

(1) The gross profit of the Group for the six months ended 28 February 2019 amounted to RMB456,572,000 (unaudited). The Adjusted Gross Profit is calculated as gross profit for the period, excluding the impact from share-based expense (in cost of revenue) and additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and Kaifeng City Xiangfu District Bowang High School.

(2) The net profit of the Group attributable to owners of the Company for the six months ended 28 February 2019 amounted to RMB330,391,000 (unaudited). The Adjusted Net Profit attributable to owners of the Company is calculated as the profit for the period, excluding the impact from share-based compensation expense, additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and Kaifeng City Xiangfu District Bowang High School, government grants recognised during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 18 years of operating private schools in Henan province, the Group is one of the leading private school operators in central China in terms of student enrolment.

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

On 15 November 2018, the Central Committee of the Communist Party of China and the State Council of the PRC issued the "Certain Opinions on Deepening the Reform and Regulating Development of Pre-school Education" (《關於學前教育深化改革規範發展的若干意見》) (the "**Pre-School Opinions**"). The Board will closely monitor the implementation of the Pre-school Opinions and will seek PRC legal advisers' further opinion on compliance with the Pre-school Opinions and the related implementation regulations as and when appropriate.

On 12 February 2019, China YuHua Education Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and LEI Singapore Holdings Pte. Ltd. (the "**Seller**") entered into an acquisition agreement pursuant to which the Purchaser has acquired (i) 15,907 ordinary shares in the issued and outstanding share capital of Thai Education Holdings Co., Ltd.; and (ii) 285,001 ordinary shares in the issued and outstanding share capital of the Fareast Stamford International Co., Ltd. for a total consideration of approximately US$27.87 million (equivalent to approximately HK$218.78 million). Further details of the acquisition is set out in the announcements of the Company dated 12 February 2019 and 13 February 2019. As at 28 February 2019, the acquisition was completed. The financial results of Thai Education Holdings Co., Ltd., Fareast Stamford International Co., Ltd. and Stamford International University have been consolidated into the Group's since completion of the acquisition.

The business of the Group remained relatively stable for the six months ended 28 February 2019. The Group intends to continue to expand its school network and ensure delivery of high-quality education to its students by making continuous improvements to the educational infrastructure available. As such, there has been no material changes in respect of the business of the Group since 31 August 2018.

The Group's Schools

As at 28 February 2019, the Group had 27 schools located in Henan province of China and one school located in Hunan province of China as well as one school in Thailand.

The private school operating licence (the "**PSO Licence**") for Zhengzhou Technology and Business University expired in May 2016; the PSO Licence has been renewed and is due to expire in 2019. The PSO Licence for Xinxiang Weibin District YuHua Elite Kindergarten is due to expire in September 2019. The PSO Licence will be renewed in due course.

The following table shows a summary of the Group's schools by category as at the end of February 2019 and 2018:

Number of the Group's schools in the PRC	**As at 28 February 2019**	As at 28 February 2018
University	**2** (note 1)	2
High schools	**5** (note 2)	4
Middle schools	**7**	7
Primary schools	**6**	6
Kindergartens	**8**	8
The Group's schools overseas University	**1** (note 3)	—
Total	**29**	27

Notes:

(1) LEI Lie Ying Limited owns 70% of the equity interest in Hunan Lie Ying Industry Co., Ltd. (湖南獵鷹實業有限公司) which in turn owns the entire sponsorship interests in Hunan International Economics University (湖南涉外經濟學院), Hunan Lie Ying Mechanic School (湖南獵鷹技工學校) and Hunan International Economics University Vocational Skills Training Centre (湖南涉外經濟學院職業技能培訓中心), and the entire equity interests in Hunan Lie Ying Property Management Co., Ltd. (湖南獵鷹物業管理有限公司).

(2) Kaifeng City Xiangfu District Bowang High School (開封市祥符區博望高中) was only consolidated into the Group's accounts on 1 September 2018. On 18 April 2018, the Group and Kaifeng City Huibo Education Information Consulting Co., Ltd. ("**Huibo Education**") entered into an investment agreement, pursuant to which the Group conditionally agreed to purchase, and Huibo Education conditionally agreed to sell 70% equity interest in Kaifeng City Yubohui Education Information Consulting Co., Ltd. ("**Yubohui Education**"), a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. The purpose of the Group for this transaction was to acquire Kaifeng City Xiangfu District Bowang High School ("**Bowang High School**") which is a wholly owned subsidiary of Yubohui Education. The acquisition of Yubohui Education was achieved by the following steps: (i) Zhengzhou Qinfeng Education Science and Technology Limited ("**Zhengzhou Qinfeng**") was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 September 2018, 70% equity interests of Yubohui Education was acquired by Zhengzhou Qinfeng; (iii) on 1 September 2018, with effect of certain contractual arrangements entered into between Xizang Yuanpei, a wholly-owned subsidiary of the Company, Zhengzhou Qinfeng, Mr. Li Guangyu and Ms. Li Hua, Zhengzhou Qinfeng and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and was consolidated into the Group's accounts on 1 September 2018.

(3) This represents Stamford International University that the Group operates in Thailand.

OUTLOOK

Future Development

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

FINANCIAL REVIEW

Overview

For the six months ended 28 February 2019, the Group recorded a revenue of RMB801.0 million, an Adjusted Gross Profit of RMB480.2 million and a gross profit of RMB456.6 million. The Adjusted Gross Profit Margin[1] of the Group was 60.0% for the six months ended 28 February 2019 as compared with 54.9% for the corresponding period in 2018. The gross profit margin was 57.0% for the six months ended 28 February 2019 as compared with 51.7% for the corresponding period in 2018.

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2019 was RMB340.4 million, representing an increase of RMB92.2 million or a 37.1% increase from the corresponding period in 2018. The Adjusted Net Profit Margin[2] attributable to owners of the Company was 42.5% and 47.0% for the six months ended 28 February 2019 and 28 February 2018, respectively.

The net profit attributable to owners of the Company amounted to RMB330.4 million and RMB201.7 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The net profit margin attributable to owners of the Company amounted to 41.2% and 39.0% for the six months period ended 28 February 2019 and 28 February 2018, respectively.

Revenue

For the six months ended 28 February 2019, revenue of the Group amounted to RMB801.0 million, representing an increase of RMB283.9 million or 54.9% as compared with RMB517.1 million for the corresponding period in 2018. The increase was primarily due to the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's since completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

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

For the six months ended 28 February 2019, the Adjusted Revenue of the Group amounted to RMB801.0 million, representing an increase of RMB273.0 million or 51.7% as compared with RMB528.0 million for the corresponding period in 2018. The increase was primarily due to the result of (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

Cost of Revenue

For the six months ended 28 February 2019, the Adjusted Cost of Revenue[3] of the Group amounted to RMB320.9 million, representing an increase of RMB82.8 million or 34.8% as compared with RMB238.1 million for the corresponding period in 2018. The increase was primarily the result of (i) an increase in the number of teachers and teachers' salary; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

The cost of revenue of the Group amounted to RMB344.4 million and RMB249.8 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The increase was primarily the result of (i) an increase in the number of teachers and teachers' salary; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

3 The Adjusted Cost of Revenue is calculated as cost of revenue for the period, excluding the impact from the non-cash expenses of share-based compensations and additional depreciation and amortization due to the provisional fair value adjustments to the acquired identifiable assets of LEI Lie Ying Limited and Kaifeng City Xiangfu District Bowang High School.

Gross Profit and Gross Profit Margin

For the six months ended 28 February 2019, the Adjusted Gross Profit of the Group amounted to RMB480.2 million, representing an increase of RMB190.3 million or 65.6% as compared with RMB289.9 million for the corresponding period in 2018, primarily due to (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018. The Adjusted Gross Profit Margin of the Group for the six months ended 28 February 2019 was 60.0%, compared with 54.9% for the corresponding period in 2018.

The Group's gross profit amounted to RMB456.6 million and RMB267.3 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The Group's gross margin amounted to 57.0% and 51.7% for the six months ended 28 February 2019 and 28 February 2018, respectively.

Selling Expenses

For the six months ended 28 February 2019, the selling expenses of the Group amounted to RMB10.0 million, representing an increase of RMB8.1 million or 426.3% from RMB1.9 million during the corresponding period in 2018. The increase was primarily the result of an increase on selling and marketing activities expense in student enrolments.

Administrative Expenses

For the six months ended 28 February 2019, the Adjusted Administrative Expenses[4] of the Group amounted to RMB78.0 million, representing an increase of RMB37.0 million as compared with RMB41.0 million for the corresponding period in 2018. The increase was primarily due to (i) an increase in the number of administrative staff and their salaries; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

4 The Adjusted Administrative Expenses is calculated as administrative expense for the period, excluding the impact from certain non-cash or non-recurring expenses of share-based compensation.

The administrative expenses of the Group amounted to RMB92.0 million and RMB63.9 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The increase was primarily due to (i) an increase in the number of administrative staff and their salaries; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

Other Income

For the six months ended 28 February 2019, the other income of the Group amounted to RMB16.6 million, representing an increase of RMB13.0 million or 361.1% as compared with RMB3.6 million for the corresponding period in 2018. This was primarily due to an increase in government grants.

Other Gains

For the six months ended 28 February 2019, the other gains of the Group amounted to RMB4.7 million as compared with RMB2.5 million for the corresponding period in 2018. The increase was primarily due to an increase in gains from investments in wealth management products.

Operating Profit

The operating profits of the Group amounted to RMB376.0 million and RMB207.6 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The increase was primarily due (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

Finance Income

Finance income increased by 64.0% from RMB10.0 million for the six months ended 28 February 2018 to RMB16.4 million for the corresponding period in 2019 due to an increase in cash and cash equivalents and term deposits with initial term of over three months.

Finance Expenses

Finance expenses increased by 974.2% from RMB3.1 million for the six months ended 28 February 2018 to RMB33.3 million for the corresponding period in 2019 due to an increase in bank borrowing.

Net Profit Attributable to Owners of the Company for the Period

The Adjusted Net Profit attributable to owners of the Company for the six months ended 28 February 2019 was RMB340.4 million, representing an increase of RMB92.2 million or a 37.1% increase from the corresponding period in 2018. The Adjusted Net Profit Margin attributable to owners of the Company was 42.5% and 47.0% for the six months ended 28 February 2019 and 28 February 2018, respectively.

The net profit attributable to owners of the Company amounted to RMB330.4 million and RMB201.7 million for the six months ended 28 February 2019 and 28 February 2018, respectively. The net profit margin attributable to owners of the Company amounted to 41.2% and 39.0% for the six months period ended 28 February 2019 and 28 February 2018, respectively. The increases in both the net profit and the net profit margin attributable to owners of the Company were mainly due to (i) an increase in student enrolment and tuition fees for several schools; (ii) the acquisitions of Yubohui Education and TEDCO and their subsidiaries, the financial results of which have been consolidated into the Group's upon completion of the acquisitions; (iii) as the acquisition of LEI Lie Ying Limited and its subsidiaries was completed on 27 December 2017, six months of the financial results of which were consolidated into the Group's accounts for the six months ended on 28 February 2019 while two months of the financial results were consolidated into the Group's accounts for the corresponding period in 2018.

Liquidity and Source of Funding and Borrowing

As at 28 February 2019, the Group's cash and cash equivalents increased by 340.5% from RMB261.1 million as at 28 February 2018 to RMB1,150.2 million. The significant increase of cash and cash equivalents for the six months ended 28 February 2019 primarily resulted from an increase in tuition revenue and borrowings.

As at 28 February 2019, the current assets of the Group amounted to RMB3,173.7 million, including RMB2,558.6 million in bank balances and cash and other current assets of RMB615.1 million. The current liabilities of the Group amounted to RMB2,604.1 million, of which RMB829.3 million was contract liabilities, RMB859.6 million was accruals and other payables, RMB100.1 million was borrowings, and RMB815.1 million was other current liabilities. As at 28 February 2019, the current ratio, which is equivalent to the current assets divided by the current liabilities, of the Group was 1.22 as compared with 0.98 as at 28 February 2018.

Gearing Ratio

As at 28 February 2019, the gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity, was approximately 12.3%, representing an increase of 8.2 percentage points as compared with 4.1% as at 28 February 2018. The increase was primarily due to an increase in bank loans.

Material Investments

The Group purchased several bank wealth management products during the six months ended 28 February 2019. As at 28 February 2019, the balance of investments in bank wealth management products was RMB570.0 million.

Material Acquisitions and Disposals

On 12 February 2019, China YuHua Education Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and LEI Singapore Holdings Pte. Ltd. (the "**Seller**") entered into an acquisition agreement pursuant to which the Purchaser has acquired (i) 15,907 ordinary shares in the issued and outstanding share capital of Thai Education Holdings Co., Ltd.; and (ii) 285,001 ordinary shares in the issued and outstanding share capital of the Fareast Stamford International Co., Ltd. for a total consideration of approximately US$27.87 million (equivalent to approximately HK$218.78 million). Further details of the acquisition is set out in the announcements of the Company dated 12 February 2019 and 13 February 2019.

As at 12 February 2019, the acquisition was completed. The financial results of Thai Education Holdings Co., Ltd., Fareast Stamford International Co., Ltd. and Stamford International University have been consolidated into the Group's upon completion of the acquisition.

On 18 April 2018, the Group and Huibo Education entered into an investment agreement, pursuant to which the Group conditionally agreed to purchase, and Huibo Education conditionally agreed to sell 70% equity interest in Yubohui Education, a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. The purpose of the Group for this transaction was to acquire Bowang High School which is a wholly owned subsidiary of Yubohui Education. The acquisition of Yubohui Education was achieved by the following steps: (i) Zhengzhou Qinfeng was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 September 2018, 70% equity interests of Yubohui Education was acquired by Zhengzhou Qinfeng; (iii) on 1 September 2018, with effect of certain contractual arrangements entered into between Xizang Yuanpei, a wholly owned subsidiary of the Company, Zhengzhou Qinfeng, Mr. Li Guangyu and Ms. Li Hua, Zhengzhou Qinfeng and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and was consolidated into the Group's accounts on 1 September 2018.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2019.

Pledge of Assets

As at 28 February 2019, the bank borrowings of the Group amounting to RMB486.9 million were guaranteed and pledged by certain prepaid land lease payments, buildings, right over the tuition fee and accommodation fee and equity interests of certain subsidiaries of the Group.

Contingent Liabilities

Details of contingent liabilities as at 28 February 2019 are set out in note 24 to the interim condensed consolidated financial information.

Foreign Exchange Exposure

During the six months ended 28 February 2019, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities functional currency. As at 28 February 2019, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Employee and Remuneration Policies

As at 28 February 2019, the Group had 6,269 full-time employees (28 February 2018: 5,647). The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

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

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

The total remuneration cost incurred by the Group for the six months ended 28 February 2019 was RMB245.2 million (for the six months ended 28 February 2018: RMB181.7 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 28 February 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules except as disclosed below.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 August 2019.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2019.

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 28 February 2019 of HK$0.061 (2018: HK$0.047) per share to shareholders whose names appear on the register of members of the Company at the close of business on 21 May 2019. The interim dividend will be distributed to shareholders of the Company on 28 June 2019.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 17 May 2019 to 21 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 16 May 2019.

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2019 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

OTHER BOARD COMMITTEES

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

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 28 February 2019.

MATERIAL LITIGATION

Save for those described in the Company's circular dated 29 June 2018 in relation to the acquisition of LEI Lie Ying Limited: (i) the Company was not involved in any material litigation or arbitration during the six months ended 28 February 2019; and (ii) the Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 28 February 2019.

LAND USE RIGHT CERTIFICATES IN HENAN PROVINCE

As disclosed in the section headed "Business — Properties — Owned Properties — Land" in the Prospectus, the Group did not obtain the land use right certificates for (i) part of the land used by Zhengzhou Technology and Business University ("**Land I**"), which was due to an adjustment to the administrative territory between Zhongmu County and Zhengdong New District by the PRC government; and (ii) land used by Xuchang YuHua Elite School campus ("**Land II**"), which was due to adjustments to the land use right transfer procedures by the local land administration authority. As at 28 February 2019, the Group had obtained the land use right certificates for Land I and Land II.

BUILDING CERTIFICATES AND PERMITS IN HENAN PROVINCE

As at 28 February 2019, in relation to owned buildings or groups of buildings other than those associated with the HIEU Schools (the "**Non-HIEU Schools Owned Buildings**"), the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 Non-HIEU Schools Owned Buildings, due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group's management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. Please also refer to the section headed "Business — Properties — Owned Properties — Buildings or Groups of Buildings" in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus.

As of 28 February 2019, the Company was in the process of applying for, but had not yet obtained, the proper certificates in relation to 48 buildings currently occupied by the HIEU Schools. The Company understands that the lack of certificates in relation to these buildings will not prejudice the ability of the Company to operate the HIEU Schools and that the buildings are fit and safe for education purposes. For further details, please refer to the Company's circular dated 29 June 2018.

USE OF PROCEEDS

(a) Use of Proceeds from the Global Offering

On 28 February 2017, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK$1,488.3 million, which are intended to be applied in the manner as set out in the Prospectus. As at 28 February 2019, (i) approximately HK$152.6 million of the proceeds had been applied towards facilities upgrade and capacity expansion of the Company's existing schools; (ii) approximately HK$112.6 million had been fully applied to repay the bank loans; and (iii) approximately HK$450.4 million has been fully utilized for the acquisition of LEI Lie Ying Limited and its subsidiaries (including HIEU Schools).

(b) Use of Proceeds from the International Finance Corporation Loan

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong YuHua Education Limited entered into a loan agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of an initial US$50 million tranche and a US$25 million tranche which shall, at the option of International Finance Corporation, be convertible into conversion shares at a conversion price of HK$5.75 per share.

For further details, please refer to the Company's announcement dated 31 May 2018.

As at 28 February 2019, the Company had drawn US$75 million from the loan facility and had not utilized any amount drawn from the loan facility.

(c) Use of Proceeds from Issue of Convertible Bonds

On 9 January 2019, the Company and Merrill Lynch (Asia Pacific) Limited entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which Merrill Lynch (Asia Pacific) Limited agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds to be issued by the Company in an aggregate principal amount of HK$940,000,000 at the initial conversion price of HK$3.3360 per share of the Company under general mandate. The issue of convertible bonds was completed on 18 January 2019 and the net proceeds from the subscription amounted to approximately HK$923 million, all of which would be applied to acquisitions and general corporate purposes.

Assuming full conversion of the convertible bonds at the initial conversion price of HK$3.3360 per Share, the convertible bonds will be convertible into 281,774,580 Shares with an aggregate nominal value of HK$2,817.7458 and a market value of HK$870,683,452.2 (based on the closing price of HK$3.09 on 9 January 2019, the date of the Subscription Agreement); the net price of each conversion Share to the Company is approximately HK$3.28, based on the estimated net proceeds of approximately HK$923 million and 281,774,580 conversion Shares.

The Directors are of the view that the issue of the convertible bonds can provide the Company with additional funds at lower funding cost for acquisitions and general corporate purposes.

For further details, please refer to the Company's announcements dated 10 January 2019 and 18 January 2019.

As at 28 February 2019, approximately HK$220 million of the proceeds had been applied for the acquisition of Stamford International University that the Group operates in Thailand. The remaining HK$703 million of the proceeds had been deposited in the Company's bank accounts pending identification of suitable applications of the funds.

QUALIFICATION REQUIREMENT

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

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

As at 28 February 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%)[1]	Long position/ Short position/ Lending pool
Mr. Li[2]	Beneficial owner/ Founder of a discretionary trust	2,157,249,000[2]&[3]	65.67%	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse	2,162,152,000[2]&[4]&[5]	65.82%	Long position
Qiu Hongjun	Beneficial owner	3,261,000[6]	0.10%	Long position

Notes:

(1) The calculation is based on the total number of 3,284,758,210 Shares in issue as at 28 February 2019.

(2) The entire share capital of GuangYu Investment Holdings Limited is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li Guangyu (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 2,137,500,000 Shares held by GuangYu Investment.

(3) Includes Mr. Li's entitlement to receive up to 13,824,300 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(4) Includes Ms. Li's entitlement to receive up to 17,028,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

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

(6) Includes Qiu Hongjun's entitlement to receive up to 2,934,900 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

Interest in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity/ Nature of Interest	Amount of Registered Capital	% of Interest in the Corporation	Long Position/ Short Position/ Lending Pool
Mr. Li	YuHua Investment Management	Beneficial owner	RMB40,000,000	80%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB18,000,000	36%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB30,000,000	60%	Long position
Ms. Li	YuHua Investment Management	Beneficial owner	RMB10,000,000	20%	Long position
	Zhengzhou YuHua Education Investments	Beneficial owner	RMB32,000,000	64%	Long position
	Zhengzhou Zhongmei Education Investments	Beneficial owner	RMB20,000,000	40%	Long position

Save as disclosed above, as at 28 February 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 28 February 2019, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%)[1]	Long position/ Short position/ Lending pool
Mr. Li[2]	Beneficial owner/ Founder of a discretionary trust	2,157,249,000[4]	65.67%	Long position
Ms. Li[2]	Beneficiary of a discretionary trust/ Beneficial owner/Interest of spouse	2,162,152,000[5]&[6]	65.82%	Long position
Baikal Lake Investment[2]	Interest in controlled corporation/ Other	2,137,500,000	65.07%	Long position
GuangYu Investment[2]	Beneficial owner/Other	2,137,500,000	65.07%	Long position
TMF (Cayman) Ltd.[3]	Trustee/Other	2,137,500,000	65.07%	Long position
Bank of America Corporation	Interest in controlled corporation	434,237,912	13.22%	Long position
		433,875,759	13.21%	Short position

Notes:

(1) The calculation is based on the total number of 3,284,758,210 Shares in issue as at 28 February 2019.

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

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

(4) Includes Mr. Li's entitlement to receive up to 13,824,300 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(5) Includes Ms. Li's entitlement to receive up to 17,028,200 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

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

Save as disclosed above, as at 28 February 2019, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Share Incentive Schemes

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

Details on the movement of the relevant scheme for the six months ended 28 February 2019 is set out in note 15 to the financial information.

1. *Pre-IPO Share Option Scheme*

   The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as of 28 February 2019. No options were granted during the six months ended 28 February 2019 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 15 to the financial statements.

Grantee	Position Held	Outstanding balance as at 1 September 2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 28 February 2019	Option Period	Exercise Price
Director and associates								
Mr. Li	Executive Director; chairman of the Board	19,156,530	–	5,332,230	–	13,824,300	5 years from the date of grant	HK$0.00001 per Share
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	23,596,220	–	6,568,020	–	17,028,200	5 years from the date of grant	HK$0.00001 per Share
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	3,097,950	–	163,050	–	2,934,900	15 years from the date of grant	HK$0.00001 per Share
Ge Cong (葛聰)	Director of the universities and spouse of Ms. Li	309,700	–	16,300	–	293,400	20 years from the date of grant	HK$0.00001 per Share
Subtotal		46,160,400		12,079,600		34,080,800		
Other employees								
325 employees		122,051,140	–	7,740,150	–	114,310,990	Up to 20 years from the date of grant	HK$0.00001 per Share
Subtotal		122,051,140	–	7,740,150	–	114,310,990		
TOTAL		168,211,540	–	19,819,750	–	148,391,790		

2. *Share Award Scheme*

   The summary of the principle terms of the Share Award Scheme, adopted on 8 February 2017, are contained in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme" in Appendix V to the Prospectus. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As at the date of this interim report, no Shares have been granted or agreed to be granted under the Share Award Scheme.

Directors' Rights to Acquire Shares or Debentures

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 76, which comprises the interim condensed consolidated balance sheet of China YuHua Education Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 28 February 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2019

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 28 February 2019 RMB'000 (Unaudited)	28 February 2018 RMB'000 (Unaudited)
Revenue	7	**801,013**	517,105
Cost of revenue	9	**(344,441)**	(249,814)
Gross profit		**456,572**	267,291
Selling expenses	9	**(9,976)**	(1,904)
Administrative expenses	9	**(91,895)**	(63,883)
Other income		**16,587**	3,603
Other gains — net		**4,666**	2,461
Operating profit		**375,954**	207,568
Finance income		**16,351**	9,980
Finance expenses		**(33,252)**	(3,069)
Finance (expenses)/income – net		**(16,901)**	6,911
Profit before income tax		**359,053**	214,479
Income tax credit/(expense)	10	**4,867**	(9,388)
Profit for the period		**363,920**	205,091
Profit attributable to:			
— Owners of the Company		**330,391**	201,731
— Non-controlling interests		**33,529**	3,360
		363,920	205,091
Earnings per share attributable to owner of the Company (RMB)			
Basic earnings per share	11	**0.10**	0.06
Diluted earnings per share	11	**0.10**	0.06

The notes on pages 32 to 76 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	28 February 2019 RMB'000 (Unaudited)	28 February 2018 RMB'000 (Unaudited)
Profit for the period	**363,920**	205,091
Other comprehensive loss		
Item that may be reclassified to profit or loss		
Currency translation differences	**(17,667)**	(79,089)
Other comprehensive loss for the period, net of tax	**(17,667)**	(79,089)
Total comprehensive income for the period	**346,253**	126,002
Total comprehensive income for the period attributable to:		
— Owners of the Company	**312,724**	122,642
— Non-controlling interests	**33,529**	3,360
	346,253	126,002

The notes on pages 32 to 76 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Assets			
Non-current assets			
Prepaid land lease payments	12	**901,811**	793,175
Property, plant and equipment	12	**2,373,169**	2,239,853
Intangible assets	12	**937,547**	756,001
Other non-current assets		**20,979**	37,107
Total non-current assets		**4,233,506**	3,826,136
Current assets			
Trade and other receivables	13	**45,088**	27,104
Financial assets at fair value through profit or loss	6	**570,000**	—
Cash and cash equivalents		**1,150,172**	1,593,177
Restricted cash		**269,911**	270,963
Term deposits with initial term of over three months		**1,138,547**	414,680
Total current assets		**3,173,718**	2,305,924
Total assets		**7,407,224**	6,132,060
Equity			
Equity attributable to owners of the Company			
Share capital	14	**28**	28
Share premium	14	**2,168,025**	2,130,457
Reserves		**547,604**	582,779
Retained earnings		**912,095**	762,140
Non-controlling interests		**328,306**	283,779
Total equity		**3,956,058**	3,759,183
Liabilities			
Non-current liabilities			
Borrowings	17	**409,853**	90,988
Deferred tax liabilities	20	**281,392**	246,870
Derivative financial instruments	18	**155,803**	—
Deferred income		**—**	375
Total non-current liabilities		**847,048**	338,233
Current liabilities			
Accruals and other payables	16	**859,586**	633,050
Borrowings	17	**100,135**	438,464
Contract liabilities		**829,343**	—
Derivative financial instruments	18	**815,054**	—
Deferred revenue		**—**	956,541
Provisions	19	**—**	6,589
Total current liabilities		**2,604,118**	2,034,644
Total liabilities		**3,451,166**	2,372,877
Total equity and liabilities		**7,407,224**	6,132,060

The notes on pages 32 to 76 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company									
		Share capital (Note 14) (RMB'000)	Share premium (Note 14) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Translation reserve (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited											
Balance at 1 September 2018		28	2,130,457	150,046	505,994	127,920	(134,721)	(66,460)	762,140	283,779	3,759,183
Comprehensive income											
Profit for the period		–	–	–	–	–	–	–	330,391	33,529	363,920
Other comprehensive income											
Currency translation differences		–	–	–	–	–	–	(17,667)	–	–	(17,667)
Total transactions with owners											
Acquisition of subsidiaries	8	–	–	–	–	–	–	–	–	10,998	10,998
Dividends relating to the year ended 31 August 2018 paid in April 2019	21	–	–	–	–	–	–	–	(180,436)	–	(180,436)
Share-based compensation	15	–	–	–	–	20,060	–	–	–	–	20,060
Share issued upon exercise of share-based compensation	15	–	37,568	–	–	(37,568)	–	–	–	–	–
Total transactions with owners		–	37,568	–	–	(17,508)	–	–	(180,436)	10,998	(149,378)
Balance at 28 February 2019		28	2,168,025	150,046	505,994	110,412	(134,721)	(84,127)	912,095	328,306	3,956,058

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company									
	Note	Share capital (Note 14) (RMB'000)	Share premium (Note 14) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Treasury shares (RMB'000)	Translation reserve (RMB'000)	Retained earnings (RMB'000)	Non-controlling interests (RMB'000)	Total (RMB'000)
Unaudited											
Balance at 1 September 2017		26	1,318,313	150,046	334,153	91,578	–	(59,213)	642,193	–	2,477,096
Comprehensive income											
Profit for the period		–	–	–	–	–	–	–	201,731	3,360	205,091
Other comprehensive income											
Currency translation differences		–	–	–	–	–	–	(79,089)	–	–	(79,089)
Total transactions with owners											
Acquisition of subsidiaries	8	–	–	–	–	–	–	–	–	224,287	224,287
Placing of new shares	14	2	785,948	–	–	–	–	–	–	–	785,950
Dividends relating to the year ended 31 August 2017 paid in February 2018	21	–	–	–	–	–	–	–	(113,730)	–	(113,730)
Share-based compensation	15	–	–	–	–	31,269	–	–	–	–	31,269
Share issued upon exercise of share-based compensation	15	–	26,196	–	–	(26,196)	–	–	–	–	–
Purchase of treasury shares		–	–	–	–	–	(85,141)	–	–	–	(85,141)
Total transactions with owners		2	812,144	–	–	5,073	(85,141)	–	(113,730)	224,287	842,635
Balance at 28 February 2018		28	2,130,457	150,046	334,153	96,651	(85,141)	(138,302)	730,194	227,647	3,445,733

The notes on pages 32 to 76 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**323,023**	31,602
Interest paid		**(10,321)**	(1,641)
Income tax paid		**—**	(3,518)
Net cash generated from operating activities		**312,702**	26,443
Cash flows from investing activities			
Purchases of property, plant and equipment		**(57,049)**	(47,931)
Payment of prepaid land lease payments		**—**	(40,050)
Refund of prepaid land lease payments		**943**	—
Purchases of intangible assets		**(357)**	(715)
Proceeds from disposal of property, plant and equipment		**979**	10
Purchases of financial instruments at fair value through profit or loss		**(3,309,990)**	(291,616)
Disposals of financial instruments at fair value through profit or loss		**2,750,499**	332,000
Acquisition of subsidiaries		**(137,567)**	(467,049)
Change of term deposits with initial term of over three months		**(742,241)**	90,109
Change of restricted bank deposits		**1,052**	(272,232)
Interest received		**4,516**	3,703
Payments for the assignment of creditor's rights		**(124,372)**	(214,841)
Net cash used in investing activities		**(1,613,587)**	(908,612)
Cash flows from financing activities			
Issuance of convertible loans	6	**167,703**	—
Issuance of convertible bonds	6	**810,938**	—
Payment of convertible bonds issuance costs		**(14,466)**	—
Placing of new shares	14	**—**	794,777
Payment of share issuance costs		**—**	(19,759)
Purchase of treasury shares		**—**	(134,313)
Dividends paid to owners of the Company		**—**	(113,730)
Finance lease payments	17	**(3,464)**	(3,464)
Proceeds from borrowings	17	**395,834**	—
Repayments of borrowings	17	**(495,735)**	—
Net cash generated from financing activities		**860,810**	523,511
Net decrease in cash and cash equivalents		**(440,075)**	(358,658)
Cash and cash equivalents at beginning of the period		**1,593,177**	642,506
Exchange losses on cash and cash equivalents		**(2,930)**	(22,730)
Cash and cash equivalents at end of the period		**1,150,172**	261,118

The notes on pages 32 to 76 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

Key events

Business combination

Acquisition of Yubohui Education

On 18 April 2018, the Group and Kaifeng City Huibo Education Information Consulting Co., Ltd ("Huibo Education") entered into an investment agreement, pursuant to which the Group conditionally agreed to purchase, and Huibo Education conditionally agreed to sell 70% equity interest in Kaifeng City Yubohui Education Information Consulting Co., Ltd. ("Yubohui Education"), a subsidiary of Huibo Education, for a cash consideration of RMB107,100,000. The purpose of the Group for this transaction was to acquire Kaifeng City Xiangfu District Bowang High School ("Bowang High School") which is a wholly owned subsidiary of Yubohui Education. The acquisition of Yubohui Education was achieved by the following steps: (i) Zhengzhou Qinfeng Education Science and Technology Limited ("Zhengzhou Qinfeng") was incorporated in the PRC by Mr. Li Guangyu and Ms. Li Hua on 19 June 2018; (ii) on 1 September 2018, 70% equity interests of Yubohui Education was acquired by Zhengzhou Qinfeng; (iii) on 1 September 2018, with effect of certain contractual arrangements entered into between Xizang Yuanpei Information Technology Management Company Limited ("Xizang Yuanpei"), a wholly owned subsidiary of the Company, Zhengzhou Qinfeng, Mr. Li Guangyu and Ms. Li Hua, Zhengzhou Qinfeng and its subsidiaries became consolidated affiliated entities controlled by Xizang Yuanpei and was therefore consolidated by the Group since 1 September 2018.

1 GENERAL INFORMATION (CONTINUED)

Key events (Continued)

Business combination (Continued)

Acquisition of Yubohui Education (Continued)

Details of the subsidiaries as a consequence of this acquisition are set out below. The country of incorporation or registration is also their principal place of business.

Company name	Country/place and date of incorporation/ establishment	Registered capital	Attributable equity interests of the Group As at 28 February 2019	As at the date of this report	Principal activities/ place of operation
Indirectly held:					
Zhengzhou Qinfeng Education Science and Technology Limited (鄭州秦風教育科技有限公司)	the PRC/ 19 June 2018	RMB1,000,000	100%	100%	Investment holding, the PRC
Kaifeng City Yubohui Education Information Consulting Co., Ltd. (開封市宇博慧教育信息諮詢有限公司)	the PRC/ 2 Feb 2018	RMB33,000,000	70%	70%	Investment holding, the PRC
Kaifeng City Xiangfu District Bowang High School (開封市祥符區博望高中)	the PRC/ 12 July 2000	RMB8,000,000	70%	70%	Education service, the PRC

Acquisition of TEDCO

On 12 February 2019, one of the Company's wholly owned subsidiaries, China YuHua Education Investment Limited, a company incorporated in the British Virgin Islands with limited liability (the "Purchaser"), and LEI Singapore Holdings Pte. Ltd. ("LEI Singapore"), a third party company incorporated in Singapore with limited liability, entered into an acquisition agreement, pursuant to which the Purchaser agreed to purchase the sale shares which comprised of the target sale shares and the subsidiary sale shares for the consideration amounting to RMB63,639,000. The target sale shares represented all of the issued and outstanding ordinary shares of Thai Education Holdings Co., Ltd. ("TEDCO"), which owned approximately 92.8750% of the issued and outstanding share capital of Fareast Stamford International Co., Ltd. ("FES"); the subsidiary sale shares represented approximately 7.1249% of the issued and outstanding share capital of FES (collectively, the "Acquisition"). Upon completion of the Acquisition on 12 February 2019, TEDCO became a subsidiary of China YuHua Education Investment Limited. The Group obtained approximately 99.9999% equity interests in FES aggregately.

TEDCO was incorporated in Thailand on 12 October 2011 as a limited liability company. FES is the license holder of Stamford International University ("STIU"), a wholly owned subsidiary of FES, which was founded in 1995. STIU offers international and Thai undergraduate and graduate degree programs with two campuses in Bangkok, Thailand, and another campus in Hua Hin, Thailand.

1 GENERAL INFORMATION (CONTINUED)

Key events (Continued)

Business combination (Continued)

Acquisition of TEDCO (Continued)

Details of the subsidiaries acquired in this transaction are set out below. The country of incorporation or registration is also their principal place of business.

Company name	Country/place and date of incorporation/ establishment	Registered and paid-up capital	Attributable equity interests of the Group: As at 28 February 2019	Attributable equity interests of the Group: As at the date of this report	Principal activities/ place of operation
Indirectly held:					
Thai Education Holdings Co., Ltd.	Thailand/ 12 Oct 2011	THB3,591,000	100%	100%	Investment holding, Thailand
Fareast Stamford International Co., Ltd.	Thailand/ 4 Mar 1994	THB400,000,000	99.9999%	99.9999%	University license holder, Thailand
Stamford International University	Thailand/ 29 Nov 1995	THB1,102,631,000	99.9999%	99.9999%	Education service, Thailand

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 28 February 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2018, as described in those annual financial statements, except for the adoption of new and amended standards as set out below and the accounting policies applied in Note 4(f) subsequent to the acquisition of subsidiaries disclosed in Note 8.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 September 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15 and the impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards not yet adopted by the Group

Impact of new or amended standards and interpretations that have been issued and may be applicable to the Group but not yet effective for the six months ended 28 February 2019:

		Effective for accounting periods beginning on or after
IFRS 16	Leases	1 January 2019

The Group has not early adopted the IFRS 16 in this condensed consolidated interim financial information and will apply IFRS 16 in accordance with the respective effective date. The Group has already commenced an assessment of the related impact to the Group of IFRS 16 as follows:

(i) IFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB41,499,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

3 ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards not yet adopted by the Group (Continued)

(i) IFRS 16 Leases (Continued)

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

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

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 September 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

IFRS 9 was generally adopted without restating comparative. IFRS 15 was adopted using the modified retrospective approach that comparatives information was not restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 August 2018, but are recognised in the opening balance sheet on 1 September 2019.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 August 2018 As originally presented RMB'000	Impact of first-time adoption of IFRS 15 RMB'000	1 September 2018 Restated RMB'000
Liabilities			
Non-current liabilities			
Deferred income	375	(375)	—
Total non-current liabilities	**375**	**(375)**	**—**
Current liabilities			
Contract liabilities	—	956,916	956,916
Deferred revenue	956,541	(956,541)	—
Total current liabilities	**956,541**	**375**	**956,916**
Total liabilities	**956,916**	**—**	**956,916**

(b) IFRS 9 Financial Instruments — Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The Group had adopted IFRS 9 Financial Instruments from 1 September 2018 resulted in changes of accounting policies. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. The new accounting policies are set out in Note 4(c) below.

The adoption of IFRS 9 did not have material impact on the Group's recognition, classification and measurement of financial instruments.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments — Impact of adoption (Continued)

Classification and measurement

On 1 September 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The majority of the Group's financial assets include:

- trade and other receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

- debt investments currently classified as at fair value through profit or loss ("FVPL") as a whole under IFRS 9.

Impairment of financial assets

The Group has three types of financial instruments that are subject to IFRS 9's new expected credit loss model:

- trade receivables for provision of services;

- other receivables carried at amortised cost; and

- debt investment carried at FVPL.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under IAS 39. The impact of the change in impairment methodology on the Group's retained earnings as of 1 September 2018 was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 September 2018

(i) Classification

From 1 September 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 September 2018 (Continued)

(i) Classification (Continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 September 2018 (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iii) Impairment

From 1 September 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 September 2018 replacing IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contract which covers construction contract. The Group has adopted the modified retrospective approach and the comparatives were not restated. The impact of the adoption of IFRS 15 was immaterial and there was no adjustments in retained earnings as of 1 September 2018.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that has been affected:

The Group has changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract liabilities in relation to advanced tuition and boarding fees were previously presented as deferred revenue and deferred income.

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 September 2018

Revenue recognition

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the business model, terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group's service income includes tuition fees and boarding fees from university, high schools, middle schools, primary schools and kindergartens and property management service fee.

Tuition and boarding fees are generally received in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the terms of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and those which will be earned beyond one year is reflected as a non-current liability.

Property management service fee is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) IFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 September 2018 (Continued)

Contract assets and liabilities

When either party to a contact has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with IFRS 15. In respect of the incremental costs of obtaining a contract, which generate resources used in satisfying the contract and are expected to be recovered, they are therefore capitalised as costs to fulfil a contract following the adoption of IFRS 15 and included in other non-current assets in the balance sheet. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

(i) Intangible assets

- *Student base*

  The student base refers to Bowang High School's registered and existing students, who are expected to pay tuition fees until their graduation. The student base will be generating income for Bowang High School in the following three years, thus it is identified as an intangible asset based on its fair value on the acquisition date. The student base is amortised using the straight-line method over the respective period until the graduation of the existing students.

(ii) Employee benefits

- *Defined benefit plan*

  Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

(ii) Employee benefits (Continued)

- *Defined benefit plan (Continued)*

  The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

  The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

  The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

  Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income/expenses in the period in which they arise.

  Past service costs are recognised immediately in the income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the income statement as past service costs.

5 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 August 2018, except for the estimate of expected credit losses as disclosed in Note 4(b) and the one below.

5 ESTIMATES (CONTINUED)

Estimation of the fair value of certain financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 6.3.

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2018.

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

6.2 Liquidity risk

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

As at 28 February 2019, the Group had cash and cash equivalents of RMB1,150,172,000 (31 August 2018: RMB1,593,177,000) and trade receivables of RMB1,820,000 (31 August 2018: RMB3,871,000) that are expected to readily generate cash inflows for managing liquidity risk.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over five years RMB'000	Total RMB'000
Unaudited					
As at 28 February 2019					
Borrowings (principal plus interests, excluding finance leases)	**119,758**	**103,913**	**253,946**	**96,697**	**574,314**
Finance Leases	**3,464**	**3,464**	**10,392**	**6,928**	**24,248**
Accruals and other payables (excluding non-financial liabilities)	**763,585**	**—**	**—**	**—**	**763,585**
	886,807	**107,377**	**264,338**	**103,625**	**1,362,147**
Audited					
As at 31 August 2018					
Borrowings (principal plus interests, excluding finance leases)	450,021	73,413	—	—	523,434
Finance Leases	3,464	3,464	10,392	10,392	27,712
Accruals and other payables (excluding non-financial liabilities)	568,850	—	—	—	568,850
	1,022,335	76,877	10,392	10,392	1,119,996

6.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 28 February 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at 28 February 2019 and 31 August 2018:

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Level 3		
Assets		
Financial instruments at fair value through profit or loss	**570,000**	—
Liabilities		
Derivative financial instruments	**970,857**	—

The following table presents the movement in level 3 financial assets for the six months ended 28 February 2019:

	Investments in wealth management products (level 3) RMB'000
Balance at 1 September 2018	—
Additions	3,309,990
Settlements	(2,750,499)
Gains and losses recognised in profit or loss	10,509
Balance at 28 February 2019	**570,000**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

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

The following table presents the movement in level 3 financial liabilities for the six months ended 28 February 2019:

	Convertible loans and convertible bonds (level 3) RMB'000
Balance at 1 September 2018	—
Additions	978,641
Gains and losses recognised in profit or loss	(7,784)
Balance at 28 February 2019	**970,857**
Changes in unrealised gains or losses included in profit or loss for the period	(7,784)

There were no movement or balance in level 3 financial liabilities for the six months ended 28 February 2018.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

As at 28 February 2019, the carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash, term deposits with initial term of over three months and trade and other receivables, and financial liabilities, including accruals and other payables, approximated their fair values due to the short maturities.

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

The fair value of the derivative financial instruments is determined by reference to the valuation performed by an independent valuer using the Binomial Method.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 28 February 2019 RMB'000	Unobservable inputs
Convertible bonds	815,054	Dividend yield: 3.00% Volatility: 33.98% Risk free rate: 1.40%
Convertible loans	155,803	Dividend yield: 3.00% Volatility: 34.02% Risk free rate: 2.53%

7 SEGMENT INFORMATION

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

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

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

7 SEGMENT INFORMATION (CONTINUED)

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

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

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue for the six months ended 28 February 2019 and 2018.

7 SEGMENT INFORMATION (CONTINUED)

The information of the reportable segments provided to the CODM for the six months ended 28 February 2019 and 2018 is as follows:

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
For the six months ended 28 February 2019						
Revenue	28,058	302,978	469,977	1,200	(1,200)	801,013
Cost of revenue	(13,866)	(146,791)	(183,679)	(105)	–	(344,441)
Gross profit	14,192	156,187	286,298	1,095	(1,200)	456,572
Selling expenses	–	(5,577)	(3,911)	(488)	–	(9,976)
Administrative expenses	(3,186)	(19,958)	(38,114)	(31,837)	1,200	(91,895)
Other income	–	12,161	4,426	–	–	16,587
Other gains/(losses) — net	657	3,272	2,767	(2,030)	–	4,666
Operating profit	11,663	146,085	251,466	(33,260)	–	375,954
Finance income/(expenses) — net	(4,808)	173	377	(12,643)	–	(16,901)
Profit before income tax	6,855	146,258	251,843	(45,903)	–	359,053
Income tax expense	–	1,947	2,920	–	–	4,867
Profit for the period	6,855	148,205	254,763	(45,903)	–	363,920

	Kindergartens (RMB'000)	Grade 1–12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter-segment elimination (RMB'000)	Total (RMB'000)
Unaudited						
As at 28 February 2019						
Total assets	166,509	2,338,887	4,459,156	6,798,285	(6,355,613)	7,407,224
Total liabilities	60,772	1,116,017	1,504,386	4,962,636	(4,192,645)	3,451,166
Other segment information						
For the six months ended 28 February 2019						
Additions to non-current assets	237	2,530	33,850	48	–	36,665
Additions to non-current assets due to the acquisition of subsidiaries	–	157,947	323,979	–	–	481,926
Depreciation and amortisation	(1,308)	(26,806)	(52,439)	(3,499)	–	(84,052)
Losses on disposal of property, plant and equipment	(160)	(239)	(2,701)	–	–	(3,100)

7 SEGMENT INFORMATION (CONTINUED)

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

7 SEGMENT INFORMATION (CONTINUED)

Revenue from external customers broken down by location of the customers is shown in the table below.

	Six months ended	
	28 February 2019 (RMB'000) (Unaudited)	28 February 2018 (RMB'000) (Unaudited)
The PRC	**795,337**	517,105
The Thailand	**5,676**	—
	801,013	517,105

Non-current assets excluding deferred tax assets broken down by location of the customers are show in the table below.

	As at 28 February 2019 (RMB'000) (Unaudited)	As at 31 August 2018 (RMB'000) (Audited)
The PRC	**3,914,316**	3,826,136
The Thailand	**319,190**	—
	4,233,506	3,826,136

8 BUSINESS COMBINATIONS

Acquisition of Yubohui Education

As disclosed in Note 1, on 1 September 2018, the Group completed the acquisition of 70% equity interest in Yubohui from a third party for a consideration of RMB107,100,000. The goodwill of RMB81,437,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer; obtaining economies of scale by cost reductions from purchasing efficiencies.

8 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Yubohui Education (Continued)

The following table summarises the purchase consideration for Yubohui and its subsidiary, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 1 September 2018 (RMB'000)
Acquisition consideration	107,100
Less:	
Cash and cash equivalents	11,840
Property, plant and equipment	40,910
Prepaid land lease payments	12,900
Intangible assets	22,700
Other receivables	4,482
Accruals and other payables	(2,869)
Contract liabilities	(24,899)
Borrowings	(17,000)
Deferred tax liabilities	(11,403)
Non-controlling interests	(10,998)
Goodwill	81,437
Acquisition-related costs (included in administrative expenses in the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2019)	600
Outflow of cash for the acquisition of Yubohui Education, net of cash acquired	
Acquisition consideration	107,100
Payables for acquisition consideration as at 28 February 2019	(32,130)
Cash paid during the current period	74,970
Cash and cash equivalents in the subsidiaries acquired	(11,840)
Net cash outflow	63,130

8 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Yubohui Education (Continued)

Note:

(i) Provisional fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets of RMB22,700,000 is provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of RMB5,675,000 has been provided in relation to these fair value adjustments.

(ii) Non-controlling interest

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

(iii) Revenue and profit contribution

The revenue and net profit included in the consolidated statement of profit or loss contributed by Zhengzhou Qinfeng and its subsidiaries since 1 September 2018 was RMB26,749,000 and RMB4,929,000, respectively.

(iv) Property, plant and equipment

The fair value of the property, plant and equipment acquired by the Group was RMB40,910,000, which have no building ownership certificates.

Acquisition of TEDCO

As disclosed in Note 1, on 12 February 2019, the Group completed the acquisition of 92.8750% equity interest in TEDCO and 7.1249% equity interest in FES from a third party for a consideration approximately of RMB63,639,000. The goodwill of RMB41,560,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater operations efficiencies through knowledge and industry experiences transfer.

8 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of TEDCO (Continued)

The following table summarises the purchase consideration for TEDCO and its subsidiaries, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 12 February 2019 (RMB'000)
Acquisition consideration	63,639
Less:	
Cash and cash equivalents	23,118
Prepaid land lease payments	108,197
Property, plant and equipment	121,724
Intangible assets	
— Trademark	42,880
— Other intangible assets	3,599
Other non-current assets	6,019
Other current assets	2,588
Trade and other receivables	3,659
Accruals and other payables	(148,483)
Current income tax liabilities	(21,025)
Contract liabilities	(25,704)
Borrowings	(66,507)
Deferred tax liabilities	(27,986)
Non-controlling interests	—
Goodwill	41,560
Acquisition-related costs (included in administrative expenses in the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2019)	3,103
Outflow of cash for the acquisition of TEDCO, net of cash acquired	
Acquisition consideration	63,639
Payables for acquisition consideration as at 28 February 2019	(27,964)
Cash paid during the current period	35,675
Cash and cash equivalents in the subsidiaries acquired	(23,118)
Net cash outflow	12,557

8 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of TEDCO (Continued)

Note:

(i) Provisional fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets of RMB46,479,000 is provisional pending receipt of the final valuations for those assets. No deferred tax liabilities has been provided in relation to these fair value adjustments.

(ii) Acquired receivables

The fair value of trade and other receivables is RMB3,659,000 and includes that of trade receivables of RMB1,242,000. The gross contractual amount for trade receivables past due is RMB3,407,000, of which RMB2,165,000 is expected to be uncollectible and thus impaired.

(iii) Revenue and profit contribution

The revenue and net loss included in the consolidated statement of profit or loss contributed by TEDCO and its subsidiaries since 12 February 2019 was RMB5,676,000 and RMB9,005,000, respectively. If the acquisition had occurred on 1 September 2018, consolidated revenue and consolidated profit of the Group for the six months ended 28 February 2019 would have been RMB865,341,000 and RMB362,477,000 respectively.

(iv) Assignment of creditor's rights

Pursuant to an agreement between China YuHua Education Investment Limited and LEI Singapore dated 12 February 2019, LEI Singapore assigned its right to the balance due from TEDCO, FES and STIU amounting to RMB346,012,000 in aggregate to China YuHua Education Investment Limited at a consideration of RMB124,372,000.

9 EXPENSES BY NATURE

	Six months ended 28 February 2019 (RMB'000) (Unaudited)	28 February 2018 (RMB'000) (Unaudited)
Employee benefit expenses	**245,203**	181,702
— Wages, salaries, bonus and other welfare	**225,143**	150,433
— Share-based compensation expenses (Note 15)	**20,060**	31,269
Depreciation of property, plant and equipment (Note 12)	**61,547**	45,028
Amortisation of prepaid land lease payments (Note 12)	**11,518**	5,564
Amortisation of intangible assets (Note 12)	**10,987**	655
Canteen expenditure	**12,731**	14,126
Student training and scholarship expenses	**15,798**	9,217
School consumables	**19,491**	19,907
Utilities expenses	**15,954**	14,418
Maintenance expenses	**5,587**	4,511
Marketing expense	**3,244**	1,408
Operating lease payments	**2,548**	2,245
Office expenses	**13,945**	5,566
Consultancy and professional fee	**14,597**	3,233
Travel and entertainment expense	**2,706**	1,463
Expense in relation to the acquisition of subsidiaries (Note 8)	**3,703**	1,390
Other expenses	**6,753**	5,168
	446,312	315,601

10 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 28 February 2019 (RMB'000) (Unaudited)	28 February 2018 (RMB'000) (Unaudited)
Current tax		
Current tax on profits before income tax for the period	**—**	—
Deferred tax		
Decrease in deferred tax assets	**—**	11,318
Decrease in deferred tax liabilities	**(4,867)**	(1,930)
Deferred tax expense for the period	**(4,867)**	9,388
Income tax (credit)/expense	**(4,867)**	9,388

10 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(a) Cayman Islands profits tax

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

(b) British Virgin Islands profit tax

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

(c) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 28 February 2019 and 2018.

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

CIT is provided on assessable profits of entities incorporation in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 28 February 2019 and 2018.

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

The corporate income tax rate for Xizang Yuanpei Information Technology Management Company Limited ("Xizang Yuanpei"), a wholly-owned subsidiary of the Company, is 15% based on the relevant tax regulations of Tibet Autonomous Region.

(e) Thailand corporate income tax

The statutory corporate income tax rate applied on the net taxable profits for Thailand companies is 20%. STIU is not subject to income tax as it was established under the Private Commission on Higher Education Act,. B.E. 2546 and is not considered as a taxable unit under the Revenue Code.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 28 February 2019 by the weighted average number of ordinary shares in issue during the six months ended 28 February 2019.

	Six months ended	
	28 February 2019 (Unaudited)	28 February 2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**330,391**	201,731
Weighted average number of ordinary shares in issue (thousand)	**3,204,396**	3,164,528
Basic earnings per share (RMB)	**0.10**	0.06

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended 28 February 2019 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	28 February 2019 (Unaudited)	28 February 2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**330,391**	201,731
Adjustments for:		
— interest savings and fair value change on convertible loans	**(10,881)**	—
Adjusted profit attributable to owners of the Company (RMB'000)	**319,510**	201,731
Weighted average number of ordinary shares in issue (thousands)	**3,204,396**	3,164,528
Adjustments for:		
— Pre-IPO share options (thousands)	**74,614**	93,931
— Convertible loans	**4,472**	—
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,283,482**	3,258,459
Diluted earnings per share (RMB)	**0.10**	0.06

12 PREPAID LAND LEASE PAYMENTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Prepaid land lease payments	Property, plant and equipment	Trademark	Student base	Goodwill (Note 8)	Other intangible assets
	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)
Six months ended 28 February 2019						
Opening net book amount	**793,175**	**2,239,853**	**219,000**	**–**	**528,703**	**8,298**
Acquisition of subsidiaries (Note 8)	**121,097**	**162,634**	**42,880**	**22,700**	**122,997**	**3,599**
Additions	**–**	**36,308**	**–**	**–**	**–**	**357**
Disposals	**(943)**	**(4,079)**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(11,518)**	**(61,547)**	**(357)**	**(6,936)**	**–**	**(3,694)**
Closing net book amount as at 28 February 2019	**901,811**	**2,373,169**	**261,523**	**15,764**	**651,700**	**8,560**
Six months ended 28 February 2018						
Opening net book amount	236,322	1,477,434	–	–	–	1,689
Acquisition of subsidiaries	583,120	784,407	219,000	–	533,531	7,301
Additions	–	34,105	–	–	–	715
Disposals	–	(198)	–	–	–	–
Depreciation and amortisation	(5,564)	(45,028)	–	–	–	(655)
Closing net book amount as at 28 February 2018	813,878	2,250,720	219,000	–	533,531	9,050

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

(b) The carrying value of the land use right allocated by the government of RMB440,923,237 (31 August 2018: RMB447,121,867) as at 28 February 2019, has no definite life of use stated in the relevant land use right certificates. The estimated useful life is 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

12 PREPAID LAND LEASE PAYMENTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(c) As at 28 February 2019, the land use right of the Group with a carrying amount of RMB382,219,000 (31 August 2018: RMB278,813,000) was pledged as security for bank borrowings of the Group. The land use right of the Group with a carrying amount of RMB16,317,000 (31 August 2018: RMB16,563,000) was pledged as security for a personal bank loan with a principal amount of RMB12,000,000 owed by a former employee of Hunan Lie Ying Industry Co., Ltd..

(d) As at 28 February 2019, the buildings of the Group with a carrying amount of RMB112,075,000 (31 August 2018: nil) was pledged as security for bank borrowings of the Group.

(e) As at 28 February 2019, the carrying amount of prepaid land lease payments without land use right certificates was RMB21,552,000 (31 August 2018: RMB46,835,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB12,548,000 as at 28 February 2019 (31 August 2018: nil).

(f) As at 28 February 2019, the carrying amount of buildings without building ownership certificates was RMB1,420,679,000 (31 August 2018: RMB1,418,246,000). The Group is in the process of applying for the certificates except for the buildings of Bowang High School with a carrying amount of RMB23,700,000 as at 28 February 2019 (31 August 2018: nil).

13 TRADE AND OTHER RECEIVABLES

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Trade receivables		
Due from students	2,326	4,066
Provision for impairment	(506)	(195)
	1,820	3,871
Other receivables		
Amounts due from related parties (Note 23)	—	104
Deposits	1,365	1,359
Staff advance	4,614	1,070
Interest receivables	14,058	5,108
Others	3,328	1,474
Provision for impairment	(127)	(135)
	23,238	8,980
Prepayment		
Prepaid expenses	20,030	14,253
	45,088	27,104

As at 28 February 2019 and 31 August 2018, the aging analysis of trade receivables based on the invoice date were as follows:

	As at 28 February 2019 (RMB'000) (Unaudited)	As at 31 August 2018 (RMB'000) (Audited)
Less than 1 year	1,948	4,054
Over 1 year	378	12
	2,326	4,066

14 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK$
Unaudited		
As at 28 February 2019	**50,000,000,000**	**500,000**

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2018	**3,264,938,460**	**HK$32,650**	**28**	**2,130,457**	**2,130,485**
Share issued upon exercise of share-based compensation	**19,819,750**	**HK$198**	**–**	**37,568**	**37,568**
Balance at 28 February 2019	**3,284,758,210**	**HK$32,848**	**28**	**2,168,025**	**2,168,053**

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK$
Unaudited		
As at 28 February 2018	50,000,000,000	500,000

Issued and paid:	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Balance at 1 September 2017	3,000,000,000	HK$30,000	26	1,318,313	1,318,339
Placing of new shares	253,150,000	HK$2,532	2	785,948	785,950
Share issued upon exercise of share-based compensation	11,788,460	HK$118	–	26,196	26,196
Balance at 28 February 2018	3,264,938,460	HK$32,650	28	2,130,457	2,130,485

15 SHARE-BASED PAYMENTS

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

	Unaudited Six months ended 28 February 2019	
	Average exercise price in HK$ per share option	**Number of share options**
Opening balance	**0.00001**	**168,211,540**
Share options exercised	**0.00001**	**(19,819,750)**
Closing balance	**0.00001**	**148,391,790**
Exercisable at period end	**0.00001**	**1,637,190**

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

15 SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding as at 28 February 2019 have the following expiry date and exercise prices:

	Unaudited 28 February 2019	
Expiry date	**Exercise price in HK$ per share option**	**Number of share options**
1 September 2036	**0.00001**	**148,391,790**

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

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

102,621,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Commencing from the first, second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2019, 10,262,100 share options have been vested, and 607,900 share options have not yet exercised.

15,658,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 20 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh, twelfth to sixteenth and seventeenth to twentieth anniversaries, the relevant grantees may exercise up to 5%, 20%, 30%, 50% and 100% of the shares comprised in his or her option. As at 28 February 2019, 1,565,800 share options have been vested, and 833,090 share options have not yet exercised.

4,402,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Commencing from the first, second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2019, 440,200 share options have been vested, and 32,600 share options have not yet exercised.

15 SHARE-BASED PAYMENTS (CONTINUED)

1,636,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 15 years. Upon the Listing and commencing from the second to sixth, seventh to eleventh and twelfth to fifteenth anniversaries, the relevant grantees may exercise up to 5%, 25%, 45% and 100% of the shares comprised in his or her option. As at 28 February 2019, 163,600 share options have been vested and not yet exercised.

2,608,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 10 years. Upon the Listing and commencing from the second to sixth and seventh to tenth anniversaries, the relevant grantees may exercise up to 5%, 40% and 100% of the shares comprised in his or her option. As at 28 February 2019, 391,200 share options have been vested and exercised.

44,075,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 5 years. Upon the Listing and commencing from the second to fifth anniversaries, the relevant grantees may exercise up to 3% and 100% of the shares comprised in his or her option. As at 28 February 2019, 12,222,500 share options have been vested and exercised.

9,000,000 share options granted under the Pre-IPO Share Option Scheme on 1 September 2016 have a vesting period of 3 years. Upon the Listing and commencing from the first and second to third anniversary, the relevant grantees may exercise up to 40%, 60% and 100% of the shares comprised in his or her option. As at 28 February 2019, 8,200,000 share options have been vested and exercised.

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

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

The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of profit or loss over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of profit or loss for the six months ended 28 February 2019 amounted to HK$23,299,000 (equivalent to RMB20,060,000) (2018: HK$36,318,000, equivalent to RMB31,269,000).

15 SHARE-BASED PAYMENTS (CONTINUED)

During January and February 2018, the Group entrusted and paid an aggregate of HK$242,000,000 (equivalent to RMB204,585,000) to Haitong International Securities Co., Ltd. ("Haitong Securities") through the trust to purchase shares of the Company from the market as an incentive subject. During the year ended 31 August 2018, Haitong Securities purchased 38,456,000 shares of the Company in total amounting to HK$163,733,000 (equivalent to RMB134,721,000), which was deducted from "treasury shares" under reserves. During the six months ended 28 February 2019, Haitong Securities did not purchase any shares of the Company and the remaining cash and cash equivalents was returned to the Company.

16 ACCRUALS AND OTHER PAYABLES

	As at 28 February 2019 (RMB'000) (Unaudited)	As at 31 August 2018 (RMB'000) (Audited)
Amounts due to related parties (Note 23)	**2,996**	4,844
Payables in relation to the acquisition of subsidiaries	**318,214**	320,000
Payables for purchases of property, plant and equipment	**105,860**	126,601
Salary and welfare payables	**68,579**	61,403
Deposits received from teachers and students	**25,180**	14,333
Miscellaneous expenses received from students	**45,236**	33,647
Payables for teaching materials and other operating expenditure	**27,184**	25,214
Payables for contracting canteens	**534**	534
Payables of costs in relation to the acquisition	**3,100**	—
Government subsidies payable to students and teachers	**14,988**	25,049
Audit and consulting fees	**1,814**	3,632
Interest payables	**4,312**	145
Taxes payable	**27,422**	2,797
Dividends payable	**180,436**	—
Legal claim payables (Note 19)	**6,589**	—
Others	**27,142**	14,851
	859,586	633,050

17 BORROWINGS

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Non-current		
Secured		
Bank loans	**390,206**	70,000
Finance lease liabilities	**19,647**	20,988
	409,853	90,988
Current		
Secured		
Bank loans	**96,671**	235,000
Finance lease liabilities	**3,464**	3,464
Unsecured		
Bank loans	**—**	200,000
	100,135	438,464
Total borrowings	**509,988**	529,452

(a) Movements in borrowings is analysed as follows:

Unaudited	RMB'000
Six months ended 28 February 2019	
Opening amount as at 1 September 2018	**529,452**
Acquisition of subsidiaries (Note 8)	**83,507**
Proceeds of new borrowings	**395,834**
Repayments of borrowings	**(495,735)**
Finance lease payments	**(3,464)**
Finance charge on finance leases	**394**
Closing amount as at 28 February 2019	**509,988**
Six months ended 28 February 2018	
Opening amount as at 1 September 2017	—
Acquisition of subsidiaries	167,327
Finance lease payments	(3,464)
Finance charge on finance leases	148
Closing amount as at 28 February 2018	164,011

17 BORROWINGS (CONTINUED)

(b) As at 28 February 2019, there were no undrawn bank facility (31 August 2018: nil).

(c) Bank borrowings of the Group as at 28 February 2019 were guaranteed and pledged by certain prepaid land lease payments, buildings, right over the tuition fee and accommodation fee and equity interests of certain subsidiaries of the Group.

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

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Bank borrowings		
Buildings	**112,075**	—
Prepaid land lease payments	**382,219**	278,813
	494,294	278,813

(e) Financial arrangements

The Group had access to the following undrawn borrowing facilities from International Finance Corporation ("IFC") at the end of the reporting period:

Floating rate	**As at 28 February 2019 RMB'000 (Unaudited)**	As at 31 August 2018 RMB'000 (Audited)
— Expiring within one year	**—**	341,230
— Expiring beyond one year	**—**	170,615
	—	511,845

For the details of the borrowing facilities from IFC, please refer to note 18(a).

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Non-current		
Convertible loans (a)	**155,803**	—
Current		
Convertible bonds (b)	**815,054**	—

(a) Loan Agreement

On 31 May 2018, the Company, China YuHua Education Investment Limited and China Hong Kong Yuhua Education Limited ("YuHua HK") entered into a loan agreement with International Finance Corporation, pursuant to which IFC agreed to lend and the Company agreed to borrow up to the principal amount of US$75 million, comprised of an initial US$50 million tranche (the "Initial Tranche") and a US$25 million tranche (the "Convertible Tranche") which shall, at the option of IFC, be convertible into the ordinary share of the Company at a conversion price of HK$5.75 per Share (subject to the adjustments as set out in the loan agreement) at any time after the date of the first Convertible Tranche disbursement and prior to the date falling one year after the date of such Convertible Tranche disbursement. The Initial Tranche is repayable in eleven equal semi-annual instalments commencing from 15 June 2020 and the Convertible Tranche is repayable in seven equal semi-annual instalments commencing from the same date (unless converted prior), subject to customary early prepayment conditions.

The proceeds of the loan will primarily be utilised to finance potential acquisitions.

As a condition to disbursement of the Loan, the chairman and ultimate controlling shareholder, Mr. Li Guangyu, and the chief executive officer, Ms. Li Hua, have entered into the Share Retention Agreement pursuant to which they will, among other things, be required to retain control over GuangYu Investment and, through GuangYu Investment, the Company, for so long as any indebtedness under the Loan remains outstanding. An equity pledge agreement was also entered into pursuant to which YuHua HK will grant IFC a pledge over an equity interest representing 40% of the registered capital of Xizang Yuanpei. The outstanding principal of the Loan will bear an interest rate at a rate of LIBOR plus 1.70% per annum. The Convertible Tranche is convertible at the option of IFC into the conversion shares at a conversion price of HK$5.75 per Share (subject to the adjustments) within the conversion period commencing on the drawdown of the Convertible Tranche and ending on the date one year after the date of such drawdown.

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Loan Agreement (Continued)

On 4 February 2019, the Company fully drew down the Initial Tranche and Convertible Tranche amounting to US$50 million and US$25 million, respectively. As at 28 February 2019, the loanholders had not converted the Convertible Tranche into ordinary shares of the Company.

(b) Convertible bonds

On 9 January 2019, the Company (the "Issuer") entered into the subscription agreement with Merrill Lynch (Asia Pacific) Limited (the "Manager"), pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds in an aggregate principal amount of HK$940,000,000. The convertible bonds can be converted into fully paid ordinary shares of the Company with a par value of HK$0.00001 each, at the option of the bondholders.

Each bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after 18 January 2019 (the "Issue Date") up to the close of business (at the place where the certificate evidencing such bond is deposited for conversion) on the date falling seven days prior to 16 January 2020 (the "Maturity Date") into fully paid ordinary shares with a par value of HK$0.00001 each of the Issuer (the "Shares") at an initial conversion price of HK$3.3360 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions. The bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.00 per cent per annum, payable in arrear on 18 July 2019 and the Maturity Date. As at 28 February 2019, the bondholders have not converted the bonds into ordinary shares of the Company.

The issuance was completed on 18 January 2019. Details of the issuance was set out in the Company's announcement dated 18 January 2019.

19 PROVISIONS

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Legal Claim		
At beginning of the period	**6,589**	—
Acquisition of subsidiaries	**—**	6,132
Charged to profit or loss	**—**	457
Reclassified to other payables (Note 16)	**(6,589)**	—
At end of the period	**—**	6,589

19 PROVISIONS (CONTINUED)

On 27 December 2017, the Group completed the acquisition of LEI Lie Ying Limited ("LEI Lie Ying") which owns 70% equity interests of Hunan International Economics University ("HIEU") (湖南涉外經濟學院) from Lei China Limited. On 27 July 2016, a legal claim was filed against HIEU by a bank to claim for the joint liability of an overdue loan with a principal amount of RMB12,000,000 owed by a former employee of LEI Lie Ying as the loan was pledged by a land use right owned by HIEU with a carrying amount of RMB16,317,000 as at 28 February 2019. On 27 February 2018, a verdict of first instance was given by the People's Court of Hunan Yuelu District that HIEU should bear 40% of the loan and interests which the former employee cannot repay. Therefore, a provision for the legal claim amounting to RMB6,589,000 was recognised by HIEU as at 31 August 2018. HIEU filed an appeal against the verdict of first instance. On 15 November 2018, a final verdict was given by Changsha Intermediate People's Court of Hunan Province to dismiss the appeal from HIEU and uphold the original verdict. Therefore, legal claim payable amounting to RMB6,589,000 was reclassified to other payables as at 28 February 2019.

20 DEFERRED TAX LIABILITIES

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

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Opening amount	**(246,870)**	—
Acquisition of subsidiaries (Note 8)	**(39,389)**	(242,959)
Charged to profit or loss (Note 10)	**4,867**	(3,911)
Closing amount	**(281,392)**	(246,870)

21 DIVIDENDS

On 30 April 2019, the Board of Directors has resolved to declare an interim dividend of HK$0.061 (2018: HK$0.047) per share to shareholders whose names appear on the register of members of the Company at the close of business on 21 May 2019. This interim dividend, amounting to HK$200,370,000 (2018: HK$153,492,000), has not been recognised as a liability in this interim financial information. The interim dividend will be distributed to shareholders of the Company on 28 June 2019.

A dividend in respect of the year ended 31 August 2018 of HK$0.064 per share amounting to a total dividend of RMB180,436,000 was approved at the adjourned annual general meeting held on 13 February 2019 and paid on 11 April 2019.

22 COMMITMENTS

(a) Capital commitments

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

	As at 28 February 2019 (RMB'000) (Unaudited)	As at 31 August 2018 (RMB'000) (Audited)
Property, plant and equipment	**176,538**	4,157

(b) Operating lease commitments

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

	As at 28 February 2019 (RMB'000) (Unaudited)	As at 31 August 2018 (RMB'000) (Audited)
No later than 1 year	**3,948**	3,723
Later than 1 year and no later than 5 years	**13,204**	13,029
Later than 5 years	**24,347**	26,384
	41,499	43,136

23 RELATED PARTY TRANSACTIONS

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

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

23 RELATED PARTY TRANSACTIONS (CONTINUED)

Name and relationship with related parties:

Names of the related parties	Nature of relationship
Mr. Li Guangyu	The Controlling Shareholder
Ms. Li Hua	The daughter of the Controlling Shareholder and Chief Executive Officer of the Company
Zhengzhou Corn Culture Communication Co., Ltd.	A company controlled by Ms. Li Hua
Ms. Liu Chunhua	The spouse of Mr. Li Guangyu

(a) Transactions with related parties

	Six months ended	
	28 February 2019 (RMB'000) (Unaudited)	28 February 2018 (RMB'000) (Unaudited)
Purchases of office building lease services	**358**	1,075
— A company controlled by the Controlling Shareholder's family	**192**	575
— Ms. Liu Chunhua	**89**	232
— Ms. Li Hua	**77**	268

(b) Balances with related parties

	As at 28 February 2019 RMB'000 (Unaudited)	As at 31 August 2018 RMB'000 (Audited)
Amounts due to related parties		
— The Controlling Shareholder	**2,038**	1,077
— Zhengzhou Corn Culture Communication Co., Ltd.	**958**	766
— Hunan Lie Ying Construction Engineering Co., Ltd.	**—**	2,971
— Others	**—**	30
	2,996	4,844
Amounts due from related parties		
— Hunan Golf Vocational College	**—**	22
— Others	**—**	82
	—	104

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

As at 28 February 2019, all balances with the Controlling Shareholder and related companies are non-interest bearing. All balances due to the Controlling Shareholder and related parties are unsecured.

(c) Key management compensation

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

	Six months ended	
	28 February 2019 (RMB'000) (Unaudited)	28 February 2018 (RMB'000) (Unaudited)
Wages, salaries and bonuses	**1,288**	1,029
Contributions to pension plans	**82**	75
Welfare and other expenses	**61**	57
Share-based payments	**10,812**	18,704
	12,243	19,865

24 CONTINGENT LIABILITIES

As at 28 February 2019, the Group had contingent liabilities in respect of:

(a) Dispute with Nanbo

In December 2017, Nanbo commenced civil proceedings in the Higher People's Court of Hunan against the Company and LIC, with HIEU and Lie Ying Industry joined as third parties and sought an order that: (i) the Company and LIC shall compensate HIEU for a total amount of RMB265,000,000 for impairment of HIEU's interests; (ii) the exclusive technical support and consultation service agreement (獨家技術支持與諮詢服務協議) entered into between HIEU and LIC be declared void and invalid; and (iii) the Company and LIC shall bear all the costs and legal fees for the proceedings. On 12 December 2017, the Higher People's Court of Hunan granted an order that the equity interests in Lie Ying Industry held by the Company and Nanbo shall be frozen to preserve the relevant assets before proceedings. On 15 October 2018, the case was heard in the Higher People's court of Hunan in the PRC. On 30 October 2018, a verdict was issued by the court that rejected the claims from Nanbo. On 19 November 2018, Nanbo filed an appeal to Supreme People's Court in the PRC against the higher court's verdict. On 22 April 2019, the case was heard in court. As of the reporting date, according to the legal opinion although there is still uncertainty until the final court decision has made, it is not probable that the judgement will be in favour of the claims from Nanbo.

24 CONTINGENT LIABILITIES (CONTINUED)

(b) Disputes with Ms. Chen Zhengxian

On 28 November 2017, Ms. Chen Zhengxian commenced civil proceedings in the Hunan Provincial Higher Court against the Company and Mr. Lin Zhiwen (林至文), a former director of Lie Ying Industry, HIEU and Hunan Lie Ying Property Management Co., Ltd., with HIEU, Lie Ying Industry, LIC, Mr. Zhang Jianbo and Mr. Zhang Jiangbo listed as third parties. Ms. Chen Zhengxian sought an order that: (i) the Company shall return the capital withdrawn of RMB172,019,779 and shall pay a total amount of RMB28,000,000 as compensation for interests; (ii) the aforesaid amounts shall be distributed to Ms. Chen Zhengxian, Mr. Zhang Jianbo and Mr. Zhang Jiangbo in the same proportion as their previous shareholding proportion in Lie Ying Industry; and (iii) Mr. Lin Zhiwen shall be held jointly liable. On 22 December 2017, the court granted an interim order that the Company's bank deposits of RMB200,019,700 or equivalent assets shall be frozen to preserve the relevant assets before proceedings. On 15 May 2018, a verdict was issued by the Higher People's Court of Hunan province to approve the change of plaintiff from Ms. Chen Zhengxian to Mr. Zheng Ziben(鄭子) according to Ms. Chen Zhengxian's last will as she has passed away on 5 May 2018. On 29 May 2018, the hearing of the appeal was convened in the Higher People's Court of Hunan in the PRC. On 29 October 2018, a verdict was issued by the court that rejected the claims from Mr. Zheng Ziben. On 12 November 2018, Mr. Zheng Ziben filed an appeal to Supreme People's Court in the PRC against the higher court's verdict. On 22 April 2019, the case was heard in court. As of the reporting date, according to the legal opinion although there is still uncertainty until the final court decision has made, it is not probable that the judgement will be in favour of the claims from Mr. Zheng Ziben.

25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 21.

(b) Details of the litigation proceedings are given in Note 24.

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baikal Lake Investment"	Baikal Lake Investment Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2018 and the sole shareholder of GuangYu Investment and one of the Company's Controlling Shareholders
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this interim report, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company"	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Li, Ms. Li and the consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Baikal Lake Investment and/or GuangYu Investment
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company from time to time
"Group"	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time

"GuangYu Investment"	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
"HIEU Schools"	Hunan International Economics University, Hunan Lie Ying Mechanic School and Hunan International Economics University Vocational Skills Training Centre
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huibo Education"	Kaifeng City Huibo Education Information Consulting Co., Ltd. (開封市慧博教育資訊諮詢有限公司), an independent third party
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IPO"	initial public offering of the Shares on 16 February 2017
"K-12"	kindergarten to grade 12
"Kaifeng YuHua Elite School"	Kaifeng YuHua Elite School (開封市宇華實驗學校), a campus established in September 2012 for private primary and middle school and formerly known as "the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus" (北京大學附屬中學河南分校開封校區)
"LEI China"	LEI China Limited, a company incorporated in Hong Kong with limited liability
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Li"	Mr. Li Guangyu (李光宇), a PRC citizen and the founder, executive Director and chairman of the Board of the Company

"Ms. Li"	Ms. Li Hua (李花), a PRC citizen and the daughter of Mr. Li. Ms. Li is also an executive Director, the chief executive officer and the vice chairman of the Board of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC Holdcos"	YuHua Investment Management, Zhengzhou YuHua Education Investments and Zhengzhou Zhongmei Education Investments
"Pre-IPO Share Option Scheme"	the share option scheme effective from 1 September 2016, the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus
"Private HEI"	(民辦普通高校) a type of private higher education institution offering junior college, undergraduate and/or post-graduate course that are operated by non-governmental institutions or individuals and not affiliated with any public university
"Prospectus"	the prospectus of the Company published on 16 February 2017 in connection with the IPO and the Listing
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended 28 February 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the Company
"Share Award Scheme"	the share award scheme approved and adopted by the then sole shareholder of the Company on 8 February 2017, the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme" in Appendix V to the Prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“TEDCO”	Thai Education Holdings Co., Ltd.
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Wanfang College”	Wanfang College of Science & Technology of Henan Polytechnic University, Zhengzhou campus (河南理工大學萬方科技學院鄭州校區), an Independent College of which the Group established in September 2009
“WFOE”	Xizang Yuanpei Information Technology Management Company Limited (西藏元培信息科技管理有限公司), a company established in the PRC with limited liability on 22 July 2016 and a wholly-owned subsidiary of the Company
“Xuchang YuHua Elite School”	Xuchang YuHua Elite School (許昌宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as “the Affiliated High School of Peking University, Henan Branch, Xuchang Campus” (北京大學附屬中學河南分校許昌校區)
“YuHua Investment Management”	YuHua Investment Management Co., Ltd. (宇華投資管理有限公司), a limited liability company established in the PRC on 23 November 1993 and one of the PRC Holdcos
“Zhengzhou Technology and Business University” or “University”	Zhengzhou Technology and Business University (鄭州工商學院), a Private HEI, or where the context requires, Wanfang College
“Zhengzhou YuHua Education Investments”	Zhengzhou YuHua Education Investments Co., Ltd. (鄭州宇華教育投資有限公司), a limited liability company established in the PRC on 9 April 2004 and one of the PRC Holdcos
“Zhengzhou Zhongmei Education Investments”	Zhengzhou Zhongmei Education Investments Co., Ltd. (鄭州中美教育投資有限公司), a limited liability company established in the PRC on 21 July 2011 and one of the PRC Holdcos
“%”	percent