

**CHINA YUHUA EDUCATION CORPORATION LTD:  
THIS COMPANY IS CONTROLLED AND MANAGED  
BY A DADDY-AND-DAUGHTER TEAM, ONLY**

**Getting To Understand  
The 'Education Industry' Of The PRC**

Trading in the shares of China YuHua Education Corporation Ltd () (Code: 6169, Main Board, The Stock Exchange of Hongkong Ltd) commenced last Tuesday (February 28, 2017).

But it was a fetid debut, to say the least.

The share price, which had been struck at \$HK2.05, hardly moved the entire trading day.

The following day, it was something of a repeat performance, following on from Tuesday's anaemic showing.

And, as the trading week drew to a close, the share price rallied to \$HK2.11.

Last Monday, at noon, the share price was about \$HK2.15.

This Company happens to be the largest provider of private education, from kindergarten to university, in the People's Republic of China (PRC), with a present, student population, standing at about 48,220 males and females, attending classes at the Company's 25 schools.

Obviously, the Initial Public Offering of this Company did not capture the imagination of the investing public of the Hongkong Special Administrative Region (HKSAR) of the PRC.

**The Initial Public Offering (IPO) Of China YuHua Education Corporation Ltd**

The Global Offering Prospectus of China YuHua Education Corporation Ltd was published and disseminated on Thursday, February 16, 2017.

Management Offered 750 million, \$HK0.00001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.98 to a high of \$HK2.54.

On Monday, February 27, 2017, it was announced that the Offer Price Per Share had been struck at \$HK2.05, up about 3.54 percent from the lowest, acceptable level.

The Company anticipates to have netted about \$HK1,456,200,000 from this cash-raising exercise.

The Global Offering was broken down into two tranches: Investors of the HKSAR, having been Offered 75 million Shares; and, International Investors, having been Offered 675 million Shares.

Management described the results of the 750-million, Share Offering as having been '*slightly over-subscribed*'.

One was told, on Monday, February 27, 2017, that the net proceeds are expected to be utilised as follows:

- Approximately, 30 percent, that is about \$HK436.90 million, *‘to be applied towards the expansion of school network within Henan Province (of the PRC, proper, being distinct and separate from the HKSAR) and into other attractive markets in China by building new schools by itself and developing new schools by partnering with third parties through asset-light model. In particular, the Company plans to establish new high schools on Xuchang YuHua Elite School campus, Kaifeng YuHua Elite School campus and Jiyuan YuHua Elite School campus in the next three years’*;
- Approximately, 28 percent, that is about \$HK407.70 million, *‘to be applied towards the acquisition of K-12 (kindergarten up to Grade 12) schools and universities in Henan Province and surrounding regions of Henan Province to supplement school network’*;
- Approximately, 25 percent, that is about \$HK364.10 million, *‘to be applied towards school facilities upgrade and capacity expansion for existing schools. In particular, the Company plans to construct additional buildings on its existing University campus’*;
- Approximately, 10 percent, that is about \$HK145.60 million, *‘to supplement working capital’*; and,
- Approximately, seven percent, that is about \$HK101.90 million, *‘to repay bank loans.’*

With regard to the last item – the repayment of bank loans – according to Page 226 of the Global Offering Prospectus, as at December 31, 2016, China YuHua Education owed 100 million renminbi (about \$HK113 million) to banks.

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