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CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1969)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China Chunlai Education Group Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 28 February 2019 (the "**Reporting Period**"). These interim results have been reviewed by the Company's audit committee.

	Six months ended 28 February		
	2019	2018	**Change (%)**
	(in thousands, except percentages)		
Revenue	280,206	243,797	+14.9%
Gross Profit	138,103	142,615	-3.2%
Profit before taxation	60,581	58,947	+2.8%
Profit for the period	57,515	58,672	-2.0%
Non-IFRS Measure:			
Adjusted Net Profit[1]	81,918	70,501	+16.2%

Notes

(1) Adjusted Net Profit is calculated as profit for the period excluding (i) share-based compensation, (ii) foreign exchange loss and (iii) listing expenses.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), the Company also uses adjusted net profit as an additional financial measure. The Company presents this financial measure because it is used by management of the Group to evaluate the Group's financial performance by eliminating the impact of items that the Group do not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as they help management of the Group and in comparing financial results across accounting periods and to those of peer companies. However, the Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Company's results of operations or financial condition as reported under IFRS.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

		Six months ended 28 February	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Revenue	*4*	**280,206**	243,797
Cost of revenue		**(142,103)**	(101,182)
Gross profit		**138,103**	142,615
Other income		**22,642**	3,908
Other gains and losses		**(12,110)**	(83)
Selling expenses		**(1,063)**	(1,009)
Administrative expenses		**(51,007)**	(32,385)
Listing expenses		**(6,481)**	(11,829)
Finance costs		**(29,503)**	(42,270)
Profit before tax		**60,581**	58,947
Income tax expense	*5*	**(3,066)**	(275)
Profit and total comprehensive income for the period	*6*	**57,515**	58,672
Profit and total comprehensive income for the period attributable to owners of the Company		**57,515**	58,672
Basic earnings per share (RMB cents)	*8*	**4.9**	6.9
Diluted earnings per share (RMB cents)	*8*	**4.9**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019

	NOTES	As at 28 February 2019 RMB'000 (unaudited)	As at 31 August 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**1,264,176**	878,131
Prepaid lease payments		**350,302**	354,499
Prepayment for cooperation agreements		**100,000**	100,000
Debt instrument at fair value through other comprehensive income		**101,678**	–
Other non-current assets		**86,760**	142,058
		1,902,916	1,474,688
Current assets			
Trade and other receivables	9	**29,328**	47,443
Amount due from the shareholder		**7**	7
Prepaid lease payments		**8,387**	8,387
Time deposit		**267,746**	–
Bank balances and cash		**327,529**	544,620
		632,997	600,457
Current liabilities			
Deferred revenue		**2,732**	358,366
Other payables and accrued expenses		**220,104**	169,014
Income tax payable		**3,892**	825
Contract liabilities		**277,393**	–
Borrowings		**335,368**	265,353
		839,489	793,558
Net current liabilities		**(206,492)**	(193,101)
Total assets less current liabilities		**1,696,424**	1,281,587
Non-current liabilities			
Deferred revenue		**4,257**	–
Borrowings		**518,000**	686,753
		522,257	686,753
Net assets		**1,174,167**	594,834
Capital and reserves			
Share capital/paid-in-capital		**10**	7
Reserves		**1,174,157**	594,827
Total equity		**1,174,167**	594,834

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

1. GENERAL

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The registered office address of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. Its parent is Chunlai Investment Co., Limited ("Chunlai Investment"), which was incorporated in the British Virgin Islands and its ultimate controlling shareholder is Mr. Hou Junyu ("Mr. Hou"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 September 2018 (the "Listing").

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Henan Shangqiu Chunlai Education Corporation 河南商丘春來教育集團 ("Henan Chunlai") and its wholly sponsored schools, including Anyang University 安陽學院, Shangqiu University 商丘學院 and Shangqiu University Applied Science and Technology College 商丘學院應用技術學院 ("Kaifeng Campus"), collectively referred as the "Consolidated Affiliated Entities", which were established in the PRC and are engaged in operation of private higher education. Henan Chunlai was controlled by Mr. Hou.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange the Company underwent a series of reorganisation (the "Group Reorganisation"), pursuant to which the Company became the holding company of the Group on 22 February 2018.

The Company does not have any equity interest in the Consolidated Affiliated Entities and Chunlai Technology due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by the Consolidated Affiliated Entities, however, the Company has entered into, via Henan Chunlai Education Information Consultancy Co., Ltd. ("Chunlai Information"), various agreements with the Consolidated Affiliated Entities, Henan Chunlai Education Technology Co., Ltd. ("Chunlai Technology"), Mr. Hou and the remaining interest holders of Henan Chunlai (the "Structured Contracts"), which, effective from 22 February 2018, enable Chunlai Information and the Company to enable the Company to have the power over the Consolidated Affiliated Entities and Chunlai Technology, rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. Consequently, the Company regards the Consolidated Affiliated Entities and Chunlai Technology as indirect subsidiaries.

The Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities and Chunlai Technology) is regarded as a continuing entity. The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 28 February 2018 have been prepared as if the current group structure had been in existence throughout the six months ended 28 February 2018 or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. IMPACTS AND CHANGES IN ACCOUNTING POLICIES

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 September 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 “Revenue”.

At the date of initial application, the total deferred revenue of RMB353,928,000 related to the consideration received from the students of schools in advance for the provision of education services. These balances were reclassified to contract liabilities upon application of IFRS15.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to financial instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to financial instruments that have already been derecognised as at 1 September 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Group applies the IFRS 9 simplified approach to measure expected credit loss (“ECL”) which uses a lifetime ECL for all trade receivables. To measure the ECL for trade receivable from students, trade receivables from students are assessed collectively by grouping based on the ageing of receivables.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

No additional credit loss allowance has been recognised against retained profit at 1 September 2018.

4. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher education services in the PRC. Revenue represents service incomes from tuition and boarding fees.

Information reported to the Group’s chief operating decision maker (“CODM”), Mr. Hou, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the statements of profit or loss and other comprehensive income. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

The revenue attributable to the Group's service lines are as follows:

For the six months ended 28 February 2019

	RMB'000
	(unaudited)
Tuition fees recognised over time	250,758
Boarding fees recognised over time	29,448
Total revenue	280,206

5. INCOME TAX EXPENSE

The income tax expense of the Group during the period is analysed as follow

	Six months ended 28 February	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current tax		
PRC Enterprise Income Tax	**3,066**	275

Income tax expense for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 28 February	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit before tax	**60,581**	58,947
Tax calculated at a the PRC EIT rate of 25%	**15,145**	14,737
Tax effect of profit from non-profit making organisation exempted for tax purpose	**(12,079)**	(14,462)
Income tax expense for the period	**3,066**	275

The Company was incorporated in the Cayman Islands and China Chunlai Education (BVI) Limited was incorporated in the BVI both jurisdictions are tax exempted.

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

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the EIT rate was 25% during the six months ended 28 February 2019 (six months ended 28 February 2018:25%).

Given Anyang University, Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not-for-profit schools, according to the relevant in-charge tax bureau, the schools could follow previous EIT exemption treatment for the tuition related income. For the six months ended 28 February 2019, Anyang University, Shangqiu University (including Kaifeng Campus) received EIT exemption confirmations/approvals from relevant local tax authorities and the non-taxable tuition related income of these schools amounted to approximately RMB280,206,000 (six months ended 28 February 2018: RMB243,797,000).

6. PROFIT FOR THE PERIOD

	Six months ended 28 February	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries and other allowances	**89,408**	59,135
– Share based payment	**5,917**	–
– Retirement benefit scheme contributions	**10,369**	5,848
Total staff costs	**105,694**	64,983
Depreciation of property, plant and equipment	**34,698**	29,653
Release of prepaid lease payments	**4,197**	4,144

7. DIVIDENDS

No dividends were paid or proposed by the Company during the six months ended 28 February 2019 (six months ended 28 February 2018:nil), nor has any dividend been proposed subsequent to 28 February 2019.

8. EARNINGS PER SHARE

	Six months ended 28 February	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to the owners of the Company)	**57,515**	58,672
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,178,571,429**	856,064,563

The calculation of the basic earnings per share attributable to the owners of the Company for the period ended 28 February 2019 and 2018 is based on the consolidated profit attributable to the owners of the Company and the weighted average number of shares outstanding, taking into account retrospective adjustments on the assumption that the Group Reorganisation had been in effect at 1 September 2017.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Option Scheme as the potential ordinary shares are anti-dilutive for the six months ended 28 February 2019.

The computation of diluted earnings per share does not assume the exercise of the over-allotment option as described in the prospectus dated 31 August 2018 as the option is anti-dilutive for the six months ended 28 February 2019.

No diluted earnings per share for the period ended 28 February 2018 was presented as there were no dilutive potential ordinary shares in issue during the period.

9. TUITION AND BOARDING FEE RECEIVABLES

The following is an ageing analysis of tuition and boarding fee receivables at the end of the reporting period.

	28 February 2019	31 August 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Ageing of tuition and boarding fee receivables		
0-180 days	**2,822**	11,512
181-365 days	**5,482**	819
More than 1 year	**38**	8
Total	**8,342**	12,339

10. CAPITAL COMMITMENTS

	28 February 2019	31 August 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**114,782**	238,543
Capital expenditure in respect of prepaid land lease payments	**11,460**	11,460
Capital expenditure in respect of acquisition of Hubei College	**20,000**	20,000
	146,242	270,003

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Formal education system in the PRC comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be further categorised into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes.

The Private Higher Education Industry in China

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavour in developing the regulatory framework for private higher education. The number of student enrolments in private higher education in China has continued to increase in recent years, with more and more students having chosen to go to private universities or colleges instead of public schools. According to Frost & Sullivan, the total number of private higher education institutions in China grows continuously, and the development of private higher education is primarily driven by a number of factors, including (i) support by PRC government policies and initiatives; (ii) increasing resident income and demand for higher education; (iii) growing market demand for technical talents; and (iv) increasing diversification and strengthened education quality. With the help of these factors, the rapid growth in higher education in China is expected to continue, the private higher education landscape remains competitive.

Business Review

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and participate in the operation of College of Engineering and Technology of Yangtze University (長江大學工程技術學院) ("**Hubei College**"), an independent college of Yangtze University in Hubei Province and which we are in the process of acquiring its sponsor interest. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2017/2018 and 2018/2019 school years, the average initial employment rate of our higher education programmes was approximately 93.8% and 94.74%, respectively, substantially above the overall average for higher education in China.

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2018/2019 school year, Shangqiu University had a total enrolment of 19,825 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours programme that aims to promote comprehensive and individualised education of its select students. Chunlai Institute offers courses in, among others, management, world history, introduction to traditional Chinese culture, conversational English and art. To increase the competitiveness of its enrolees, Chunali Institute also offers courses that prepare students for graduate school entrance exams and civil service exams.

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 38 bachelor's degree programmes, 25 junior college to bachelor's degree transfer programmes, 25 junior college diploma programmes, 18 combined vocational education and junior college diploma programmes and five vocational education programmes. For the 2018/2019 school year, Anyang University had a total enrolment of 22,140 students.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 17 bachelor's degree programmes, six junior college to bachelor's degree transfer programmes and eight junior college diploma programmes. For the 2018/2019 school year, Shangqiu University Kaifeng Campus had a total enrolment of 8,246 students.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the six months ended 28 February 2018 and the six months ended 28 February 2019:

	Student enrolment			
	As at 28 February 2019	As at 28 February 2018	Change	Percentage change (approximately)
Shangqiu University				
Bachelor's degree programmes	**10,122**	9,776	346	3.5%
Junior college to bachelor's degree transfer programmes	**1,218**	1,150	68	5.9%
Junior college diploma programmes(2)	**4,916**	5,717	-801	-14.0%
Vocational education programmes(3)	**3,569**	2,606	963	37.0%
School subtotal	**19,825**	19,249	576	3.0%
Anyang University				
Bachelor's degree programmes	**11,589**	11,512	77	0.7%
Junior college to bachelor's degree transfer programmes	**2,439**	1,680	759	45.2%
Junior college diploma programmes(2)	**3,303**	3,529	-226	-6.4%
Vocational education programmes(3)(4)	**4,809**	2,803	2,006	71.6%
School subtotal	**22,140**	19,524	2,616	13.4%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes(5)	**6,109**	4,995	1,114	22.3%
Junior college to bachelor's degree transfer programmes(6)	**974**	396	578	146.0%
Junior college diploma programmes(7)	**1,163**	1,046	117	11.2%
School subtotal	**8,246**	6,437	1,809	28.1%
Total number of students	**50,211**	45,210	5,001	11.1%

Notes:

(1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 28 February for the 2017/2018 and 2018/2019 school years.

(2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.

(3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.

(4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.

(5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.

(6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.

(7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.

For the 2018/2019 school year, the number of students increased by 11.1% from 45,210 in the same period last year to 50,211, achieving the Company's goal and realizing steady performance. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

The Group believes the educational philosophies of its schools and its well-developed curriculums as well as its high graduate employment rates enable the Group to attract high-quality students who are seeking a pathway to satisfactory employment. In addition, 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.

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 14 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe would assist us to continuously attract outstanding students. Other than referrals from alumni network, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2018/2019 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 96.4% for our bachelor's degree programmes.

Our Teachers

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 28 February 2019, we had 1,529 full time teachers and 527 part-time teachers.

Future Development

In order to continuously increase our total enrolment, we plan to acquire additional land use rights and construct new educational and living facilities. We consider that the increase in capacity under the expansion plan is essential to accommodate our growth strategy of increasing student enrolment going forward. Each of our colleges generally requires its students to live on campus in dormitories. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. Taking into account of the gender specificity of our student dormitories and the gender mix of our students, there is currently limited capacity for a significant growth in student enrolment. We expect to increase the capacity of our colleges progressively to strike a reasonable balance between student enrolment and utilisation. We believe the planned increase in capacity is appropriate and will enable our colleges to grow sustainably.

We consider that, given our track record of delivering quality private higher education and industry reputation, the education authorities in the PRC will be receptive to our application for increasing admission quota provided that we are able to demonstrate that we have sufficient school capacity, appropriate facilities available and quality education programmes to offer, which are among the key objectives of our expansion plans.

Financial Review

Overview

For the six months ended 28 February 2019, we recorded a revenue of RMB280.2 million, a gross profit of RMB138.1 million and an adjusted net profit of RMB81.9 million. The gross profit margin was 49.3% for the six months ended 28 February 2019 as compared with 58.5% for the corresponding period in 2018.

The adjusted net profit of the Group for the six months ended 28 February 2019 was RMB81.9 million, representing an increase of RMB11.4 million or a 16.2% increase from the corresponding period in 2018. The adjusted net profit margin of the Group was 29.2% and 28.9% for the period ended 28 February 2019 and 28 February 2018, respectively. The increase in the adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB57.5 million and RMB58.7 million for the period ended 28 February 2019 and 28 February 2018, respectively. The net profit margin of the Group amounted to 20.5% and 24.1% for the period ended 28 February 2019 and 28 February 2018, respectively.

Revenue

Our revenue increased by 14.9% from RMB243.8 million for the six months ended 28 February 2018 to RMB280.2 million for the six months ended 28 February 2019, primarily due to the growth in revenue from Shangqiu University Kaifeng Campus and Anyang University.

Revenue from Shangqiu University Kaifeng Campus increased by 29.3% from RMB41.0 million for the six months ended 28 February 2018 to RMB53.0 million for the six months ended 28 February 2019. The increase was primarily due to an increase in student enrolment from 6,437 for the 2017/2018 school year to 8,246 for the 2018/2019 school year. As Shangqiu University Kaifeng Campus increased its capacity from 7,848 for the 2017/2018 school year to 10,866 for the 2018/2019 school year, it received a significantly larger admission quota for the 2018/2019 school year, which was the primary reason for the increase in its student enrolment. In addition, Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in the 2017/2018 school year, which also contributed to the increase in its student enrolment continuously. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Anyang University increased by 18.9% from RMB103.6 million for the six months ended 28 February 2018 to RMB123.2 million for the six months ended 28 February 2019. The increase was primarily due to an increase in student enrolment from 19,524 for the 2017/2018 school year to 22,140 for the 2018/2019 school year. As Anyang University increased its capacity from 20,528 for the 2017/2018 school year to 24,508 for the 2018/2019 school year, it received a larger admission quota for the 2017/2018 school year, which contributed to the increase in its student enrolment. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Shangqiu University increased by 4.9% from RMB99.1 million for the six months ended 28 February 2018 to RMB104.0 million for the six months ended 28 February 2019. The increase was primarily due to a slight increase in student enrolment from 19,249 for the 2017/2018 school year to 19,825 for the 2018/2019 school year.

Overall, revenue from tuition fees and boarding fees increased by 15.4% and 11.2%, respectively from the six months ended 28 February 2018 to the six months ended 28 February 2019.

Cost of Revenue

Our cost of revenue increased by 40.4% from RMB101.2 million for the six months ended 28 February 2018 to RMB142.1 million for the six months ended 28 February 2019. As a percentage of revenue, our cost of revenue increased from 41.5% for the six months ended 28 February 2018 to 50.7% for the six months ended 28 February 2019. The increases were primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 3.2% from RMB142.6 million for the six months ended 28 February 2018 to RMB138.1 million for the six months ended 28 February 2019, and our gross profit margin decreased from 58.5% for the six months ended 28 February 2018 to 49.3% for the six months ended 28 February 2019.

Other Income

Our other income increased by 479.4% from RMB3.9 million for the six months ended 28 February 2018 to RMB22.6 million for the six months ended 28 February 2019, primarily due to the consultancy income amounted to RMB6.1 million starting from the 2018/2019 school year, which arises from our provision of technical and management consultancy services to Hubei College.

Other Gains and Losses

We did not have significant other losses for the six months ended 28 February 2018, while we recorded other losses of RMB12.1 million for the six months ended 28 February 2019.

Selling Expenses

Our selling expenses increased by 5.4% from RMB1.0 million for the six months ended 28 February 2018 to RMB1.1 million for the six months ended 28 February 2019, primarily because the Group increased investment in student recruitment promotion, and advertising efficiency and cost control will be optimised in the long run.

Administrative Expenses

Our administrative expenses increased by 57.5% from RMB32.4 million for the six months ended 28 February 2018 to RMB51.0 million for the six months ended 28 February 2019, primarily due to increases in landscaping expenses and depreciation and amortisation, staff costs and travelling expenses.

Listing Expenses

We recorded listing expenses of RMB6.5 million for the six months ended 28 February 2019 in connection with the listing of the shares of the Company (the "**Global Offering**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We recorded RMB11.8 million listing expenses for the six months ended 28 February 2018.

Finance Costs

Our finance costs decreased by 30.2% from RMB42.3 million for the six months ended 28 February 2018 to RMB29.5 million for the six months ended 28 February 2019, primarily due to a decrease in borrowings from interest-bearing bank loans and interest capitalization.

Taxation

We recorded RMB0.3 million for the period ended 28 February 2018. We recorded RMB3.1 million for the period ended 28 February 2019 due to service revenue in other income.

Profit for the Period

Our profit decreased by 2.0% from RMB58.7 million for the six months ended 28 February 2018 to RMB57.5 million for the six months ended 28 February 2019.

Adjusted Net Profit

Our adjusted net profit increased by 16.2% from RMB70.5 million for the six months ended 28 February 2018 to RMB81.9 million for the six months ended 28 February 2019.

Liquidity and Source of Funding and Borrowing

As at 28 February 2019, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB544.6 million and RMB327.5 million as of 31 August 2018 and 28 February 2019, respectively. The Company generally deposit the Group's excess cash in interest bearing bank accounts and current accounts.

As at 28 February 2019, the Group's principal uses of cash have been for the funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Company believes the liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the initial public offering and other funds raised from the capital markets from time to time. Any significant decrease in the student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

Gearing Ratio

As at 28 February 2019, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the period, was approximately 72.7%, representing a decrease of 87.4 percentage point(s) as compared with 160.1% as at 31 August 2018. The decrease was due to the Group had partly repaid interest-bearing bank loans.

Material Investments

Save as disclosed in this interim results announcement and the condensed consolidated statement of financial position, the Group did not make any material investments during the six months ended 28 February 2019.

Material Acquisitions and Disposals

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

Pledge of Assets

Save as disclosed in this interim results announcement and the condensed consolidated statement of financial position, as at 28 February 2019, the Group had no bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

Contingent Liabilities

The Group had no material contingent liabilities as at 28 February 2019.

Foreign Exchange Exposure

During the six months ended 28 February 2019, the Group mainly operated in the People's Republic of China (the "**PRC**") and majority of the transactions were settled in Renminbi ("**RMB**"), the functional currency of the Group's PRC subsidiary and Consolidated Affiliated Entities. Save as disclosed in this interim results announcement, as at 28 February 2019, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Employee and Remuneration Policy

As of 28 February 2019, we had 3,560 employees. As of 28 February 2019, all of our employees were located in Henan Province. The following table sets forth the total number of employees by function as of 28 February 2019:

Function	**Number of employees**	**% of total**
Teachers	2,056[(1)]	57.8
Administrative staff	494	13.9
Ancillary teacher staff[(2)]	430	12.1
Other staff	580	16.2
Total	**3,560**	**100.0**

Notes:

(1) Including 1,529 full-time teachers and 527 part-time teachers.

(2) Ancillary teaching staff includes employees providing assistance in academic activities, such as librarians, laboratory assistants and equipment maintenance staff members.

As required by the PRC laws and regulations, we participate in various employee social security insurance plans for our employees that are administered by local governments, including, among others, housing provident fund, pension, medical insurance, maternity insurance, employment injury insurance and unemployment insurance. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

The Company also has a Pre-IPO Share Option Scheme and a Share Award Scheme.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no other significant events that might affect the Group since the end of the six months ended 28 February 2019.

DIVIDEND

The Board resolved not to declare any dividend for the six months ended 28 February 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Code on Corporate Governance Practices

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the basis of the Company's corporate governance practices. During the six months ended 28 February 2019, the Company has complied with all the code provisions set out in the CG Code.

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

Compliance with the Model Code for Securities Transactions by Directors

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 code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the six months ended 28 February 2019.

Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Lau Tsz Man, Dr. Jin Xiaobin and Ms. Fok Pui Ming Joanna. Mr. Lau Tsz Man is the chairman of the audit committee.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2019. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 28 February 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 28 February 2019. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group.

Use of Proceeds from Global Offering

Our shares were listed on the Stock Exchange on 13 September 2018. The net proceeds from the Global Offering amounted to approximately HK$552.6 million. As of 28 February 2019, approximately HK$1.5 million had been applied for general corporate purpose.

The remaining balancing of the net proceeds are held as short-term deposits. The Company will apply the remaining net proceeds as intended in the prospectus of the Company dated 31 August 2018.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chunlaiedu.com. The interim report of the Group for the six months ended 28 February 2019 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By Order of the Board of Directors
China Chunlai Education Group Co., Ltd.
Hou Chunlai
Chairman

Hong Kong, 30 April 2019

As at the date of this announcement, our executive Directors are Mr. Hou Junyu and Ms. Jiang Shuqin, our non-executive Director is Mr. Hou Chunlai, and our independent non-executive Directors are Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man.