



# 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

# 2017





# CONTENTS

Corporate Information	2
Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	11
Report on Review of Condensed Consolidated Financial Statements	19
Interim Condensed Consolidated Statement of Comprehensive Income	20
Interim Condensed Consolidated Balance Sheet	21
Interim Condensed Consolidated Statement of Changes in Equity	22
Interim Condensed Consolidated Statement of Cash Flows	23
Notes to the Interim Condensed Consolidated Financial Statements	24
Definitions	45

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Executive Directors

Mr. Li Guangyu (*Chairman*)

Ms. Li Hua (*Vice Chairman*)

Ms. Qiu Hongjun

Independent Non-Executive Directors

Mr. Chen Lei

Mr. Xia Zuoquan

Mr. Zhang Zhixue

## AUDIT COMMITTEE

Mr. Chen Lei (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

## REMUNERATION COMMITTEE

Mr. Zhang Zhixue (*Chairman*)

Ms. Li Hua

Mr. Xia Zuoquan

## NOMINATION COMMITTEE

Mr. Li Guangyu (*Chairman*)

Mr. Xia Zuoquan

Mr. Zhang Zhixue

## JOINT COMPANY SECRETARIES

Mr. Xu Bin

Ms. Lai Siu Kuen

## AUTHORISED REPRESENTATIVES

Ms. Li Hua

Mr. Xu Bin

## AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

## LEGAL ADVISERS

*As to Hong Kong and U.S. laws:*

Skadden, Arps, Slate, Meagher & Flom and  
affiliates

42/F, Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

*As to PRC law:*

Tian Yuan Law Firm

10/F, CPIC PLAZA

28 Fengsheng Lane, Xicheng District

Beijing 100032

PRC

*As to Cayman Islands law:*

Maples and Calder (Hong Kong) LLP

53rd Floor, The Center

99 Queen's Road Central

Hong Kong

## COMPLIANCE ADVISER

Guotai Junan Capital Limited

27/F Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

## REGISTERED OFFICE

The offices of Maples Corporate Services  
Limited

PO Box 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square

1 Matheson Street, Causeway Bay

Hong Kong

## CORPORATE INFORMATION (CONTINUED)

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 21, 4/F, Block 10  
3 Mazhuang Street  
Zhengdong New District  
Zhengzhou  
PRC

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services  
Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKER

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

### COMPANY WEBSITE

[www.yuhuachina.com](http://www.yuhuachina.com)

### STOCK CODE

6169

# HIGHLIGHTS

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

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

Notes:

- (1) The gross profit of the Group for the six months ended 28 February 2017 amounted to RMB210,400,000 (unaudited). The Adjusted Gross Profit is calculated as gross profit for the period, excluding the impact from the non-cash expenses of share-based compensations.
- (2) The operating profit of the Group for the six months ended 28 February 2017 amounted to RMB127,767,000 (unaudited). The Adjusted Operating Profit is calculated as the operating profit for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the IPO and listing of the Shares on the Stock Exchange in February 2017.
- (3) The net profit of the Group for the six months ended 28 February 2017 amounted to RMB121,986,000 (unaudited). The Adjusted Net Profit is calculated as the profit for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the IPO and listing of the Shares on the Stock Exchange.

## NON-IFRS MEASURES

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRS, the Company also uses Adjusted Gross Profit, Adjusted Operating Profit, Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the 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 also 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 the IFRS.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

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

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

### The Group's Schools

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK

#### Future Development

The Group has a strong pipeline for opening new schools in Henan province. In particular, the Group is planning to construct three new high schools which will be located in the Group's existing campuses, details of which are set out below. The Group expects the construction of the three new high schools will be funded from the proceeds of the Listing. Please refer to the section headed "Business" in the Prospectus for further details of the Group's strategy for future development, as there are no material changes regarding the future development from what was disclosed in the Prospectus.

#### 1) *Xuchang YuHua Elite School Campus*

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

#### 2) *Kaifeng YuHua Elite School Campus*

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

#### 3) *Jiyuan YuHua Elite School Campus*

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

There has been no material change in respect of any other matters since the publication of the Prospectus dated 16 February 2017.

### FINANCIAL REVIEW

#### Overview

For the six months ended 28 February 2017, the Group recorded a revenue of RMB421.4 million, an Adjusted Gross Profit of RMB223.5 million and a gross profit of RMB210.4 million. The Adjusted Gross Profit Margin<sup>1</sup> of the Group was 53.0% for the six months ended 28 February 2017 as compared with 50.8% for the corresponding period in 2016. The gross profit margin was 49.9% for the six months ended 28 February 2017 as compared with 50.8% for the corresponding period in 2016.

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

<sup>1</sup> The Adjusted Gross Profit Margin is calculated as the gross profit margin for the period, excluding the impact from the non-cash expenses of share-based compensations.

<sup>2</sup> The Adjusted Net Profit Margin is calculated as net profit margin for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensations and (ii) one-off listing expenses incurred in connection with the IPO and the Listing in February 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

### Revenue

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

### Cost of Revenue

For the six months ended 28 February 2017, the Adjusted Cost of Revenue<sup>3</sup> of the Group amounted to RMB198.0 million, representing an increase of RMB6.0 million or 3.1% as compared with RMB192.0 million for the corresponding period in 2016. The increase was primarily the result of an increase in the number of teachers and teachers' salary.

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

### Gross Profit and Gross Profit Margin

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

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

### Selling Expenses

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

<sup>3</sup> 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative Expenses

For the six months ended 28 February 2017, the Adjusted Administrative Expenses<sup>4</sup> of the Group amounted to RMB30.1 million, representing a decrease of RMB4.0 million as compared with RMB34.1 million for the corresponding period in 2016. The decrease was primarily due to an enhancement in administrative and management efficiency.

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

### Other Income

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

### Other Gains and Losses

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

### Operating Profit

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

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

### Finance Income

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

<sup>4</sup> The Adjusted Administrative Expenses is calculated as administrative expense for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensation and (ii) one-off listing expenses incurred in connection with the IPO and the Listing in February 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Finance Expenses

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

### Profit for the Period

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

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

### Liquidity and Source of Funding and Borrowing

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

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

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings. The Group has not employed other financial instruments for the six months ended 28 February 2017.

All the bank borrowings of the Group are denominated in RMB. Approximately 30% of such bank borrowings were at fixed interest rates while the remaining 70% of such bank borrowings were at floating rates. No financial instruments for hedging purposes were employed by the Group for the six months ended 28 February 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Gearing Ratio

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

### Material Investments

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

### Material Acquisitions and Disposals

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

### Pledge of Assets

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

### Contingent Liabilities

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

### Foreign Exchange Exposure

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

### Employee and Remuneration Policies

As at 28 February 2017, the Group had 4,102 full-time employees (29 February 2016: 4,079). The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

Compensation of key executives of the Group is 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 2017 was RMB167.6 million (for the six months ended 29 February 2016: RMB110.6 million).

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

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

Since the listing of the Company's Shares on the Main Board of the Stock Exchange on 28 February 2017 and up to the date of this interim report, 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.

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

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

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

## 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 since the Listing Date up to the date of this interim report.

## DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 12 June 2017 to 14 June 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on 9 June 2017.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### 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 2017 and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the 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 since the Listing Date up to the date of this interim report.

### MATERIAL LITIGATION

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

### LAND USE RIGHT CERTIFICATES

As of 28 February 2017, the Group had not obtained the land use right certificates for (i) part of the land used by the University ("**Land I**"), which was due to an adjustment to the administrative territory between Zhongmu County and Zhengdong New District by the PRC government; and (ii) land used by Xuchang YuHua Elite School campus ("**Land II**"), which was due to adjustments to the land use right transfer procedures by the local land administration authority. The Group is in the process of obtaining the land use right certificates for Land I and Land II. Based on the Group's continuous communications with the relevant competent authorities, the Group expects to obtain the land use right certificates for Land I and Land II before March 2018. Please also refer to the section headed "Business – Properties – Owned Properties – Land" in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus on 16 February 2017.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### BUILDING CERTIFICATES AND PERMITS

As of 28 February 2017, the Group had not obtained proper building ownership certificates or other requisite certificates or permits for 11 of the 32 owned buildings or groups of buildings (the “**Relevant Owned Buildings**”), due in part to changes to the urban planning in the cities which the Group operates, administrative oversight by the Group’s management and their unfamiliarity with the relevant regulatory requirements. The Group is in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to the applications. The Group expects to obtain the all the relevant outstanding certificates and permits of the Relevant Owned Buildings before March 2018. Please also refer to the section headed “Business – Properties – Owned Properties – Buildings or Groups of Buildings” in the Prospectus for further details. There have been no updates in this regard since the publication of the Prospectus on 16 February 2017.

### LICENSES AND PERMITS

The Group’s University was converted from Wanfang College of the Henan Polytechnic University upon the approval of the Ministry of Education of the PRC (《教育部關於同意河南理工大學萬方科技學院轉設為鄭州工商學院的函》(教發函[2016]95號)) on 21 April 2016. As disclosed in the Prospectus dated 16 February 2017, the University applied for the new private school operating license and the registration certificate of a privately-run non-enterprise institution in the name of Zhengzhou Technology and Business University. Based on the interview the Group and its legal adviser as to PRC laws, Tian Yuan Law Firm (the “**PRC Legal Adviser**”), conducted with the Education Department of Henan Province on 30 September 2016, the PRC Legal Adviser advised that Wanfang College has obtained the approval for conversion into Zhengzhou Technology and Business University and the remaining procedures to apply for private school operating licence and registration certificate of a privately-run non-enterprise institution are routine procedures only. The University obtained the new private school operating license and the registration certificate of a privately-run non-enterprise institution in the name of Zhengzhou Technology and Business University on 6 April 2017.

### USE OF NET PROCEEDS FROM LISTING

On 28 February 2017, the Shares were listed on the Main Board of the Stock Exchange. The net proceeds from the above global offering were approximately HK\$1,488.3 million. As at 28 February 2017, the Company had used none of the proceeds as set out in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in the Prospectus.

### 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 28 February 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

#### Interest in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%) <sup>(1)</sup>	Long position/ Short position/ Lending pool
Mr. Li <sup>(2)</sup>	Beneficial owner/ Founder of a discretionary trust	2,250,592,470 <sup>(3)</sup>	75.02	Long position
	Founder of a discretionary trust	112,500,000	3.75	Short position
Ms. Li <sup>(2)</sup>	Beneficiary of a discretionary trust/ Beneficial owner	2,250,729,780 <sup>(4)</sup>	75.02	Long position
	Beneficiary of a discretionary trust	112,500,000	3.75	Short position

#### Notes:

- (1) The calculation is based on the total number of 3,000,000,000 Shares in issue as at 28 February 2017.
- (2) The entire share capital of GuangYu Investment is wholly-owned by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust, which was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of among others, Mr. Li and Ms. Li. Each of Mr. Li (as the founder of Nan Hai Trust) and Ms. Li (as a beneficiary of Nan Hai Trust) is taken to be interested in 2,250,000,000 Shares held by GuangYu Investment.
- (3) Includes Mr. Li's entitlement to receive up to 592,470 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 729,780 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.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

As at 28 February 2017, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%) <sup>(1)</sup>	Long position/ Short position/ Lending pool
Mr. Li <sup>(2)</sup>	Beneficial owner/ Founder of a discretionary trust	2,250,592,470 <sup>(5)</sup>	75.02	Long position
	Founder of a discretionary trust	112,500,000	3.75	Short position
Ms. Li <sup>(2)</sup>	Beneficiary of a discretionary trust/ Beneficial owner	2,250,729,780 <sup>(6)</sup>	75.02	Long position
	Beneficiary of a discretionary trust	112,500,000	3.75	Short position

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%) <sup>(1)</sup>	Long position/ Short position/ Lending pool
Baikal Lake Investment <sup>(2)</sup>	Interest in controlled corporation	2,250,000,000	75.00	Long position
		112,500,000	3.75	Short position
GuangYu Investment <sup>(2)</sup>	Beneficial owner	2,250,000,000	75.00	Long position
		112,500,000	3.75	Short position
TMF (Cayman) Ltd. <sup>(3)</sup>	Trustee	2,250,000,000	75.00	Long position
		112,500,000	3.75	Short position
Bank of Communications (Nominee) Company Limited <sup>(4)</sup>	Interest in controlled corporation	189,300,000	6.31	Long position
		189,300,000	6.31	Short position
Bank of Communications Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	189,300,000	6.31	Long position
		189,300,000	6.31	Short position
BOCOM International Asset Management Limited <sup>(4)</sup>	Interest in controlled corporation	189,300,000	6.31	Long position
		189,300,000	6.31	Short position
BOCOM International Holdings Company Limited <sup>(4)</sup>	Interest in controlled corporation	189,300,000	6.31	Long position
		189,300,000	6.31	Short position
BOCOM International Prosperity Investment Limited <sup>(4)</sup>	Beneficial owner	189,300,000	6.31	Long position
		189,300,000	6.31	Short position

### Notes:

- (1) The calculation is based on the total number of 3,000,000,000 Shares in issue as at 28 February 2017.
- (2) The entire share capital of GuangYu Investment is held by Baikal Lake Investment, as the nominee of TMF (Cayman) Ltd., the trustee of Nan Hai Trust. Nan Hai Trust was established by Mr. Li (as the settlor) on 6 September 2016 as a discretionary trust for the benefit of, among others, Mr. Li and Ms. Li.
- (3) TMF (Cayman) Ltd. is the trustee of Nan Hai Trust.
- (4) BOCOM International Prosperity Investment Limited is a direct wholly-owned subsidiary of BOCOM International Asset Management Limited, which is wholly owned by BOCOM International Holdings Company Limited, which is in turn, through Bank of Communications (Nominee) Company Limited, wholly-owned by Bank of Communications Co., Ltd.. Therefore, each of BOCOM International Asset Management Limited, BOCOM International Holdings Company Limited, Bank of Communications (Nominee) Company Limited and Bank of Communications Co., Ltd. is deemed to be interested in the Shares held by BOCOM International Prosperity Investment Limited under the SFO.
- (5) Includes Mr. Li's entitlement to receive up to 592,470 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (6) Includes Ms. Li's entitlement to receive up to 729,780 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 28 February 2017, 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 2017 is set out in note 13 to the financial statements.

#### 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 2017. No options were granted since 28 February 2017 up to the date of this interim report. For further details on the movement of the options during the Reporting Period, please see note 13 to the financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the options Granted	Date of Grant	Option Period	Approximate percentage of issued Shares
<b>Director and associates</b>						
Mr. Li	Founder; executive Director; chairman of the Board	HK\$0.00001 per Share	19,749,000	1 September 2016	5 years from the date of grant	0.66%
Ms. Li	Executive Director; vice chairman of the Board; chief executive officer	HK\$0.00001 per Share	24,326,000	1 September 2016	5 years from the date of grant	0.81%
Qiu Hongjun (邱紅軍)	Executive Director; financial controller; vice president	HK\$0.00001 per Share	3,261,000	1 September 2016	15 years from the date of grant	0.11%
Ge Cong (葛聰)	Director of the University and spouse of Ms. Li	HK\$0.00001 per Share	326,000	1 September 2016	20 years from the date of grant	0.01%
<b>Subtotal:</b>			47,662,000			1.59%

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Grantee	Position Held	Exercise Price	Number of Shares under the options Granted	Date of Grant	Option Period	Approximate percentage of issued Shares
<b>Other employees</b>						
325 employees		HK\$0.00001 per Share	132,338,000	1 September 2016	Up to 20 years from the date of grant	4.41%
<b>Subtotal:</b>			132,338,000			4.41%
<b>TOTAL</b>			180,000,000			6%

### 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



羅兵咸永道

## To the Board of Directors of China YuHua Education Corporation Limited

(incorporated in Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 44, 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 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 April 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 24 to 44 form an integral part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2017 RMB'000 (Unaudited)	As at 31 August 2016 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Prepaid land lease payments		222,133	224,693
Property, plant and equipment	10	1,497,235	1,465,026
Intangible assets	10	1,823	1,792
Other non-current assets		19,112	20,587
<b>Total non-current assets</b>		<b>1,740,303</b>	1,712,098
<b>Current assets</b>			
Trade and other receivables	11	10,365	11,324
Cash and cash equivalents		1,455,281	304,986
<b>Total current assets</b>		<b>1,465,646</b>	316,310
<b>Total assets</b>		<b>3,205,949</b>	2,028,408
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	26	65
Share premium	12	1,318,313	—
Reserves		439,722	386,557
Retained earnings		645,012	523,026
<b>Total equity</b>		<b>2,403,073</b>	909,648
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	60,000	195,000
Other non-current liabilities		39,478	37,898
<b>Total non-current liabilities</b>		<b>99,478</b>	232,898
<b>Current liabilities</b>			
Accruals and other payables	14	240,787	156,669
Deferred revenue		422,611	609,193
Borrowings	15	40,000	120,000
<b>Total current liabilities</b>		<b>703,398</b>	885,862
<b>Total liabilities</b>		<b>802,876</b>	1,118,760
<b>Total equity and liabilities</b>		<b>3,205,949</b>	2,028,408

The notes on pages 24 to 44 form an integral part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Note	Share capital (Note 12) (RMB'000)	Share premium (Note 12) (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Share-based payments reserve (RMB'000)	Retained earnings (RMB'000)	Total (RMB'000)
<b>Unaudited</b>								
<b>Balance at 1 September 2016</b>		65	—	150,000	236,557	—	523,026	909,648
<b>Total comprehensive income for the six months ended 28 February 2017</b>		—	—	—	—	—	121,986	121,986
<b>Total transactions with equity holders</b>								
Capital contribution from Owner	12	19	—	—	—	—	—	19
Repurchase of shares	12	(65)	—	46	—	—	—	(19)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	12	7	1,318,313	—	—	—	—	1,318,320
Share-based compensation	13	—	—	—	—	53,119	—	53,119
<b>Total transactions with owners</b>		(39)	1,318,313	46	—	53,119	—	1,371,439
<b>Balance at 28 February 2017</b>		26	1,318,313	150,046	236,557	53,119	645,012	2,403,073
<b>Unaudited</b>								
<b>Balance at 1 September 2015</b>		—	—	150,000	148,607	—	299,300	597,907
<b>Total comprehensive income for the six months ended 29 February 2016</b>		—	—	—	—	—	150,067	150,067
<b>Balance at 29 February 2016</b>		—	—	150,000	148,607	—	449,367	747,974

The notes on pages 24 to 44 form an integral part of this interim condensed consolidated financial information.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended	
		28 February 2017 RMB'000 (Unaudited)	29 February 2016 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		65,305	(688)
Interest paid		(5,324)	(14,598)
Net cash generated from/(used in) operating activities		59,981	(15,286)
<b>Cash flows from investing activities</b>			
Return of prepaid land lease payments		48,472	—
Disposal of subsidiary, net of cash paid		—	(2,210)
Purchases of property, plant and equipment		(75,712)	(98,742)
Proceeds from disposal of property, plant and payments		487	—
Proceeds from disposal of prepaid land and lease payments		—	1,044
Purchases of intangible assets		(177)	(317)
Purchases of financial instruments at fair value through profit or loss		—	(45,000)
Disposal of financial instruments at fair value through profit or loss		—	106,732
Restricted bank deposits		—	58,000
Interest received		920	1,889
Net cash (used in)/generated from investing activities		(26,010)	21,396
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares upon IPO		1,361,918	—
Payment of share issuance cost		(30,681)	—
Proceeds from borrowings		30,000	250,000
Repayments of borrowings		(245,000)	(305,000)
Borrowings from the Owner	18(a)	—	65,354
Repayments of borrowings to the Owner	18(a)	—	(43,490)
Borrowings from related parties	18(a)	6,864	—
Repayments of borrowings to related parties	18(a)	(6,864)	—
Net cash generated from/(used in) financing activities		1,116,237	(33,136)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		304,986	154,339
Exchange gains on cash and cash equivalents		87	—
<b>Cash and cash equivalents at end of the period</b>		<b>1,455,281</b>	<b>127,313</b>

The notes on pages 24 to 44 form an integral part of this interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

China YuHua Education Corporation Limited (“the Company”) and its subsidiaries (collectively referred to as the “Group”) provide private formal full-coverage non-vocational education services in Henan province of People’s Republic of China (the “PRC”) (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, Umland House, Grand Cayman, KY1-1104, Cayman Islands. The ultimate holding company of the Company is GuangYu Investment Holdings Limited. The ultimate controlling party of the Group is Mr. Li Guangyu, who is also the executive Director and chairman of the Board of the Company (the “Owner”).

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

### Key events

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. GENERAL INFORMATION (CONTINUED)

#### Key events (Continued)

- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational services, intellectual property licensing services as well as technical and business support services provided by Xizang Yuanpei. Such services include the provision of advisory services and recommendations on asset and business operation, debt restructuring, material contracts, and mergers and acquisitions; research and development on educational software and course materials; employee on-the-job management training; technology development, transfer and consulting services; public relation services; market survey, research and consulting services; market development and planning services; human resources and internal information management; website development, upgrade and ordinary maintenance services; sales of proprietary products; software, trademark, domain name and know-how and/or the use of related intellectual property rights; and other additional services as the parties may mutually agree from time to time.
  
- obtain an irrevocable and exclusive right to purchase all of equity interests in the PRC Investment holding Companies from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Xizang Yuanpei may exercise such options at any time until it has acquired all equity interests in and/or all assets of the PRC Investment Holding Companies permitted under PRC laws and regulations. In addition, the PRC Investment Holding Companies are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Xizang Yuanpei.
  
- obtain a pledge over the entire equity interest of PRC Investment Holding Companies from their equity holders to secure performance of the obligations of the PRC Investment Holding Companies and their respective subsidiaries under the contractual arrangements.

Upon completion of the above Reorganization, the Company became the holding company of the subsidiaries now comprising the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. GENERAL INFORMATION (CONTINUED)

#### Key events (Continued)

The Company adopted a pre-IPO share option scheme approved by the Board of Directors on 10 September 2016 (the “Pre-IPO Share Option Scheme”) which took effect from 1 September 2016. Under the Pre-IPO Share Option Scheme, options are exercisable subject to the grantee’s continuous service and completion of the Company’s IPO and other terms. Pursuant to the Pre-IPO Share Option Scheme, the Company had granted pre-IPO options to 329 grantees, including employees, executives or officers of our Group, to subscribe for an aggregate of 180,000,000 shares. The fair value of the options granted as determined using the Binominal model was HK\$464,583,000. The options have been divided into various batches according to different periods. The fair value of the Pre-IPO Share Option Scheme is charged to the consolidated statement of comprehensive income over the vesting period of the options. Total share option expenses charged to the interim condensed consolidated statement of comprehensive income for the six months ended 28 February 2017 amounted to HK\$60,820,000 (equivalent to RMB53,119,000) (Note 13).

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

### 2. BASIS OF PREPARATION

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

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statement for the year ended 31 August 2016, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the six months ended 28 February 2017 and accounting policy regarding share-based payment as stated below.

#### (a) Share-based payment

##### *Equity-settled share-based payment transactions*

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTING POLICIES (CONTINUED)

#### (a) Share-based payment (Continued)

##### *Equity-settled share-based payment transactions (Continued)*

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

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

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

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

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. ESTIMATES

The preparation of 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 interim condensed consolidated 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 applied to the consolidated financial statements for the year ended 31 August 2016.

### 5. FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2016.

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

#### 5.2 Liquidity risk

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

As at 28 February 2017, the Group has cash and cash equivalents of approximately RMB1,455,281,000 (31 August 2016: RMB304,986,000) and trade receivables of approximately RMB874,000 (31 August 2016: RMB35,000) that are expected to readily generate cash inflows for managing liquidity risk.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.2 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	Total RMB'000
<b>Unaudited</b>				
<b>As at 28 February 2017</b>				
Borrowings (principal plus interests)	41,889	60,181	—	102,070
Accruals and other payables (excluding non-financial liabilities)	208,905	—	—	208,905
Other non-current liabilities (principals plus interests)	—	41,000	—	41,000
	<b>250,794</b>	<b>101,181</b>	<b>—</b>	<b>351,975</b>
<b>Audited</b>				
<b>As at 31 August 2016</b>				
Borrowings (principal plus interests)	134,597	86,250	116,508	337,355
Accruals and other payables (excluding non-financial liabilities)	120,343	—	—	120,343
Other non-current liabilities (principals plus interests)	—	41,000	—	41,000
	<b>254,940</b>	<b>127,250</b>	<b>116,508</b>	<b>498,698</b>

#### 5.3 Fair value estimation

As at 28 February 2017, the carrying amounts of the Group's financial assets, including cash and cash equivalents and trade and other receivables, and financial liabilities, including accruals and other payables, short-term borrowings, approximate their fair values due to the short maturities. The carrying amount of the Group's non-current borrowings and other non-current liabilities approximate their fair values due to their floating interest rates they carried.

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

There is no financial instrument carried at fair value as at 28 February 2017.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. SEGMENT INFORMATION

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

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

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

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

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

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. SEGMENT INFORMATION (CONTINUED)

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

	Kindergartens (RMB'000)	Grade 1-12 (RMB'000)	University (RMB'000)	Unallocated (RMB'000)	Inter- segment elimination (RMB'000)	Total (RMB'000)
<b>Unaudited</b>						
<b>For the six months ended</b>						
<b>28 February 2017</b>						
Revenue	27,861	233,437	160,118	—	—	421,416
Cost of revenue	(16,830)	(129,813)	(64,373)	—	—	(211,016)
<b>Gross profit</b>	<b>11,031</b>	<b>103,624</b>	<b>95,745</b>	<b>—</b>	<b>—</b>	<b>210,400</b>
Selling expenses	—	(314)	(1,695)	(100)	—	(2,109)
Administrative expenses	(4,671)	(17,866)	(6,349)	(61,453)	—	(90,339)
Other income	31	8,269	1,528	—	—	9,828
Other (losses)/gains — net	(4)	115	(8)	(116)	—	(13)
<b>Operating profit</b>	<b>6,387</b>	<b>93,828</b>	<b>89,221</b>	<b>(61,669)</b>	<b>—</b>	<b>127,767</b>
Finance income/(expenses) — net	126	(1,845)	(4,205)	143	—	(5,781)
<b>Profit before income tax</b>	<b>6,513</b>	<b>91,983</b>	<b>85,016</b>	<b>(61,526)</b>	<b>—</b>	<b>121,986</b>
<b>As at 28 February 2017</b>						
Total assets	125,604	1,335,172	1,222,539	2,516,751	(1,994,117)	3,205,949
Total liabilities	59,086	840,790	483,262	1,235,080	(1,815,342)	802,876
<b>Other segment information</b>						
Additions to non-current assets	2,416	25,569	39,117	60	—	67,162
Depreciation and amortisation (Note 7)	(2,141)	(20,337)	(13,701)	(903)	—	(37,082)
(Losses)/gains on disposal of property, plant and equipment	(4)	115	(8)	(16)	—	87

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. SEGMENT INFORMATION (CONTINUED)

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. EXPENSES BY NATURE

	Six months ended	
	28 February 2017 (RMB'000) (Unaudited)	29 February 2016 (RMB'000) (Unaudited)
Employee benefit expenses	167,619	110,640
— Wages, salaries, bonus and other welfare	114,500	110,640
— Share-based compensation expenses (Note 13)	53,119	—
Depreciation of property, plant and equipment (Note 10)	34,376	33,999
Amortisation of leasehold land and land use rights	2,560	2,560
Amortisation of intangible assets (Note 10)	146	116
Canteen expenditure	14,821	13,401
Student training and scholarship expenses	7,162	11,528
School consumables	17,028	16,840
Utilities expenses	12,725	9,605
Maintenance expenses	9,296	9,850
Marketing expense	1,928	2,331
Operating lease payments	2,136	1,761
Expense in relation to the Listing	20,134	—
Office expenses	5,285	6,452
Travel and entertainment expense	3,599	3,478
Auditors' remuneration	800	—
— Audit services	800	—
— Non-audit services	—	—
Annual fee	—	578
Other expenses	3,849	5,724
	<b>303,464</b>	<b>228,863</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. INCOME TAX EXPENSE

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

(i) Cayman Islands profits tax

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

(ii) British Virgin Islands profit tax

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

(iii) Hong Kong profit tax

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

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

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. EARNINGS PER SHARE

#### (a) Basic

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

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

#### (b) Diluted

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment (RMB'000) (Unaudited)	Intangible assets (RMB'000) (Unaudited)
<b>Six months ended 28 February 2017</b>		
Opening net book amount	1,465,026	1,792
Additions	66,985	177
Disposals	(400)	—
Depreciation and amortisation (Note 7)	(34,376)	(146)
<b>Closing net book amount as at 28 February 2017</b>	<b>1,497,235</b>	<b>1,823</b>
<b>Six months ended 29 February 2016</b>		
Opening net book amount	1,408,828	1,474
Additions	91,885	317
Disposals	(420)	—
Depreciation and amortisation (Note 7)	(33,999)	(116)
<b>Closing net book amount as 29 February 2016</b>	<b>1,466,294</b>	<b>1,675</b>

### 11. TRADE AND OTHER RECEIVABLES

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares HK\$
<b>Unaudited</b>		
As at 28 February 2017	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 2016 (a)	10,000	US\$10,000	65	—	65
Capital contribution from Owner (b)	2,250,000,000	HK\$22,500	19	—	19
Repurchase of shares (c)	(10,000)	(US\$10,000)	(65)	—	(65)
Issuance of shares relating to initial public offering (d)	750,000,000	HK\$7,500	7	1,318,313	1,318,320
Balance at 28 February 2017	3,000,000,000	HK\$30,000	26	1,318,313	1,318,339

- (a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 25 April 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of a nominal or par value of US\$1.00 each, of which 10,000 shares were issued and paid.
- (b) On 7 September 2016, the authorised share capital of the Company was increased by HK\$500,000 divided into 50,000,000,000 shares. On the same day, the Company allotted and issued 2,250,000,000 shares to GuangYu Investment for a subscription price of HK\$22,500.
- (c) Immediately following the allotment and issue of the 2,250,000,000 shares, the Company repurchased 10,000 shares of par value US\$1.00 each from GuangYu Investment at an aggregate consideration of HK\$22,500 which was paid out of the proceeds of the aforesaid subscription.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

- (d) On 28 February 2017, the Company completed its IPO by issuing 750,000,000 new shares with nominal value of HK\$0.00001 each at a price of HK\$2.05 per share. The gross proceeds raised was approximately HK\$1,537,500,000 (equivalent to RMB1,361,918,000), with which share capital was increased by approximately RMB7,000 and share premium was increased by approximately RMB1,318,313,000. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, of which, the share issuance costs directly attributable to the issuance of the new shares amounting to RMB43,598,000 were charged to share premium, and the share issuance costs attributable to the listing of the old shares amounting to RMB20,134,000 were charged to the interim condensed consolidated statement of comprehensive income for the six months ended 28 February 2017.

### 13. SHARE-BASED PAYMENTS

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

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

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

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. SHARE-BASED PAYMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. ACCRUALS AND OTHER PAYABLES

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

### 15. BORROWINGS

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. BORROWINGS (CONTINUED)

Movements in borrowings is analysed as follows:

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

Movements in borrowings is analysed as follows:

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

The Group has the following undrawn bank borrowings:

	As at 28 February 2017 (RMB'000) (Unaudited)	As at 31 August 2016 (RMB'000) (Audited)
Floating rate and expiring beyond one year – Undrawn bank borrowings	100,000	100,000
	<b>100,000</b>	100,000

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. DIVIDENDS

On 28 April 2017, the Board of Directors has resolved to declare an interim dividend of HK\$0.037 per share (2016: nil) to shareholders whose names appear on the register of members of the Company at the close of business on 14 June 2017. This interim dividend, amounting to HK\$111,674,000 (2016: nil), has not been recognised as a liability in this interim financial information. It will be recognised in the share premium of shareholders' equity in the year ending 31 August 2017.

### 17. COMMITMENTS

#### (a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at 28 February 2017 (RMB'000) (Unaudited)	As at 31 August 2016 (RMB'000) (Audited)
Commitment for acquisition of property, plant and equipment	—	5,860

#### (b) Operating lease commitments

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

	As at 28 February 2017 (RMB'000) (Unaudited)	As at 31 August 2016 (RMB'000) (Audited)
No later than 1 year	1,628	797
Later than 1 year and no later than 5 years	4,571	4,034
Later than 5 years	27,083	30,990
	<b>33,282</b>	<b>35,821</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. 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, common significant influence 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.

#### (a) Transactions with related parties

	Six months ended	
	28 February 2017 (RMB'000) (Unaudited)	29 February 2016 (RMB'000) (Unaudited)
Borrowings from the Owner	—	65,354
Repayments of borrowings to the Owner	—	(43,490)
Borrowings from related parties	6,864	—
Repayments of borrowings to related parties	(6,864)	—
Purchases of office building lease services	358	—
— A company controlled by the Owner's family	192	—
— Ms. Liu Chunhua (the spouse of Mr. Li Guangyu)	89	—
— Ms. Li Hua (the daughter of Mr. Li Guangyu)	77	—

#### (b) Guarantees for borrowings

	As at 28 February 2017 (RMB'000) (Unaudited)	As at 31 August 2016 (RMB'000) (Audited)
Borrowings guaranteed by the Owner	—	215,000

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

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

	Six months ended	
	28 February 2017 (RMB'000) (Unaudited)	29 February 2016 (RMB'000) (Unaudited)
Wages, salaries and bonuses	715	640
Contributions to pension plans	66	52
Welfare and other expenses	46	31
Share-based payments	37,614	—
	<b>38,441</b>	723

### 19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) Details of the interim dividend proposed are given in Note 16.
- (b) On 23 March 2017, the over-allotment option has been fully exercised and 112,500,000 ordinary shares of the Company were sold by GuangYu Investment at a price of HK\$2.05 per share for a total cash proceeds of approximately HK\$230,625,000 before deducting relevant expenses to, among other things, cover over-allocations in the International Offering.

## DEFINITIONS

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

## DEFINITIONS (CONTINUED)

“GuangYu Investment”	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2016 and a Controlling Shareholder of the Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares on 16 February 2017
“Jiyuan YuHua Elite School”	Jiyuan YuHua Elite School (濟源市宇華實驗學校), a campus established in September 2014 for private primary and middle school and formerly known as “the Affiliated High School of Peking University, Henan Branch, Jiyuan Campus” (北京大學附屬中學河南分校濟源校區)
“K-12”	kindergarten to grade 12
“Kaifeng YuHua Elite School”	Kaifeng YuHua Elite School (開封市宇華實驗學校), a campus established in September 2012 for private primary and middle school and formerly known as “the Affiliated High School of Peking University, Henan Branch, Kaifeng Campus” (北京大學附屬中學河南分校開封校區)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 28 February 2017
“Listing Date”	28 February 2017, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Luohe YuHua Elite School”	Luohe YuHua Elite School (漯河市宇華實驗學校), a campus established in September 2013 for private primary and middle school and formerly known as “the Affiliated High School of Peking University, Henan Branch, Luohe Campus” (北京大學附屬中學河南分校漯河校區)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange



## DEFINITIONS (CONTINUED)

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

## DEFINITIONS (CONTINUED)

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