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China New Higher Education Group Limited

中國新高教集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2001)

ANNOUNCEMENT OF INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The Board of Directors of China New Higher Education Group Limited is pleased to announce the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries for the Period, together with the comparative figures for the six months ended 30 June 2016. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by the Company's auditors and the audit committee, comprising solely the independent non-executive Directors of the Company.

Highlight

	Six months ended 30 June 2017 (RMB million)	Six months ended 30 June 2016 (RMB million)	Change (RMB million)	Percentage Change
Revenue and other income	265.7	197.7	68.0	+34.4%
Profit for the period from continuing operations	110.2	79.8	30.4	+38.1%
Core net profit*	127.8	83.9	43.9	+52.3%
	2016/2017 Academic Year	2015/2016 Academic Year	Change	Percentage Change
Total Number of students enrolled	46,460	29,716	+16,744	+56.3%

* Core net profit for the period excludes listing fee

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	<i>Notes</i>	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	212,560	178,243
Cost of sales		<u>(91,272)</u>	<u>(77,911)</u>
Gross profit		121,288	100,332
Other income and gains	4	53,218	19,383
Selling and distribution expenses		(2,261)	(702)
Administrative expenses		(31,837)	(23,159)
Other expenses		(3,681)	(379)
Finance costs	5	<u>(18,937)</u>	<u>(15,130)</u>
PROFIT BEFORE TAX	6	117,790	80,345
Income tax expense	7	<u>(7,544)</u>	<u>(573)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		110,246	79,772
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		<u>–</u>	<u>552</u>
PROFIT FOR THE PERIOD		<u>110,246</u>	<u>80,324</u>
Attributable to:			
Owners of the parent		110,279	80,369
Non-controlling interests		<u>(33)</u>	<u>(45)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		110,246	80,324
OTHER COMPREHENSIVE EXPENSE			
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIOD			
Exchange differences on translation of foreign operations		(20,854)	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		89,392	80,324
Attributable to:			
Owners of the parent		89,425	80,369
Non-controlling interests		(33)	(45)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB</i>)	9	0.09	0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017 <i>RMB'000</i> (Unaudited)	As at 31 Dec 2016 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	857,409	867,240
Investment properties		47,807	31,817
Prepaid land lease payments		98,058	99,173
Other intangible assets		7,763	8,318
Other non-current assets	11	<u>806,121</u>	<u>720,585</u>
Total non-current assets		<u>1,817,158</u>	<u>1,727,133</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables	12	61,409	50,516
Pledged deposits		17,206	52,749
Cash and cash equivalents		620,642	178,785
Other current assets		<u>4,245</u>	<u>3,415</u>
Total current assets		<u>703,502</u>	<u>285,465</u>
CURRENT LIABILITIES			
Deferred revenue	13	5,651	217,047
Other payables and accruals	14	183,634	240,262
Interest-bearing bank and other borrowings	15	84,990	102,500
Deferred income		4,153	2,122
Tax payable		<u>5,539</u>	<u>1,511</u>
Total current liabilities		<u>283,967</u>	<u>563,442</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>419,535</u>	<u>(277,977)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,236,693</u>	<u>1,449,156</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	503,227	476,128
Deferred income		27,765	30,512
Deferred tax liabilities		<u>3,339</u>	<u>–</u>
Total non-current liabilities		<u>534,331</u>	<u>506,640</u>
Net assets		<u>1,702,362</u>	<u>942,516</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		983	–
Reserves		<u>1,647,260</u>	<u>888,169</u>
		<u>1,648,243</u>	<u>888,169</u>
Non-controlling interests		<u>54,119</u>	<u>54,347</u>
Total equity		<u>1,702,362</u>	<u>942,516</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 April 2017.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in rendering private education services in the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. The unaudited interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the 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 December 2016.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards (“HKASs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

The application of the above amendments to HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the Group’s interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from sales to a single customer contributed to 10% or more of the total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains from continuing operations is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<u>Revenue</u>		
Tuition fees	196,949	163,580
Boarding fees	15,611	14,663
	<u>212,560</u>	<u>178,243</u>
<u>Other income and gains</u>		
Service income*	33,744	10,442
Rental income	4,936	4,255
Government grants	5,186	1,132
Others	9,352	3,554
	<u>53,218</u>	<u>19,383</u>

- * Service income for the six months ended 30 June 2017 included service fee recognized under the exclusive technical service and management consultancy agreement between the Harbin Huade University (“Northeast school”) and a subsidiary of the Group amounted to RMB16.5 million (for the six months ended 30 June 2016: nil), and service fee recognized under the exclusive technical service and management consultancy agreement between Science and Technology College of Hubei Minzu University (“Central China school”) and a subsidiary of the Group amounted to RMB3.4 million (for the six months ended 30 June 2016: nil).

5. FINANCIAL COSTS

An analysis of finance costs from continuing operations is as follows:

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Interest on bank loans	21,332	17,772
Interest on finance lease	–	544
Total interest expense on financial liabilities not at fair value through profit or loss	21,332	18,316
Less: Interest capitalized	(2,395)	(3,186)
	18,937	15,130

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration) :		
Wages and salaries	61,802	57,146
Pension scheme contributions (defined contribution plan)	6,184	6,050
	67,986	63,196
Depreciation of items of property, plant and equipment	16,017	16,157
Depreciation of investment properties	400	496
Amortisation of prepaid land lease payments	1,115	1,138
Amortisation of software	1,120	670
Minimum lease payments under operating leases	2,287	2,289
Provision for/(Reversal of provision for) prepayments, deposits and other receivables	483	(143)
Loss on disposal of items of property, plant and equipment	–	1

7. INCOME 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 not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax – Mainland China	4,205	573
Deferred tax	3,339	–
Total tax charge for the period	7,544	573

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend proposed subsequent to the reporting period	30,053	–

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.021 per share amounting to RMB30,053,000 will be paid to the owners of the Company.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,264,138,333 (for the six months ended 30 June 2016: 1,144,865,689) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent (<i>RMB'000</i>)	110,279	80,369
	2017	2016
Shares		
Weighted average number of ordinary shares in issue	1,264,138,333	1,144,865,689
Earnings per share		
Basic and Diluted (<i>RMB</i>)	0.09	0.07

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets at a consideration of RMB22,576,000 (unaudited) (for the six months ended 30 June 2016: RMB162,888,000 (unaudited)), including Construction in progress RMB13,118,000 (for the six months ended 30 June 2016: RMB119,914,000 (unaudited)).

Assets with a net book value of RMB16,390,000 (unaudited) were transferred to investment properties by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB57,000 (unaudited)).

No property, plant or equipment was disposed by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: a net book value of RMB18,829,000 (unaudited)), resulting no net loss on disposal (unaudited) (for the six months ended 30 June 2016: a net loss on disposal of RMB1,000 (unaudited)).

11. OTHER NON-CURRENT ASSETS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayment for investments (<i>Note (i)</i>)	762,619	679,571
Prepayment for land use rights	40,000	40,000
Prepayment for other intangible assets	731	797
Prepayment for property, plant and equipment	2,771	217
	<u>806,121</u>	<u>720,585</u>

Note (i): The amount represents the down payment for investments and acquisition of new schools. RMB211,865,000 is the down payment for acquisition of Northeast school, and RMB550,754,000 is the down payment for investment on Central China school.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepaid rent and other prepaid expenses	3,058	9,442
Advance to third parties and other receivables	44,885	24,352
Staff advances	770	755
Deposits and other miscellaneous receivables	12,696	15,967
	<u>61,409</u>	<u>50,516</u>

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. DEFERRED REVENUE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Tuition fees	–	195,718
Boarding fees	5,651	21,329
	<u>5,651</u>	<u>217,047</u>

The students are entitled to the refund of the payments in relation to the proportionate services not yet provided.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	16,838	32,286
Accrued bonus and social insurance	31,039	46,179
Miscellaneous expenses received from students (<i>Note (i)</i>)	42,899	67,524
Other payables	85,242	86,146
Accrued expenses	7,616	8,127
	183,634	240,262

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of the period approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2017			As at 31 December 2016		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – secured			–	4.57%	2017	80,000
Current portion of long-term bank loans – secured	5.7%-7.13%	2017	79,990	5.7%-7.13%	2017	22,500
Current portion of long-term bank loans – unsecured	6.65%-7.13%	2017	5,000			–
			84,990			102,500
Non-current						
Bank loans – secured	Libor+3.3%	2018	509,572	Libor+3.3%	2018	493,968
Bank loans – unsecured	6.65%-7.13%	2018	6,000			–
Transaction costs			(12,345)			(17,840)
			503,227			476,128
Total			588,217			578,628

All of the bank loans are jointly secured and pledged by:

- (i) personal guarantees executed by Mr. Li Xiaoshen;
- (ii) 80% of equity interests in Yunnan Daai Fangzhou Information Consultancy Co., Ltd. held by Aspire Education Holding Co., Ltd.;

- (iii) 51% equity interests of Aspire Education Holding Co., Ltd.;
- (iv) corporate guarantees executed by related companies of the Group, which are controlled by Mr. Li, a director of the Company;
- (v) all shares of Aspire Education Group Co., Ltd and Aspire education information Co., Ltd.;
- (vi) deposits of the Group with the amount of RMB17,206,000 at as 30 June 2017 (2016: RMB52,749,000).

16. EVENTS AFTER THE REPORTING PERIOD

- (i) In July 2017, Bei Ai Company, a wholly-owned subsidiary of the Group, entered into a cooperation agreement with Lanzhou New Area Management Committee, pursuant to which the Group has intention to set up the Northwest Technology and Business Institute (“Northwest School”) with a total investment of approximately RMB600 million. The construction of Northwest School, with the planned capacity of approximately 15,000 students, would commence in the second half of 2017, and the Group expects the operation of Northwest School to be commenced in the financial year of 2019 including the enrolment of first batch students in September 2019.
- (ii) During the year ended 31 December 2016, through a series of agreements entered into in January, April and July 2016, Haxuan Company, one subsidiary of the Group agreed to acquire the sole sponsorship interest of the Northeast School from the current school sponsors, which are independent third parties, for a total consideration of RMB381.9 million. As of 30 June 2017, the Group has paid RMB211.9 million as down-payment as disclosed in the Note 11. As at the date of report, the relevant application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending for final approval of provincial department of education and registration with the provincial civil affairs authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Currently, the Group operates and invests in four higher education institutions in the PRC, including Yunnan School and Guizhou School founded by the Group, and Northeast School and Central China School invested by the Group. In addition, the Group is planning to commence the construction of Northwest School in Lanzhou, Gansu. The total number of student enrollment in the four higher education institutions was 46,460. The Group is a leading private higher education group in China in terms of employment rate. In addition, we are also applying to establish a California School.

The Group's course offerings are designed to equip students with practical experience and readily applicable skills and prepare them for the job market. Our highly successful graduate placement record attests to the effectiveness of our educational approach as well as helping to enhance our reputation, raise our profile and attract talented high school graduates.

Market demand for talent with practical experience and readily applicable technical skills will continue to grow. The Group believes there is significant market potential for the growth of private higher education in China. In light of this industry background, as a private provider of higher education focusing on applied sciences, the Group is well-positioned to capitalize on the growth opportunities in the PRC higher education sector.

BUSINESS REVIEW

Our schools, schools to be established, schools to be invested in the PRC and educational curriculums

The Group endeavors to help each student maximize his or her potential and live his or her life to the fullest. The Group's fundamental educational philosophy is mainly composed of two integral parts: (i) to nurture the growth of our students, and provide education tailored to each student's individual needs and circumstances; and (ii) to equip our students with practical and readily applicable skills that meet market demand.

Yunnan School

Located in Songming County, Kunming City, Yunnan Province, the predecessor of Yunnan School, Software College was established in 2005 and was successfully upgraded in 2011 with qualification to grant bachelor's degrees. It is now a formal higher education institution providing undergraduate education and junior college education focused on applied sciences. Yunnan school has a site area of approximately 535,800 sq.m., including classroom buildings, student dormitory buildings, teacher dormitory building, simulation training building and other facilities such as library and dining halls. Yunnan School currently offers over 50 majors in six colleges with students mostly enrolled from Yunnan Province and other provinces of southwest China (such as Guizhou, Sichuan and Chongqing).

Guizhou School

Located in Qingzhen City, Guiyang City, Guizhou School is a formal higher education institution, which was established in 2012. It provides junior college education focused on applied sciences. The school has a site area of approximately 284,850 sq.m., including classroom buildings, student dormitory buildings, teacher dormitory building, simulation training building and other facilities such as library and dining halls. Guizhou School currently offers approximately 30 majors in six colleges with students mostly enrolled from Guizhou Province and other provinces of southwest China (such as Yunnan, Sichuan and Chongqing).

Northeast School

Located in Harbin, Heilongjiang Province, the Northeast School is an independent institute which was established under the laws of the PRC in 2004. The Northeast School is a private institution of formal higher education focused on applied sciences, providing undergraduate education and junior college education focused on applied sciences. The Northeast School has a site area of approximately 623,000 sq.m. and currently offers over 30 undergraduate and junior college majors in ten colleges.

On April 20, 2016, Haxuan Company, one of the Company's subsidiaries, entered into an agreement with the current school sponsors of the Northeast School, pursuant to which Haxuan Company agreed to acquire the entire school sponsor's interest of the Northeast School. As of June 30, 2017, the application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending for the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion of the approval and the entering into of the structured contracts, the Northeast School's results of operations will be consolidated into the Group's results of operations. According to the Implemental Rules on Private School Registration (民辦學校分類登記實施細則) promulgated on December 30, 2016, the MOE has designated the education bureau at the provincial level to approve the change of the school sponsor of the private schools that provide higher education. The Company will follow up closely with the department of education in Heilongjiang Province in this regard.

On September 1, 2016, the Northeast School and Huihuang Company entered into an exclusive technical service and education consultancy service agreement, pursuant to which, Huihuang Company agreed to provide technology and management consulting services to the Northeast School prior to the transfer of the school sponsorship from the current school sponsors of the Northeast School to Haxuan Company and, in return, the Northeast School would pay 73.91% of its surplus from operations on a monthly basis to Huihuang Company as service fees during the term of this agreement.

Central China School

Located in Enshi City, Hubei Province, the Central China School is an institution of formal higher education established under the laws of the PRC in 2003.

Enchang Company, one of the Company's subsidiaries, entered into a cooperation agreement with Minzu College to establish the new campus of the Central China School in August 2015. As of June 30, 2017, the application to make Enchang Company as a joint school sponsor of the Central China School is pending for the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion, Enchang Company will become a joint school sponsor of the Central China School and the results of the relevant new students will then be included into our results. As disclosed above, due to the promulgation of Implemental Rules on Private School Registration (民辦學校分類登記實施細則), the Company will follow up closely with the department of education in Hubei Province in relation to the change of school sponsor of the Central China School.

Beginning in August 2015, the Group has made pre-payments to fund the construction of the new campus of the Central China School, which has been put into use from August 31, 2016. The new campus at Central China School recruited 3,480 students for the 2016-2017 school year, among which 2,308 students were enrolled in undergraduate programs, 506 in junior college programs and 666 in pre-undergraduate programs (本科預科班), respectively.

On May 15, 2017, Huihuang Company and the Central China School entered into an exclusive technical service and education consultancy service agreement, pursuant to which, Huihuang Company agreed to provide technology and management consulting services to the Central China School prior to the approval of the change to the school sponsorship of the Central China School and, in return, the Central China School would pay 89.2% of its surplus from operations on a yearly basis to Huihuang Company as service fees starting from January 1, 2017.

Northwest School

On July 6, 2017, Bei Ai Company, a wholly-owned subsidiary of the Group, and Lanzhou New Area Management Committee, entered into a cooperation agreement, pursuant to which the Group intended to invest approximately RMB600 million for the construction of the Northwest School with a planned capacity of 15,000 college students. The construction was planned to commence in the second half of 2017. It is expected that the Northwest School will commence operation in 2019 and enroll the first batch of students in September 2019.

After the commencement of the Northwest School, the Group plans to increase the corresponding number of school buildings, equipment and other constructions based on the growth of student enrollment year by year. The Group believes that the cooperation agreement marks the Group's continuous efforts to expand its school network and increase its market penetration.

Graduate employment rate

As a private higher education provider focused on applied sciences, the Group uses graduate employment rate as an important criterion to measure the teaching results. The Group believes that its industry-leading graduate employment rate help to enhance its reputation and attract talented high school graduates, at the same time facilitate the Group's acquisitions of other schools in the PRC.

Schools	Graduate employment rate As of December 31	
	2016	2015
Yunnan School	98.8%	98.8%
Guizhou School	97.6%	97.1%
Average	98.3%	98.3%

* Graduate employment rate is defined as a rate calculated by dividing the number of students who find employment within six months after their graduation (including students who find employment in business entities, start own businesses or pursue further studies) by the total number of students graduated from the school for the relevant school year. As of June 30, 2017, the students for the relevant school year have not graduated.

* Average employment rate is calculated by dividing the total number of students employed by total number of students graduated.

Enrolled students

In order to be admitted for higher education, a student must pass and attain certain scores in China's National Higher Education Entrance Examination. Being institutions providing higher education services, the respective education authorities will specify a quota for the number of new students each of the Group's schools may admit each year.

The Group believes the educational philosophies of its schools and its well-developed curriculums and its high graduate employment rates help the Group to attract high-quality students who seek a pathway to satisfactory employment. Moreover, the quality faculty team is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of the schools.

School	Student Enrollment	
	2016/2017	2015/2016
Yunnan School	19,490	17,965
Four-year undergraduate program	8,568	8,081
Three-year junior college program	10,922	9,878
Other programs ^{Note (1)}	–	6
Guizhou School	13,972	11,751
Three-year junior college program	13,972	11,723
Other programs ^{Note (2)}	–	28
Northeast School ^{Note (3)}	9,518	–
Four-year undergraduate program	9,232	–
Three-year junior college program	286	–
Central China School ^{Note (4)}	3,480	–
Four-year undergraduate program	2,308	–
Three-year junior college program	506	–
pre-undergraduate program	666	–
Total	46,460	29,716

Notes:

- (1) Other programs refer to two-year and three-year secondary vocational programs. Yunnan School ceased to admit new students for these programs in the 2014-2015 school year.
- (2) Other program refers to three-year secondary vocational programs. Guizhou School ceased to admit new students for this program after the 2013-2014 school year.
- (3) The acquisition of the Northeast School by the Group is still pending MOE approval and registration with the provincial civil affairs authorities.
- (4) The investment in the Central China School by the Group is still pending MOE approval and registration with the provincial civil affairs authorities.
- (5) An academic year is generally from September 1 of each calendar year to August 31 of the following calendar year.

Average Tuition Fee

Schools	Average Tuition Fee (RMB) Academic Year	
	2016/2017	2015/2016
Yunnan School	11,121	9,438
Guizhou School	8,273	8,148
Northeast School <i>(Note 1)</i>	12,538	—
Central China School <i>(Note 2)</i>	13,572	—

* The average tuition fee is calculated by dividing the total revenue under tuition fees for the year by the number of enrolled students.

* An academic year is generally from September 1 of each calendar year to August 31 of the following calendar year.

Notes:

- (1) The acquisition of the Northeast School by the Group is still pending MOE approval and registration with the provincial civil affairs authorities.
- (2) The investment in the Central China School by the Group is still pending MOE approval and registration with the provincial civil affairs authorities.

Revenue

The Group's revenue from continuing operations refers to tuition fees and boarding fees we charge by person. The Group usually requires students to pay tuition fees and boarding fees at the beginning of each new school year. The tuition fees are mainly based on the demand for the educational programs, the cost of operations, the geographic markets where the Group operate its schools, the tuition fees charged by same type of schools, the pricing strategy to gain market share and general economic conditions in China and the areas in which the Group's schools are located.

Other income and gains includes service income (including the service fee recognized under the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company and under the exclusive technical service and education consultancy service agreement between the Central China School and Huihuang Company), rental income, government grants and others.

	Revenue (RMB million)		
	for the six months end of June 30		
	2017	2016	Change
	<u> </u>	<u> </u>	<u> </u>
Tuition fees			
Yunnan School	127.2	104.8	+21.4%
Guizhou School	69.7	58.8	+18.5%
	<u> </u>	<u> </u>	<u> </u>
Total tuition fees	196.9	163.6	+20.4%
	<u> </u>	<u> </u>	<u> </u>
Boarding fees	15.6	14.7	+6.1%
	<u> </u>	<u> </u>	<u> </u>
Other income and gains	53.2	19.4	+174.2%
	<u> </u>	<u> </u>	<u> </u>
Total	265.7	197.7	+34.4%
	<u> </u>	<u> </u>	<u> </u>

Teachers

The Group believes the quality of education is largely dependent on the quality of teachers. The Group primarily seeks to recruit (i) high quality experienced teachers who are knowledgeable in both theory and practice; (ii) teachers who have working experience in relevant industries, such as experienced accountants, engineers and managers; and (iii) teachers who hold relevant professional qualifications or credentials. In its recruitment efforts, the Group also places a strong emphasis on strong communication skills and a passion for teaching.

	Number of teachers in	
	Yunnan School and	
	Guizhou School	
	As of June 30	
	<u> </u>	<u> </u>
	2017	2016
Teachers		
Full-time teachers	1,166	1,093
Part-time teachers	430	403
	<u> </u>	<u> </u>
Total	1,596	1,496
	<u> </u>	<u> </u>

Operation highlights of the Group

The Group has presented some new highlights and features in its operation:

1. Yunnan School was approved to increase its admission quota by double. The education department of Yunnan Province has approved to increase the scale of student enrollment of Yunnan School to 44,000 during the “13th Five-Year Plan” period. The construction of Northwest School will commence in the second half of the year and the school is expected to start student recruitment in September 2019 with a planned student enrollment of 15,000.
2. Enhancing the experience of enrolled students. The Group have devoted greater resources to enhancing the experience of enrolled students of our schools through investment in transformation and upgrade of the school environment of Yunnan School and Guizhou School, including the new renovation of student canteen, development of intelligent back-office platform and establishment of mini-fire stations within school campus, etc..
3. Developing majors with advantages. The Group have concentrated resources on developing state-level advantageous majors, provincial-level key majors and school-level key majors for Yunnan School and Guizhou School. The Group have also introduced emerging majors such as internet-of-things application technology, internet finance, cloud computing technology etc..
4. Optimizing the five key education projects. The Group have completed the formulation of Management Rules for Stimulating Classroom (精彩課堂管理制度) and further expanded the application of college of excellence model, resulting in an increase from originally 10 classes to 20 classes in aggregate, and a corresponding increase in the number of major. The Group have also optimized the motivational education as well as the O2O Teaching Mode, such as inviting Professor Yu Dan and other renowned lecturers to participate in teaching our courses, with an aim to improving teaching quality and students’ learning experience.
5. Launching of centralized procurement system of the Group. The new procurement system has been launched successfully in the first quarter of the year, which has effectively enhanced the Group’s management over its procurement business and reduced its procurement costs and operation costs.
6. Establishing an intelligent campus. Taking the examination system as an example, Yunnan School and Guizhou School have currently put online “paperless” examinations in full practice as a measure to enhance the establishment of an intelligent campus. As of June this year, the development of all functions of the online examination system has been completed, satisfying the requirements of examinations in schools comprehensively.

FUTURE PROSPECT

Positioning

As a private provider of higher education focusing on applied sciences, the Group strives to provide high quality higher education in a wide selection of fields in applied sciences. Its course offerings are designed to equip the students with practical experience and readily applicable skills and prepare them for the job market. Meanwhile, the Group will adjust its course offerings from time to time to meet changing market demand. As a result, it has achieved industry-leading graduate employment rates. Each of the Group's schools has gained wide recognition in the region where it is located and continues to attract students and quality teachers.

Development strategy

Expand school network and increase market penetration

The Group intends to expand its school network and increase its market penetration and its market share in the private higher education sector in the PRC. Specifically, the Group has formed an investment team headed and managed directly by its vice president for investment. This investment team is responsible for identifying and evaluating potential acquisition targets across China. The Group has also established an investment and acquisition management committee headed by the chairman of the Board. This committee will periodically review the feasibility of acquisitions and determine which ones to pursue.

The Group intends to expand into western, central and northeastern China where it believes there exists significant growth potential because the higher education enrollment rates in these regions are lower than the national average enrollment rates, and, in particular, economically more developed regions in the PRC. Following completion of acquisitions or investments, the Group plans to leverage its replicable business model to optimize the operations of the acquired or invested schools and rapidly replicate the value-added service revenue model of Yunnan School to increase financial returns.

Increase the student enrollments at existing schools

The Group will continue to increase the student enrollments at existing schools. Both Yunnan School and Guizhou School have large areas of reserved land, which could be used for further expansion. The Northeast School and Central China School also have a large amount of unused land, which the Group could develop after it completes the acquisition.

During the first half of 2017, Yunnan School newly constructed a student canteen with a gross floor area of 7,452 sq.m., which was completed and put into use in May 2017. Other than that, there was no new land or building in Yunnan School and Guizhou School in the first half of 2017.

Establish our own schools

The Group also plans to establish its own schools where it sees an attractive opportunity to do so. On July 6, 2017, the Group entered into a cooperation agreement with Lanzhou New Area Management Committee, pursuant to which the Group intended to invest approximately RMB600 million for the construction of the Northwest School, a school for applied sciences-focused higher education in Lanzhou, Gansu Province. The construction of the school was planned to commence in the second half of 2017. It is expected that the Northwest School will commence operation in 2019 and enroll the first batch of students in September 2019.

Further optimization of sources of revenue and other income

1. Increase in tuition fees and boarding fees

The Group is able to maintain the current tuition rates and raise the tuition rates where appropriate and to recruit more students as its brand awareness and reputation have grown. For instance, with recognition and support of local education bureau, the number approved for enrolled students of Yunnan School can be increased to 44,000 during the period of the “13th Five-year Plan”.

2. Increase in examination training fees

The Group obtains examination preparation and training fees from preparation and training courses it offers for professional qualification exams and standardized tests, which are expected to increase as the number of student increases.

Strategic plan in respect of talents

The Group will further improve the team building system with an emphasis on pushing ahead with the work in relation to recruitment and training of the teams of management cadres, teachers and students management. The Group has planned and commenced the implementation of projects relating to the introduction of high-end innovative talents and talents specialising in new subjects that are in shortage with a view to facilitating the nurture and development of young talents and enhancing the quality of our talent pool. The Group has also planned and implemented long-term incentive schemes such as equity incentive scheme for key personnel of the Group.

The Group intends to continue to attract, incentivize and retain quality teachers and build a first-rate faculty team. To this end, we will step up our efforts in recruiting well-recognized experts and professors, experienced business administrators and other highly skilled person. The Group will also provide training to our teachers in various aspects for their improvement.

In addition, the Group plans to continue to offer competitive compensation and benefits to the teachers to attract the most competent talent in the market.

Conclusion

Looking forward, the Group will adhere to the education aim of “Help Student to Succeed” and continue to push ahead the long-term development of the Group by exercising management and control over strategy, budget and operation and adopting a humanistic, informational and systematic management method so as to replicate and promote its scalable business model. It will also strive to establish itself into a world-class university focused on applied sciences and the most respected education group.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by 19.3% from RMB178.2 million for the six months ended June 30, 2016 to RMB212.6 million for the Period. This increase was primarily due to (i) increase in tuition fees from RMB163.6 million for the six months ended June 30, 2016, increased by 20.4% year on year to RMB196.9 million for the Period, which was attributable to the adjustment of tuition fee rates of newly admitted student by Yunnan School in 2016 and accordingly higher student enrollment was recorded in Yunnan School and Guizhou School for school year 2016/2017 as compared to that of school year 2015/2016.

Cost of Sales

Cost of sales increased by 17.2% from RMB77.9 million for six months ended June 30, 2016 to RMB91.3 million for the Period. This increase was relatively primarily due to the Group’s adjustment of compensation system commenced in April 2016 due to rising staff costs.

Gross Profit and Gross Profit Margin

Gross profit increased by 20.9% from RMB100.3 million for six months ended June 30, 2016 to RMB121.3 million for the Period, which was in line with the growth of our business. Our gross profit margin increase slightly to 57.1% for the Period from 56.3% for the six months ended June 30, 2016 primarily because revenue increased at a higher rate than costs.

Other Income and Gains

Other income and gains increased by 174.2% from RMB19.4 million for the six months ended June 30, 2016 to RMB53.2 million for the Period. The increase was primarily due to the management service fees received from the Northeast School and the Central China School, and the revenue derived from the operation of the new property leasing business by Yunnan School, together with the increase in revenues from the original properties leased of Yunnan School and Guizhou School pursuant to the respective contracts.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB0.7 million for the six months ended June 30, 2016 to RMB2.3 million for the Period. This increase was primarily attributable to the Group's intensified promotion for its branding as a listed group and enhanced promotion quality after Listing.

Administrative Expenses

Administrative expenses increased by 37.1% from RMB23.2 million for six months ended June 30, 2016 to RMB31.8 million for the Period, primarily due to the increase in listing expenses incurred from the Listing of 329.3% from RMB4.1 million for the six months ended June 30, 2016 to RMB17.6 million for the Period.

Other Expenses

Other expenses increased from RMB0.4 million for the six months ended June 30, 2016 to RMB3.7 million for the Period. The increase was primarily as a result of the expenses related to donation to students of RMB2.8 million.

Finance Costs

Finance costs increase by 25.2% from RMB15.1 million for six months ended June 30, 2016 to RMB18.9 million for the Period, mainly due to the loan granted by the CITIC Bank in the amount of US\$64 million in September 2016. The repayments of loan borrowing from CITIC Bank will be due by September 2018, and as at the date of the announcement, the Group is in the discussion with CITIC Bank to repay the loan borrowing by September 13, 2017, which is still subject to the finalization on the applicable terms with the CITIC Bank.

Profit before Tax

As a result of the foregoing, we recognized a profit before income tax of RMB117.8 million for the Period, as compared to a profit before income tax of RMB80.3 million for the six months ended June 30, 2016, representing an increase of 46.7%.

Income Tax Expense

The Group's income tax expense increased from RMB0.6 million for the six months ended June 30, 2016 to RMB7.5 million for the Period primarily due to revenue from management service fees from each of the schools charged by Huihuang Company, a wholly-owned subsidiary of the Group, under the Structured Contracts, resulting in profits subject to income tax and dividend payout.

Profit From the Continuing Operations

As a result of the above factors, the Group recorded a net profit from continuing operations of RMB110.2 million for the Period, increased by 38.2% from RMB79.8 million for the six months ended June 30, 2016.

Core Net Profit

Core net profit for the Period, excluding listing fee, increased by 52.3% to RMB127.8 million as compared with the six months ended June 30, 2016.

	For the six months ended 30 June	
	2017	2016
	RMB million (unaudited)	RMB million (unaudited)
Profit for the period from continuing operations	110.2	79.8
Add:		
Listing expenses	17.6	4.1
	<hr/>	<hr/>
Core net profit	127.8	83.9
	<hr/> <hr/>	<hr/> <hr/>

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to fund our working capital requirements, our purchases of property, plant and equipment and to repay loans and related interest expenses. As at the date of this announcement, the Group have funded operations principally with cash generated from our operations, bank borrowings, shareholder contributions and net proceeds from the Global Offering. In the future, the Group believes that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans, other borrowings and other funds raised from the capital markets from time to time. As of June 30, 2017, the Group had cash and cash equivalents of RMB620.6 million.

Cash flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended June 30,	
	2017	2016
	(RMB million)	(RMB million)
Net cash used in operating activities	(161.3)	(103.3)
Net cash used in investing activities	(76.7)	(207.9)
Net cash from financing activities	685.6	346.8
Effect of changes in exchange rate on cash and cash equivalents	(5.8)	–
Cash and cash equivalents at beginning of the period	178.8	83.0
Cash and cash equivalents at the end of the period	620.6	118.6

Cash Flows used in Operating Activities

The Group generates cash from operating activities primarily from tuition fees and boarding fees, and students typically pay in advance in September. Tuition fees and boarding fees are initially recorded under deferred revenue. As we generally collect tuition fees and boarding fees upfront at the beginning of a school year in September, we typically have cash outflows for operating activities for the first half year. Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation of items of property, plant and equipment, investment income, recognition of prepaid land lease payments, interest income recognition of finance lease, government grants released and impairment of prepayments, deposits and other receivables; (ii) movements in working capital, such as increase or decrease in prepayments, deposits and other receivables, increase or decrease in other payables and accruals, and increase or decrease in deferred revenue; and (iii) other cash items consisting of income tax paid and interest received.

Net cash outflow used in operating activities amounted to RMB161.3 million for the Period, primarily derived from: (1) profit before tax from continuing operations of RMB117.8 million; (2) total positive adjustments before movements in working capital of RMB32.4 million, which in turn primarily reflected positive adjustment for finance cost of RMB18.9 million, positive adjustment for depreciation and amortization of RMB18.7 million, positive adjustment for impairment loss of assets of RMB0.5 million, as partially offset by amortization of government grants of RMB5.2 million and interest income of RMB0.5 million; (3) the total negative adjustment for working capital of RMB311.8 million, which primarily reflected the decrease in deferred revenue of RMB211.4 million, decrease in other payables and accruals of RMB74.3 million, increase in other current assets of RMB0.8 million, and the increase in prepayments and other receivables of RMB25.3 million.

Cash Flows used in Investing Activities

Investing activities consist primarily of purchases of items of property, plant and equipment and intangible assets, prepaid land lease payments, purchases of and proceeds from disposal of wealth investment products, and deposits into or withdrawals from pledged time deposits released.

Net cash used in investing activities amounted to RMB76.7 million for the Period, primarily reflecting the property, plant and equipment purchased by Yunnan School and Guizhou School, the investment prepayments of Northeast School, and the release of pledged time deposits.

Cash Flows from Financing Activities

Financing activities primarily include borrowing and repaying bank loans, and the fund raised from the Group's listing by way of share offer.

Net cash generated from financing activities amounted to RMB685.6 million for the Period, primarily reflecting the fund raised from the Group's listing by way of share offer, the net new loans raised.

NET CURRENT ASSETS

As of June 30, 2017, the Group had net current assets of RMB419.5 million. The Group had net current assets primarily because the Group raised substantial capital from the Listing and settled part of the bank indebtedness.

CAPITAL EXPENDITURES

The Group capital expenditures consisted of purchases or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the Period, our capital expenditures were RMB23.1 million. The Group capital expenditures during the Period primarily related to construction of buildings and school facilities and prepaid land lease payments at the Yunnan School, the Guizhou School and the new campus at the Central China School and purchases of equipment and software. The Group have funded these capital expenditures primarily with cash generated from operations and bank loans.

Capital Commitments

The Group's capital commitments primarily relate to the acquisition of property, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of June 30, 2017 <i>(RMB million)</i>	As of December 31, 2016 <i>(RMB million)</i>
Contracted but not provided for:		
Property, plant and equipment	<u>76.4</u>	<u>22.7</u>
	<u>76.4</u>	<u>22.7</u>

As of June 30, 2017, the Group had no significant authorized but not contracted for capital commitment.

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of our school buildings and facilities.

The Group primarily borrows loans from banks to supplement our working capital and finance our expenditure. The bank loans amounted to RMB588.2 million as of June 30, 2017, apart from the loan granted by the CITIC Bank in the amount of US\$64 million in September 2016, all denominated in Renminbi. As of June 30, 2017, our bank loans bore effective interest rates ranging from 5.7% to 7.13% per annum. The repayments of loan borrowing from CITIC Bank will be due by September 2018, and as at the date of the announcement, the Group is in the discussion with CITIC Bank to repay the loan borrowing by September 13, 2017, which is still subject to the finalization on the applicable terms with the CITIC Bank.

Contingent Liabilities

As of June 30, 2017, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net Debt to Equity Ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents and pledged deposits at the end of the year/period divided by total equity at the end of the year/period. The Group's net debt to equity ratio decreased from 42.4% as of December 31, 2016 to 0% as of June 30, 2017, primarily attributable to the cash received from the issue of shares during the Listing.

Gearing Ratio

Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings. The Group's gearing ratio decreased from 61.4% as of December 31, 2016 to 34.6% as of June 30, 2017, primarily because the Group adopted part of the proceeds from the Listing to the repayment of the part of the borrowings and the Company's share capital was enlarged as a result of the Listing.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this announcement, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the Period.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at June 30, 2017, certain bank balances were denominated in USD. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

PLEDGE OF ASSETS

As at June 30, 2017, the Group did not pledge any assets.

HUMAN RESOURCES

As of June 30, 2017, the Group had approximately 1,824 employees. As required by the PRC laws and regulations, the Group participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

PAYMENT OF INTERIM DIVIDEND

The Board declared payment of an interim dividend of RMB0.021 per Share for the six months ended June 30, 2017. The interim dividend will be declared in Renminbi and paid in Hong Kong dollars. The interim dividend will be paid on or about Friday, September 29, 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, September 20, 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed by the Group from Saturday, September 16, 2017 to Wednesday, September 20, 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office 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 not later than 4:30 p.m. on Friday, September 15, 2017.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

The Company was listed on April 19, 2017. Since the Listing Date to the date of this announcement, the Company has complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors in March 2017.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions since the Listing Date and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.xingaojiao.com>). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on March 20, 2017 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bei Ai Company”	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on October 16, 2012, and wholly owned by Yun Ai Group. Bei Ai Company will act as the school sponsor of the Northwest School upon the official establishment of the Northwest School
“Board”	the board of directors of the Company
“Business Day” or “business day”	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
“BVI”	British Virgin Islands
“California School”	a private higher education institute to be established by the Group in the State of California
“Central China School”	Science and Technology College of Hubei Minzu University* (湖北民族學院科技學院), an institution of higher education established under the laws of the PRC in 2003. The results attributable to students admitted after the completion of the new campus of Central China School will be included in our results of operation
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of the Prospectus, Hong Kong, Macau and Taiwan

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 8, 2016
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Enchang Company”	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.* (恩施自治州常青教育發展有限責任公司), a limited liability company established under the laws of the PRC on November 13, 2014. It is owned as to 89.2% by Yun Ai Group and 10.8% by Jiang Mingxue (蔣明學). Enchang Company will be a joint school sponsor of Central China School pending final approval of the MOE and registration with the provincial civil affairs authorities
“Frost & Sullivan Report”	an independent market research report dated April 5, 2017, commissioned by the Company on the PRC private education market and prepared by Frost & Sullivan
“Group”	the Company and its subsidiaries
“Guizhou School”	Guizhou Technology and Business Institute* (貴州工商職業學院), a private institution of formal higher education established under the laws of the PRC on July 3, 2012, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“Haxuan Company”	Harbin Xuande Technology Co., Ltd.* (哈爾濱軒德科技有限公司), a limited liability company established under the laws of the PRC on April 19, 2016 and owned as to 73.91% by Yun Ai Group and as to 26.09% by Ningde Company. Haxuan Company will be the sole school sponsor of the Northeast School pending final approval of the MOE and registration with the provincial civil affairs authorities

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on August 5, 2016 under the laws of the PRC, which is wholly owned by Aspire Education Holding
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	April 19, 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Minzu College”	Hubei Minzu University* (湖北民族學院), a stateowned higher education institution established under the laws of the PRC
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of the PRC
“Northeast School”	Harbin Huade University* (哈爾濱華德學院), an independent institute established under the laws of the PRC in 2004. Northeast School will be a consolidated affiliated entity of the Company pending final approval of the MOE and registration with the provincial civil affairs authorities and following the execution of the structured contracts with Huihuang Company
“Northwest School”	Northwest Technology and Business Institute* (西北工商職業學院), a private institution of higher education college to be established under the laws of the PRC, of which the school sponsor’s interest will be wholly-owned by Bei Ai Company after the official establishment of the Northwest School
“Period”	the six months ended 30 June 2017
“PRC Operating Schools”	the consolidated affiliated entities of the Group, namely, Yunnan School and Guizhou School
“Prospectus”	the Prospectus of the Company dated April 5, 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time

“Share(s)”	means share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the School Sponsors’ and Directors’ Rights Entrustment Agreement, the School Sponsors’ Powers of Attorney, the Directors’ Powers of Attorney, the Shareholders’ Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in the section headed “Structured Contracts” in the Prospectus
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Yunnan School”	Yunnan Technology and Business University* (雲南工商學院) (formerly known as Yunnan Einsun Software Vocational College* (雲南愛因森軟件職業學院) (“Software College”)), a private institution of formal higher education established under the laws of the PRC on September 29, 2005, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“%”	per cent.

By order of the board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 31 August 2017

As at the date of this announcement, our executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai, Mr. Zhang Ke and Mr. Zhu Lidong, our non-executive Director is Mr. Chen Shuo, and our independent non-executive Directors are Mr. Wong Man Chung Francis, Mr. Chung Yue Ping Stephen and Mr. Kwong Wai Sun Wilson.