CHINA EAST EDUCATION HOLDINGS LIMITED
中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 667)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

	Six months ended 30 June		Change
	2019	2018	**Increase/ (Decrease)**
Number of new students enrollments and new customers registered	**76,208**	62,018	**22.9%**
Average number of students enrolled and customers registered	**133,047**	119,502	**11.3%**
Continuing operations			
Revenue (RMB million)	**1,821**	1,439	**26.6%**
Gross profit (RMB million)	**1,107**	762	**45.4%**
Net profit (RMB million)	**312**	217	**44.2%**
Adjusted net profit (RMB million) *(Note)*	**408**	217	**88.1%**

	As at 30 June 2019	As at 31 December 2018	**Change Increase/ (Decrease)**
Number of schools and centers	**168**	163	**5**
Net assets (RMB million)	**5,481**	873	**528.1%**
Total assets (RMB million)	**8,922**	2,816	**216.9%**

Note: Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of the non-cash share-based payment expenses and the non-recurring listing expenses.

The board (the "**Board**") of directors (the "**Director(s)**") of China East Education Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018. Deloitte Touche Tohmatsu, the Company's auditor, has conducted its review on the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*2*	**1,821,082**	1,438,713
Cost of revenue		**(713,970)**	(677,202)
Gross profit		**1,107,112**	761,511
Other income	*3*	**26,698**	24,713
Other gains and losses	*4*	**11,142**	24,884
Selling expenses		**(319,431)**	(299,274)
Administrative expenses		**(283,750)**	(185,096)
Listing expenses		**(19,435)**	–
Research and development expenses		**(14,931)**	(11,089)
Finance costs	*5*	**(61,841)**	–
Profit before taxation		**445,564**	315,649
Income tax expense	*6*	**(133,077)**	(98,900)
Profit and total comprehensive income for the period from continuing operations	*8*	**312,487**	216,749
Discontinued operation			
Loss and total comprehensive expenses for the period from discontinued operation	*7*	**–**	(5,616)
Profit and total comprehensive income for the period	*8*	**312,487**	211,133

	Notes	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Profit (loss) and total comprehensive income (expenses) for the period attributable to owners of the Company			
– from continuing operations		**312,487**	216,749
– from discontinued operation	*7*	**–**	(5,616)
		312,487	211,133
From continuing and discontinued operations			
Earnings per share	*10*		
– Basic *(RMB cents)*		**17.47**	3.38
– Diluted *(RMB cents)*		**16.77**	N/A
From continuing operations			
Earnings per share	*10*		
– Basic *(RMB cents)*		**17.47**	3.47
– Diluted *(RMB cents)*		**16.77**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**As at 30 June 2019** *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property and equipment		**1,353,526**	1,361,005
Right-of-use assets		**1,597,815**	–
Prepaid lease payments		**–**	123,409
Deferred tax assets		**3,933**	2,996
Deposit paid for acquisition of leasehold land		**21,708**	–
Prepayments for rental		**–**	17,873
Deposits for rental		**18,357**	31,873
Deposits for utilities and others		**10,035**	8,031
		3,005,374	1,545,187
CURRENT ASSETS			
Inventories		**43,289**	37,138
Prepaid lease payments		**–**	2,940
Trade and other receivables	*11*	**178,428**	242,290
Other financial assets	*12*		
– measured at fair value through profit or loss ("**FVTPL**")		**797,879**	–
– measured at amortised cost		**100,000**	–
Tax recoverable		**1,414**	1,687
Time deposit		**1,759,400**	–
Bank balances and cash		**3,036,332**	986,293
		5,916,742	1,270,348
CURRENT LIABILITIES			
Trade and other payables	*13*	**416,331**	507,643
Dividend payable		**–**	34,112
Tax liabilities		**106,147**	108,167
Lease liabilities		**162,355**	–
Contract liabilities		**1,470,189**	1,233,230
		2,155,022	1,883,152
NET CURRENT ASSETS (LIABILITIES)		**3,761,720**	(612,804)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,767,094**	932,383

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**1,211,747**	–
Contract liabilities		**68,911**	56,101
Government grants		**5,339**	3,651
		1,285,997	59,752
NET ASSETS		**5,481,097**	872,631
CAPITAL AND RESERVES			
Share capital	*14*	**192**	–
Reserves		**5,480,905**	872,631
TOTAL EQUITY		**5,481,097**	872,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law (Chapter 22) of the Cayman Islands on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 June 2019. Its ultimate controlling parties are Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing, collectively referred as the "**Controlling Equity Holders**". The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in the People's Republic of China (the "**PRC**") is No. 1009 Xuelin Road, Vocational Education Town, Yaohai District, Hefei City, Anhui Province, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions. The Company and its subsidiaries are collectively referred as the "**Group**".

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company and its subsidiaries.

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

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's financial statements for each of the three years ended 31 December 2018 underlying the preparation of the historical financial information included in the accountants' report presented in the prospectus of the Company dated 30 May 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

1.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provision of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8 (b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities ranged from 3.75% to 13.76%.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**2,302,181**
Lease liabilities discounted at relevant incremental borrowing rates	**1,441,407**
Add: Extension options reasonably certain to be exercised	**8,282**
Less: Recognition exemption – short-term leases	**(4,624)**
Lease liabilities as at 1 January 2019	**1,445,065**
Analysed as	
Current	**177,615**
Non-current	**1,267,450**
	1,445,065

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

		Right-of-use assets
	Notes	*RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,445,065
Adjusted by:		
Prepayments for rental		
– current portion	*(a)*	102,569
– non-current portion	*(a)*	17,873
Trade and other payables	*(b)*	(29,737)
Reclassified from prepaid lease payments	*(c)*	126,349
Adjustments on rental deposits at 1 January 2019	*(d)*	12,985
		1,675,104
By class:		
Leasehold lands		126,349
Buildings		1,548,755
		1,675,104

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

(a) Upfront payments for leases of properties were recognised as prepayments for rental as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepayments for rental amounted to RMB102,569,000 and RMB17,873,000 respectively were reclassified to right-of-use assets.

(b) These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

(c) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounted to RMB2,940,000 and RMB123,409,000 respectively were reclassified to right-of-use assets.

(d) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB12,985,000 was adjusted to refundable rental deposits paid and right-of-use assets.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

1.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

Summary of effects arising from initial application of HKFRS 16

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	***RMB'000***
Non-current Assets			
Prepaid lease payments	123,409	(123,409)	**–**
Right-of-use assets	–	1,675,104	**1,675,104**
Prepayment for rental	17,873	(17,873)	**–**
Deposits for rental	31,873	(12,985)	**18,888**
Current Assets			
Trade and other receivables	242,290	(102,569)	**139,721**
Prepaid lease payments	2,940	(2,940)	**–**
Current Liabilities			
Trade and other payables	507,643	(29,737)	**477,906**
Lease liabilities	–	177,615	**177,615**
Non-current Liabilities			
Lease liabilities	–	1,267,450	**1,267,450**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2. REVENUE AND SEGMENT INFORMATION

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

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers, the Board, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments:

(a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;

(b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;

(c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;

(d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, desserts, western cuisines, bartending and barista training;

(e) Wisezone Data Technology Education: providing short-term programs to junior colleges and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;

(f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and

(g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses, listing expenses and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

The segment information reported does not include any amounts for the discontinued operation, which are described in note 7.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue and Segment Information

The following is an analysis of the Group's revenue from continuing operations for the six months ended 30 June 2019 and 2018:

Six months ended 30 June 2019 (unaudited)

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue									
External sales	1,013,662	348,639	246,418	154,902	34,751	18,677	4,033	–	1,821,082
Inter–segment sales	–	–	–	–	4,717	–	23,821	(28,538)	–
Segment revenue	1,013,662	348,639	246,418	154,902	39,468	18,677	27,854	(28,538)	1,821,082
Results									
Segment results	414,529	138,757	18,842	(2,401)	(20,442)	(11,280)	(17,375)	–	520,630
Unallocated									
Other income									10,508
Other gains and losses									11,142
Corporate administrative expenses									(77,281)
Listing expenses									(19,435)
Profit before taxation									445,564
Income tax expense									(133,077)
Profit for the period									312,487

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018 (unaudited)

	New East Culinary Education *RMB'000* (unaudited)	Xinhua Internet Technology Education *RMB'000* (unaudited)	Wontone Automotive Education *RMB'000* (unaudited)	Omick Education of Western Cuisine and Pastry *RMB'000* (unaudited)	Wisezone Data Technology Education *RMB'000* (unaudited)	Cuisine Academy *RMB'000* (unaudited)	Other miscellaneous businesses *RMB'000* (unaudited)	Elimination *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue									
External sales	876,350	251,929	196,511	81,510	19,628	7,610	5,175	–	1,438,713
Inter–segment sales	–	–	–	–	3,383	–	8,229	(11,612)	–
Segment revenue	876,350	251,929	196,511	81,510	23,011	7,610	13,404	(11,612)	1,438,713
Results									
Segment results	323,746	57,079	(16,330)	(24,601)	(40,860)	(783)	(7,451)	–	290,800
Unallocated									
Other income									11,769
Other gains and losses									24,884
Corporate administrative expenses									(11,804)
Profit before taxation									315,649
Income tax expense									(98,900)
Profit for the period									216,749

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% of total revenue of the Group during the six months ended 30 June 2019 and 2018.

3. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Asset-related government grants	**558**	476
Unconditional government grants	**15,632**	12,468
Interest income from banks	**8,403**	10,044
Others	**2,105**	1,725
	26,698	24,713

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Net gains on other financial assets measured at FVTPL	**14,234**	24,539
(Losses) gains on disposals of property and equipment	**(84)**	345
Net foreign exchange losses	**(3,008)**	–
	11,142	24,884

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest expenses on lease liabilities	**61,841**	–

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
PRC Enterprise Income Tax – Current tax	**134,014**	99,805
Deferred tax credit	**(937)**	(905)
	133,077	98,900

7. DISCONTINUED OPERATION

In October and November 2018, the Group disposed six subsidiaries which provided training courses for driving examinations. Five out of these subsidiaries were disposed to companies controlled by the Controlling Equity Holders at cash consideration of RMB10,000 each and one was disposed to the independent third parties at cash consideration of RMB1,000,000. The disposals were consistent with the Group's long-term policy to focus its activities on the operation of vocational training education institutions.

The results of the discontinued operation were as follows:

	Six months ended 30 June 2018 *RMB'000* (unaudited)
Revenue	14,965
Cost of revenue	(14,433)
Gross profit	532
Other income	113
Selling expenses	(2,791)
Administrative expenses	(3,470)
Loss before taxation from discontinued operation	(5,616)
Loss for the period from discontinued operation include the following:	
Depreciation of property and equipment	4,545

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period from continuing operations has been arrived at after charging:		
Directors' remuneration	**772**	92
Other staff costs		
— salaries and other allowances	**463,430**	408,747
— retirement benefit scheme contributions	**65,317**	55,020
— equity-settled share-based payments expenses	**75,690**	–
Total staff costs	**605,209**	463,859
Depreciation of property and equipment	**180,420**	181,240
Depreciation of right-of-use assets	**123,012**	–
Amortisation of prepaid lease payments	**–**	1,470

9. DIVIDENDS

At the board meeting held on 28 August 2019, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. EARNINGS PER SHARE

From continuing operations

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the purpose of calculating basic and diluted earnings per share from continuing operations		
– attributable to the owners of the Company	**312,487**	216,749
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,788,946,961**	6,242,248,814
Effect of dilutive potential ordinary shares:		
– share options	**73,826,821**	–
– over-allotment options	**122,986**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,862,896,768**	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and the Capitalisation Issue (as defined in note 14) was completed on 1 January 2018 and taking into account of the capital reduction in 2018.

No diluted earnings per share for the six months ended 30 June 2018 was presented as there were no potential dilutive shares for the six months ended 30 June 2018.

From continuing and discontinued operations

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the purpose of calculating basic and diluted earnings per share		
– attributable to the owners of the Company		
– from continuing operations	**312,487**	216,749
– from discontinued operation	**–**	(5,616)
	312,487	211,133

10. EARNINGS PER SHARE (CONTINUED)

From discontinued operation

Basic loss per share for the discontinued operation was RMB0.09 cents for the six months ended 30 June 2018, based on the loss for the period from the discontinued operation of RMB5,616,000 and the denominators detailed above for basic earnings per share.

No diluted loss per share for the discontinued operation for the six months ended 30 June 2018 was presented as there were no potential dilutive shares for the six months ended 30 June 2018.

11. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
– from government *(note i)*	**24,633**	27,922
– from others *(note ii)*	**15,382**	6,427
	40,015	34,349
Other receivables		
Prepayments for consumables	**27,131**	25,361
Prepayments for rental	**–**	102,569
Prepayments for services	**22,055**	15,440
Prepayments for advertisement	**68,294**	44,774
Prepayments for listing expenses	**–**	1,799
Value added tax recoverable	**1,411**	1,287
Advance to staff	**7,751**	4,386
Deferred issue costs	**969**	5,474
Interest receivable	**3,114**	–
Other receivables	**7,688**	6,851
	138,413	207,941
	178,428	242,290

Notes:

i. The amounts represent receivables from the PRC local governments, which purchased vocational education services for students.

ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Within 3 months	**26,905**	20,589
Over 3 months but within 12 months	**10,068**	11,382
Over 1 year	**3,042**	2,378
	40,015	34,349

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the receivables and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each period which have been past due over 90 days are not considered as in default as these are contributed by PRC local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each period and no impairment loss on expected credit losses is recognised during the period.

12. OTHER FINANCIAL ASSETS

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Other financial assets measured at FVTPL *(note i)*	**797,879**	–
Other financial assets measured at amortised cost *(note ii)*	**100,000**	–

Notes:

i. The other financial assets measured at FVTPL are short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

ii. The other financial assets measured at amortised cost are short-term investments issued by a bank with predetermined return and principal protected.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade payables	**75,784**	143,727
Payable for property and equipment	**81,016**	98,993
Value added tax and other taxes payable	**21,475**	7,382
Payroll payable	**106,164**	153,805
Discretionary subsidies received on behalf of students	**40,740**	22,235
Miscellaneous deposits received from students		
– within 12 months	**62,183**	51,472
Listing expenses and issue costs payable	**13,397**	4,562
Other payables	**15,572**	25,467
	416,331	507,643

The credit period of the payables is normally 90 days. The following is an aging analysis of trade payables presented based on the dates of delivery of goods:

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Within 90 days	**75,784**	143,727

14. SHARE CAPITAL

	Notes	Number of shares	Share Capital *HK$*	Shown in the condensed consolidated financial statements *RMB'000*
Ordinary shares of HK$0.0001 each				
Authorised:				
At the date of incorporation on 4 October 2018, 31 December 2018 and 30 June 2019	*i*	3,800,000,000	380,000	–
Issued:				
1 share issued and allotted, at the date of incorporation on 4 October 2018	*ii*	1	–	–
999,999 shares issued and allotted, on 4 October 2018	*iii*	999,999	100	–
30 shares issued and allotted, on 26 October 2018	*iv*	30	–	–
At 31 December 2018		1,000,030	100	–
Capitalisation Issue	*v*	1,742,199,970	174,220	154
Issue of new shares by ways of global offering	*vi*	435,800,000	43,580	38
At 30 June 2019 (unaudited)		2,179,000,000	217,900	192

Notes:

i. The Company was incorporated in the Cayman Islands on 4 October 2018 with an authorised share capital of HK$380,000 divided into 3,800,000,000 shares with a par value of HK$0.0001 each.

ii. On 4 October 2018, 1 share of HK$0.0001 was issued and allotted to the subscriber and transferred to Wu Wei Education Company Limited ("**Wu Wei Education**") at par value.

iii. On 4 October 2018, 426,667 shares, 292,221 shares and 281,111 shares were issued and allotted to Wu Junbao Education Company Limited, Wu Wei Education and Xiao Guoqing Education Company Limited, respectively, at par value.

iv. On 26 October 2018, 30 shares were issued and allotted to Lu Lu Education Company Limited for a cash consideration at HK$600,000 (approximately equivalent to RMB533,000).

v. On 12 June 2019, the Company capitalised the sum of HK$174,220 (approximately equivalent to RMB154,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 1,742,199,970 shares of nominal value of HK$0.0001 each for allotment to the shareholders as appearing on the register of members of the Company immediately before the listing of the shares of the Company on the Stock Exchange (the "**Capitalisation Issue**").

vi. On 12 June 2019, the Company issued 435,800,000 ordinary shares of nominal value of HK$0.0001 each pursuant to the global offering at the price of HK$11.25 per ordinary share (equivalent to approximately RMB9.9 per ordinary share) and the Company's shares were listed on the Stock Exchange on the same date.

15. CAPITAL COMMITMENTS

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property and equipment	**53,546**	40,468

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 4 July 2019, the Company allotted and issued 4,894,000 ordinary shares of par value HK$0.0001 each at the price of HK$11.25 per share pursuant to the exercise of over-allotment options by BNP Paribas Securities (Asia) Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We have a leading position in vocational training education segment in China in terms of average number of students enrolled and revenue generated for the six months ended 30 June 2019. Moreover, we also have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 168 schools and centers in operation as of 30 June 2019, spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under six renowned school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Cuisine Academy, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education.

We are a pioneer in providing vocational training education in China in culinary arts, information technology and internet technology, as well as auto services. These industry sectors are areas in China where there is significant unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels.

OUR BUSINESS SEGMENTS

As at 30 June 2019, we operated 168 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
CULINARY ARTS		
New East Culinary Education ("**New East**")	52	New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. Each of our schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands.

Segments and Brands	No. of schools/ centers	Description
Omick Education of Western Cuisine and Pastry ("**Omick**")	24	Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. We offer a variety of courses, including baking, desserts, western cuisines, bartending and barista training.
Cuisine Academy	19	Cuisine Academy has been providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs.
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY		
Xinhua Internet Technology Education ("**Xinhua Internet**")	24	We provide information technology and internet technology-related training programs under Xinhua Internet Technology Education. We provide a wide range of information technology and internet technology-related training to students with different course lengths.
Wisezone Data Technology Education ("**Wisezone**")	22	Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we train professional data technology engineers.
AUTO SERVICES		
Wontone Automotive Education ("**Wontone**")	27	We focus on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce.

SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments/new customers registered under each school/center brand for the six months ended 30 June 2019 and 2018:

Segments and Brands	New Students Enrollment[(1)]/ New Customers Registered[(2)]	Six months ended 30 June 2019	2018	Change Increase/ (Decrease)
CULINARY ARTS				
New East	Long-term	**17,340**	16,729	3.7%
	– One to less than two years	**3,641**	4,357	(16.4%)
	– Two to less than three years	**10,471**	10,668	(1.8%)
	– Three years	**3,228**	1,704	89.4%
	Short-term	**21,886**	16,649	31.5%
	Subtotal	**39,226**	33,378	17.5%
Omick	Short-term	**6,583**	4,577	43.8%
Cuisine Academy	Short-term	**4,175**	2,326	79.5%
CULINARY ARTS	**Subtotal**	**49,984**	40,281	24.1%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	**11,814**	8,781	34.5%
	– One to less than two years	**889**	810	9.8%
	– Two to less than three years	**6,812**	4,514	50.9%
	– Three years	**4,113**	3,457	19.0%
	Short-term	**1,580**	1,628	(2.9%)
	Subtotal	**13,394**	10,409	28.7%
Wisezone	Short-term	**2,172**	1,911	13.7%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	**Subtotal**	**15,566**	12,320	26.3%

Segments and Brands	New Students Enrollment[1]/ New Customers Registered[2]	Six months ended 30 June 2019	2018	Change Increase/ (Decrease)
AUTO SERVICES				
Wontone	Long-term	**4,649**	4,763	(2.4%)
	– One to less than two years	**1,056**	1,277	(17.3%)
	– Two to less than three years	**1,308**	2,364	(44.7%)
	– Three years	**2,285**	1,122	103.7%
	Short-term	**6,009**	4,654	29.1%
AUTO SERVICES	**Subtotal**	**10,658**	9,417	13.2%
THE GROUP	Long-term	**33,803**	30,273	11.7%
	– One to less than two years	**5,586**	6,444	(13.3%)
	– Two to less than three years	**18,591**	17,546	6.0%
	– Three years	**9,626**	6,283	53.2%
	Short-term	**42,405**	31,745	33.6%
THE GROUP	**TOTAL**	**76,208**	62,018	22.9%

Notes:

(1) New students enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new students enrollment to reflect our ability of student recruitment and the popularity of our programs.

(2) We commenced operations of Cuisine Academy in 2017. Number of new customers registered represents the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

The following table sets forth the average number of students enrolled and customers registered under each school/center brand for the six months ended 30 June 2019 and 2018:

Segments and Brands	Average Number of Students Enrolled(1)/ Customers Registered(2)	Six months ended 30 June 2019	2018	Change Increase/ (Decrease)
CULINARY ARTS				
New East	Long-term	**62,527**	64,929	(3.7%)
	– One to less than two years	**6,854**	7,863	(12.8%)
	– Two to less than three years	**46,137**	52,367	(11.9%)
	– Three years	**9,536**	4,699	102.9%
	Short-term	**5,702**	4,615	23.6%
	Subtotal	**68,229**	69,544	(1.9%)
Omick	Short-term	**4,220**	2,346	79.9%
Cuisine Academy	Short-term	**779**	442	76.2%
CULINARY ARTS	**Subtotal**	**73,228**	72,332	1.2%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	**37,018**	27,251	35.8%
	– One to less than two years	**1,174**	1,156	1.6%
	– Two to less than three years	**19,143**	15,142	26.4%
	– Three years	**16,701**	10,953	52.5%
	Short-term	**684**	610	12.1%
	Subtotal	**37,702**	27,861	35.3%
Wisezone	Short-term	**1,154**	1,068	8.1%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	**Subtotal**	**38,856**	28,929	34.3%

Segments and Brands	Average Number of Students Enrolled(1)/ Customers Registered(2)	Six months ended 30 June 2019	2018	Change Increase/ (Decrease)
AUTO SERVICES				
Wontone	Long-term	**18,909**	16,400	15.3%
	– One to less than two years	**2,522**	2,513	0.4%
	– Two to less than three years	**9,833**	9,762	0.7%
	– Three years	**6,554**	4,125	58.9%
	Short-term	**2,054**	1,841	11.6%
AUTO SERVICES	**Subtotal**	**20,963**	18,241	14.9%
THE GROUP	Long-term	**118,454**	108,580	9.1%
	– One to less than two years	**10,550**	11,532	(8.5%)
	– Two to less than three years	**75,113**	77,271	(2.8%)
	– Three years	**32,791**	19,777	65.8%
	Short-term	**14,593**	10,922	33.6%
THE GROUP	**TOTAL**	**133,047**	119,502	11.3%

Notes:

(1) As our schools provide various vocational training education programs during a period and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average number of students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average number of students enrolled for a period is only an approximation of the average number of students enrolled during a certain period, representing the sum of the number of students enrolled at our operating schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal.

(2) Our average number of customers registered for a period represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal. The courses for one month or shorter are regarded as one-month programs for the calculation.

Tuition Fees/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each school brand/center for the six months ended 30 June 2019 and 2018:

Segments and Brands	Program[(1)]	Tuition/Service fee Six months ended 30 June 2019	2018
		(RMB/per year for long-term programs, RMB/per program for short-term programs)	
CULINARY ARTS			
New East	Long-term	**5,600-76,000**	5,600-76,000
	Short-term[(2)]	**800-58,000**	800-58,000
Omick	Short-term[(2)]	**5,000-72,000**	5,000-50,000
Cuisine Academy[(3)]	Customized catering experience program	**800-29,800**	1,980-18,800
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	**6,680-38,800**	6,680-37,800
	Short-term[(2)]	**800-26,800**	800-29,300
Wisezone	Short-term[(2)]	**999-26,800**	999-26,800
AUTO SERVICES			
Wontone	Long-term	**4,800-38,800**	4,800-38,500
	Short-term[(2)]	**800-37,400**	800-37,400

Notes:

(1) We charge tuition fee to students enrolled at our schools. Tuition fee of our long-term programs are typically charged based on the yearly tuition standards of different programs that students enrolled in such period.

(2) Tuition fee of our short-term programs are typically charged by each program that students enrolled in.

(3) We typically charge customers service fees by each program that customers registered in Cuisine Academy.

Recommended Employment Rate

We are committed to assisting our students in developing their careers. Our average recommended employment rate of our long-term program graduates from New East and Xinhua Internet reached over 90%, and Wontone reached over 95% for the six months ended 30 June 2019. The following table sets forth the recommended employment rate of our long-term program graduates by brands for the six months ended 30 June 2019:

Brands[1]	**Recommended employment rate**[2]
New East	94.0%
Xinhua Internet	93.8%
Wontone	96.9%

Notes:

(1) Omick and Wisezone were not included because the schools under these brands had not provided long-term programs of one year or more during the six months ended 30 June 2019. We also provide graduate placement service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or with a view to setting up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.

(2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or are employed through other channels divided by the total number of graduates of long-term programs during such period.

FINANCIAL REVIEW

Revenue

The Group's revenue reached RMB1,821 million for the six months ended 30 June 2019, increased by 26.6% as compared to RMB1,439 million for the corresponding period of 2018. The increase in revenue was mainly driven by the increase in average number of students enrolled and customers registered and increase in annualised average tuition/service fee per student/customer.

The following table sets forth a breakdown of our revenue and annualised average tuition/service fee per student/customer by segments and brands for the periods indicated:

	Six months ended 30 June					
	2019		2018		**Change**	
	Revenue	**Annualised Average Tuition/ Service Fee per Student/ Customer**	Revenue	Annualised Average Tuition/ Service Fee per Student/ Customer	**Revenue**	**Annualised Average Tuition/ Service Fee per Student/ Customer**
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	***Increase/(Decrease)***	
CULINARY ARTS						
New East	**1,013,662**	**29.7**	876,350	25.2	15.7%	17.9%
Omick	**154,902**	**73.4**	81,510	69.5	90.0%	5.6%
Cusine Academy [(2)]	**18,677**	**48.0**	7,610	34.4	145.4%	39.3%
	1,187,241	**32.4**	965,470	26.7	23.0%	21.5%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	**348,639**	**18.5**	251,929	18.1	38.4%	2.3%
Wisezone	**34,751**	**60.2**	19,628	36.8	77.0%	63.9%
	383,390	**19.7**	271,557	18.8	41.2%	5.1%
AUTO SERVICES						
Wontone	**246,418**	**23.5**	196,511	21.5	25.4%	9.1%
Other Micellaneous Businesses [(3)]	**4,033**	**N/A**	5,175	N/A	(22.1%)	N/A
Total [(4)]	**1,821,082**	**27.3**	1,438,713	24.0	26.6%	13.8%

Notes:

(1) For illustration purposes only, the annualised average tuition/service fee revenue per student/customer for the six months ended 30 June 2018 and 2019 is calculated on an annualised basis as revenue generated from tuition or service fees for the period divided by the average number of students enrolled and customers registered in the corresponding periods.

(2) During the six months ended 30 June 2018 and 2019, revenue generated from Cuisine Academy mainly represents service fees we collected from customers who attended our customized catering experience programs.

(3) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to independent third parties.

(4) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

The Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses/right of use depreciation, campus maintenance and depreciation, utilities and office expenses. The cost of revenue increased from approximately RMB677 million for the six months ended 30 June 2018 to approximately RMB714 million for the six months ended 30 June 2019, representing an increase of 5.4%.

The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	Cost	**% of**	Cost	% of
	RMB'000	**Total**	*RMB'000*	Total
Teaching staff salaries and benefits	**248,163**	**34.8%**	210,571	31.1%
Teaching related consumables and other costs	**158,000**	**22.1%**	143,601	21.2%
Leasing expenses/Right of use depreciation	**119,134**	**16.7%**	132,361	19.5%
Campus maintenance and depreciation	**136,862**	**19.2%**	146,955	21.7%
Utilities	**33,784**	**4.7%**	27,791	4.1%
Office expenses	**18,027**	**2.5%**	15,923	2.4%
Total	**713,970**	**100.0%**	677,202	100.0%

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB1,107 million for the six months ended 30 June 2019 as compared to RMB762 million for the corresponding period of 2018. The gross profit margin was 60.8% for the six months ended 30 June 2019 as compared to 52.9% for the corresponding period of 2018. The increase in gross profit margin was mainly due to the gross profit margin of certain newly established schools and centers in 2017 and 2018 which became mature after the initial ramp-up period gradually enhanced benefiting from increase in the utilisation rates of these schools and centers for the six months ended 30 June 2019. The following table sets forth a breakdown of our gross profit and gross profit margin by segments and brands for the periods indicated:

	Six months ended 30 June			
	2019		2018	
Gross profit from continuing operations [(1)]	**Gross profit/ (loss)** ***RMB'000***	**Gross profit/ (loss) margin** ***percentage***	Gross profit/ (loss) *RMB'000*	Gross profit/ (loss) margin *percentage*
CULINARY ARTS				
New East	**652,043**	**64.3%**	527,858	60.2%
Omick	**79,007**	**51.0%**	18,841	23.1%
Cuisine Academy	**1,815**	**9.7%**	(4,971)	(65.3%)
	732,865	**61.7%**	541,728	56.1%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	**235,685**	**67.6%**	149,675	59.4%
Wisezone	**5,207**	**15.0%**	(7,938)	(40.4%)
	240,892	**62.8%**	141,737	52.2%
AUTO SERVICES				
Wontone	**132,340**	**53.7%**	77,738	39.6%
Other Miscellaneous Businesses[(2)]	**1,015**	**25.2%**	308	6.0%
Total	**1,107,112**	**60.8%**	761,511	52.9%

Notes:

(1) The establishment of new schools and centers under a segment/brand has a negative impact on our gross profit margin for the relevant segment/brand. During the initial ramp-up period after a new school or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the schools and centers.

(2) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to independent third parties.

Selling Expenses

The Group's selling expenses was RMB319 million for the six months ended 30 June 2019 as compared to RMB299 million for the six months ended 30 June 2018. The increase in selling expenses incurred for the six months ended 30 June 2019 was mainly related to the inclusion of the selling expenses of newly established schools and centers.

Administrative Expenses

The Group's administrative expenses was RMB284 million for the six months ended 30 June 2019 as compared to RMB185 million for the six months ended 30 June 2018. It represented about 15.6% of the revenue for the six months ended 30 June 2019 and was increased as compared to that of 12.9% for the six months ended 30 June 2018. The increase in administrative expenses was mainly due to the inclusion of administrative expenses of the newly established schools and centers and the share-based payments expenses of approximately RMB76 million (six months ended 30 June 2018: Nil).

Finance Costs

The finance costs of RMB62 million for the six months ended 30 June 2019 represented the interest expenses on lease liabilities recognised following the adoption of Hong Kong Financial Reporting Standard 16 – Leases (six months ended 30 June 2018: Nil).

Adjusted Net Profit

To supplement this interim results announcement which is presented in accordance with HKFRSs, we also presented the following unaudited non-HKFRSs adjusted net profit as an additional financial measure which we believes that it can also provide useful information to help investors and others understand and evaluate the Company's financial performance:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net profit	**312,487**	216,749
Adjustments for: Non-cash share-based payments	**75,690**	–
Non-recurring listing expenses	**19,435**	–
Adjusted net profit	**407,612**	216,749

Note: Non-HKFRSs financial measure does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies.

Property and Equipment

Property and equipment as at 30 June 2019 decreased by 0.5% to approximately RMB1,354 million from approximately RMB1,361 million as at 31 December 2018. Decrease in property and equipment was mainly due to the deprecation expenses during the period.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2019, the Company's issued share capital was approximately RMB192,000 divided into 2,179,000,000 shares of HK$0.0001 each, and the total equity of the Group was approximately RMB5,481 million (31 December 2018: RMB873 million).

As at 30 June 2019, the current ratio of the Group, representing current assets divided by current liabilities, was 2.7 times (31 December 2018: 0.7 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 38.6% (31 December 2018: 69.0%).

As at 30 June 2019, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB4,796 million (31 December 2018: RMB986 million), representing 53.8% (31 December 2018: 35.0%) of the total assets of the Group of approximately RMB8,922 million (31 December 2018: RMB2,816 million). The increase in total of time deposit and bank balances and cash of the Group was mainly due to the net proceeds received from listing of the shares of the Company on the Stock Exchange on 12 June 2019.

For the six months ended 30 June 2019, our capital expenditures were approximately RMB175 million (six months ended 30 June 2018: RMB261 million) and were primarily related to acquisition of property and equipment for upgrading the existing school premises and construction of new campuses.

It is believed that the Group has sufficient capital to meet its commitment and working capital requirements for future operations and for general business expansion and development.

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain bank balances and other payables denominated in Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes during the six months ended 30 June 2019. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 30 June 2019 and 31 December 2018, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, 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.

OUTLOOK

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business, school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

Firstly, we plan to establish five self-owned regional centers in China's five major geographical regions (the "**Regional Centers**"), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an. The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our six school/center brands, namely, New East, Omick, Cuisine Academy, Xinhua Internet, Wisezone, as well as Wontone. The Regional Centers will also house our research and development, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions.

Secondly, our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, as well as auto services.

Thirdly, in the three industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, as well as auto services, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. For example, we are exploring the market for vocational training education in the service industry and new economy, such as beauty, artificial intelligence and healthcare. Based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments.

We believe that with our over 30 years experience in vocational training industry, we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades and to react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings. It is believed that the Group will further strengthen its market leadership and reputation by having the above strategies.

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

During the six months ended 30 June 2019, the Group issued 435,800,000 new shares at the issue price of HK$11.25 per share in connection with the listing. The net proceeds after deducting underwriting commission and issuing expenses incurred for the listing is amounted to approximately RMB4,177 million. As at 30 June 2019, the Company has utilised the net proceeds of approximately RMB11 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 30 May 2019. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits and time deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 30 June 2019:

Purpose	Percentage to total amount	Net proceeds amount*	Utilised amount	Unutilised amount
		RMB'000	*RMB'000*	*RMB'000*
Acquisition of land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an	45%	1,879,625	–	1,879,625
Establishment of schools in selected markets	15%	626,541	(2,428)	624,113
Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums	15%	626,541	(2,376)	624,165
Construction of and upgrade our school facilities as well as purchase teaching equipment; and	15%	626,541	(6,103)	620,438
Funding of our working capital and general corporate purposes	10%	417,695	(446)	417,249
	100%	4,176,943	(11,353)	4,165,590

* Net proceeds after deducting underwriting commission and issuing expenses incurred from the listing.

Subsequent to the balance sheet date, on 4 July 2019, additional shares of 4,894,000 were issued at HK$11.25 pursuant to the over-allotment option exercised by BNP Paribas Securities (Asia) Limited, which resulted in additional net proceeds of approximately HK$54 million.

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 30 June 2019, we had a total of 10,189 employees. The following table sets forth the numbers of our employees, categorized by function, as at 30 June 2019:

Function	Number of Full-Time Employees	% of Total
Executive directors and core management	327	3.2%
Full-time teachers and instructors	4,413	43.3%
Student accommodation staff	87	0.9%
Logistic personnel	671	6.6%
Administrative staff	3,201	31.4%
Accounting and finance staff	398	3.9%
Others	1,092	10.7%
Total*(Note)*	10,189	100%

Note: Among 10,189 employees, we had 8 employees in Hong Kong and 10,181 employees in mainland China.

Remuneration Policies

The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by PRC local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

Our full-time employees in Hong Kong participate in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") which the assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and the only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the listing date of the Company to 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). During the period from the listing date of the Company to 30 June 2019, the Company has complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential to the development of the Group and to safeguard the interests of the shareholders of the Company (the "**Shareholders**"), potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the development of the Group and will review such practices from time to time to ensure that the Company complies with statutory and professional standards and aligns with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the period from the listing date of the Company to 30 June 2019.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. HUNG Ka Hai, Clement, Mr. CHEUNG Tsun Yung, Thomas and Dr. ZHU Guobin. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019, including the accounting principles and practices adopted by the Group. The Audit Committee is in the opinion that the unaudited condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim results announcement.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeastedu.com). The interim report of the Company for the six months ended 30 June 2019 will be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
China East Education Holdings Limited
WU Wei
Chairman

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises Mr. WU Wei and Mr. XIAO Guoqing as executive Directors; Mr. WU Junbao and Mr. LU Zhen as non-executive Directors; and Mr. HUNG Ka Hai, Clement, Mr. CHEUNG Tsun Yung, Thomas and Dr. ZHU Guobin as independent non-executive Directors.