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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 29 FEBRUARY 2020

HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China Chunlai Education Group Co., Ltd. (the "**Company**", together with its subsidiaries and its consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 29 February 2020 (the "**Reporting Period**"). These interim results have been reviewed by the Company's audit committee together with the management of the Company.

	Six months ended		
	29 February 2020	28 February 2019	**Change (%)**
	(RMB in thousands, except percentages)		
	(Unaudited)	(Unaudited)	
Revenue	**350,857**	280,206	+25.2%
Gross Profit	**172,165**	138,103	+24.7%
Profit before taxation	**68,248**	60,581	+12.7%
Profit for the period	**65,657**	57,515	+14.2%
Non-IFRS Measure:			
Adjusted Net Profit[1]	**82,399**	81,918	+0.6%

Note

(1) Adjusted net profit is calculated as profit for the period excluding (i) share-based compensation, (ii) foreign exchange loss, and (iii) listing expenses. For details of the reconciliation of the profit for the period to the adjusted net profit of the Group, please refer to the section headed "Financial Review" in this announcement.

Non-IFRS Measure

To supplement the Group's unaudited 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 Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does 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 unaudited 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 Group'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 29 FEBRUARY 2020

	Notes	Six months ended 29 February 2020 RMB'000 (Unaudited)	Six months ended 28 February 2019 RMB'000 (Unaudited)
Revenue	5	**350,857**	280,206
Cost of revenue		**(178,692)**	(142,103)
Gross profit		**172,165**	138,103
Other income		**26,530**	22,642
Other gains and losses, net		**(10,637)**	(12,110)
Selling expenses		**(2,310)**	(1,063)
Administrative expenses		**(75,024)**	(57,488)
Profit from operations		**110,724**	90,084
Finance costs	6	**(42,476)**	(29,503)
Profit before tax		**68,248**	60,581
Income tax expense	7	**(2,591)**	(3,066)
Profit for the period		**65,657**	57,515
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Fair value gain on debt investment at fair value through other comprehensive income		**2,818**	–
Other comprehensive income for the period, net of tax		**2,818**	–
Profit and total comprehensive income for the period		**68,475**	57,515
Profit and total comprehensive income for the period attributable to owners of the Company		**68,475**	57,515
Earnings per share	8		
Basic (RMB cents per share)		**5.7**	4.9
Diluted (RMB cents per share)		**5.7**	4.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2020

	Notes	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Unaudited)
Non-current assets			
Property, plant and equipment	*10*	**1,599,152**	1,390,998
Right-of-use assets		**350,497**	–
Prepaid lease payments		**–**	346,112
Prepayment for cooperation agreements		**500,056**	500,056
Debt investment at fair value through other comprehensive income		**–**	109,857
Other non-current assets	*11*	**545,158**	235,190
		2,994,863	2,582,213
Current assets			
Trade and other receivables	*12*	**92,737**	388,858
Prepaid lease payments		**–**	8,387
Debt investment at fair value through other comprehensive income		**111,695**	–
Amount due from a shareholder		**7**	7
Cash and cash equivalents		**163,778**	473,619
		368,217	870,871
Current liabilities			
Accruals and other payables	*13*	**236,600**	184,483
Deferred revenue		**3,726**	2,928
Contract liabilities		**379,113**	447,130
Lease liabilities		**701**	–
Borrowings		**980,671**	1,291,111
Current tax liabilities		**7,844**	5,402
		1,608,655	1,931,054
Net current liabilities		**(1,240,438)**	(1,060,183)
Total assets less current liabilities		**1,754,425**	1,522,030
Non-current liabilities			
Deferred revenue		**3,542**	5,667
Borrowings		**388,940**	229,000
		392,482	234,667
NET ASSETS		**1,361,943**	1,287,363
Capital and reserves			
Share capital	*14*	**10**	10
Reserves		**1,361,933**	1,287,353
TOTAL EQUITY		**1,361,943**	1,287,363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000* *(note i)*	Capital reserve *RMB'000*	Share-based payment reserve *RMB'000*	Debt investment revaluation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 September 2018 (Audited)	7	–	162,337	142,600	697	–	289,193	594,834
Profit and total comprehensive income for the period (Unaudited)	–	–	–	–	–	–	57,515	57,515
Issue of shares	3	544,537	–	–	–	–	–	544,540
Transaction cost attributable to issue of shares	–	(28,639)	–	–	–	–	–	(28,639)
Recognition of equity-settled share-based payments	–	–	–	–	5,917	–	–	5,917
Transfer to statutory reserve	–	–	14,379	–	–	–	(14,379)	–
At 28 February 2019 (Unaudited)	10	515,898	176,716	142,600	6,614	–	332,329	1,174,167
At 1 September 2019 (Unaudited)	10	516,431	211,853	142,600	12,549	(491)	404,411	1,287,363
Profit and total comprehensive income for the period (Unaudited)	–	–	–	–	–	2,818	65,657	68,475
Issue of shares	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	6,105	–	–	6,105
Transfer to statutory reserve	–	–	27,282	–	–	–	(27,282)	–
At 29 February 2020 (Unaudited)	10	516,431	239,135	142,600	18,654	2,327	442,786	1,361,943

Note:

(i) Pursuant to the relevant laws and regulations in the People's Republic of China (the "**PRC**"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve fund of the limited liability companies and (ii) the development fund of schools.

For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year end until the balance reaches 50% of the relevant PRC entity's registered capital.

According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is prepared for the construction or maintenance of the school or procurement or upgrading of educational equipment.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**99,214**	108,857
Cash flows from investing activities		
Purchase of property, plant and equipment	**(176,930)**	(354,400)
Deposits paid for acquisition of property, plant and equipment	**(50,596)**	–
Return of prepaid land lease payments	**–**	160
Advance to target colleges	**(91,000)**	–
Purchase of debt instruments	**–**	(100,346)
Advance to a third party	**(30,000)**	(5,000)
Repayment from a third party	**44,988**	–
Repayment from a target college	**87,000**	–
Interest income received	**1,655**	5,632
Placement of time deposits	**–**	(267,746)
Net cash used in investing activities	**(214,883)**	(721,700)
Cash flows from financing activities		
Proceeds from borrowings	**240,000**	135,298
Proceeds from issue of new shares	**–**	544,540
Repayment of borrowings	**(390,500)**	(234,035)
Repayment of lease liabilities	**(567)**	–
Repayment from a third party	**–**	19,860
Interest paid	**(43,082)**	(35,912)
Lease interests paid	**(23)**	–
Issue costs paid	**–**	(21,994)
Net cash (used in)/generated from financing activities	**(194,172)**	407,757
Net decrease in cash and cash equivalents	**(309,841)**	(205,086)
Effect of foreign exchange rate changes	**–**	(12,005)
Cash and cash equivalents at beginning of period	**473,619**	544,620
Cash and cash equivalents at end of period	**163,778**	327,529
Analysis of cash and cash equivalents		
Bank and cash balances	**163,778**	327,529

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The address of registered office of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited, 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, its subsidiaries and its consolidated affiliated entities are collectively referred to as the "**Group**".

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

Reference is made to the announcements of the Company dated 2 December 2019 and 13 January 2020 in relation to, among others, the delay in publication of the announcement in relation to the 2019 annual results and the 2019 annual report, the suspension of trading of the shares of the Company on the Stock Exchange with effect from 2 December 2019, and the change of auditors of the Company.

On 23 March 2020, the Company received a letter from the Stock Exchange (the "**Letter**"), in which the Stock Exchange set out the following resumption guidance to the Company:

(a) conduct an appropriate investigation into the issues, announce the findings and take appropriate remedial actions;

(b) to publish all outstanding financial results and address any audit modifications;

(c) to demonstrate that the Company has put in place adequate internal control and procedures to comply with the Listing Rules; and

(d) to inform the market of all material information of the Company.

The Stock Exchange further provided the following guidance in the Letter:

Under rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the shares has remained suspended for 18 continuous months. The 18-month period shall expire on 1 June 2021. If the Company fails to remedy the issues causing the trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the shares by 1 June 2021, the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing. The above is subject to the Stock Exchange's right to impose a shorter specific remedial period under rule 6.10 of the Listing Rules where appropriate.

The Company is now taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction. The Company will seek to resume trading of its shares as soon as possible. The Company will announce quarterly updates on its developments under Rule 13.24A and publish further announcements to inform the shareholders of material updates and the date of the board meeting as and when appropriate.

Going concern basis

The Group had net current liabilities of approximately RMB1,240,438,000 as at 29 February 2020 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

(i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 29 February 2020. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 29 February 2020;

(ii) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and

(iii) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

The directors of the Company are therefore of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board and the applicable disclosure requirements of the Listing Rules.

The interim financial statements do not include all the information and disclosures required in the full set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 August 2019 ("**2019 Annual Report**").

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the 2019 Annual Report except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land use rights	2%
Land and buildings	89%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting period beginning on 1 September 2019. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior periods except as stated below.

IFRS 16 "Leases"

The Group has adopted IFRS 16 retrospectively from 1 September 2019, but has not restated comparatives as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 September 2019 as follows:

	As at 1 September 2019 *RMB'000* (Unaudited)
Increase in right-of-use assets	355,768
Increase in lease liabilities	(1,269)
Decrease in prepaid land lease payments	(346,112)
Decrease in prepayments, deposits and other receivables	(8,387)

The incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 5%. The reconciliation of operating lease commitment to lease liabilities as at 1 September 2019 is set out below:

	RMB'000 (Unaudited)
Operating lease commitment as at 31 August 2019	1,302
Discounting	(33)
	1,269

The Group has not applied new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosure of level in fair value hierarchy

	As at 29 February 2020 Level 3 ***RMB'000*** **(Unaudited)**	As at 31 August 2019 Level 3 *RMB'000* (Unaudited)
Recurring fair value measurements:		
Debt investment at fair value through other comprehensive income	**111,695**	109,857

(b) Reconciliation of assets measured at fair value based on level 3:

	Debt investment at fair value through other comprehensive income *RMB'000* (Unaudited)
As at 1 September 2019	109,857
Total gains or losses recognised	
– in profit or loss	(980)
– in other comprehensive income	2,818
As at 29 February 2020	111,695

The total gains or losses recognised in other comprehensive income are presented in fair value gain or loss on debt investment at fair value through other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains and losses, net and other income in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the board of directors at least twice a year.

The following table gives information about how the fair value of the Group's debt investment at fair value through other comprehensive income is determined.

Level 3 fair value measurements

Description	Valuation technique	Key input	Effect on fair value for increase of key input	**Fair value as at 29 February 2020** ***RMB'000*** **(Unaudited)**	Fair value as at 31 August 2019 *RMB'000* (Unaudited)
Debt investment at fair value through other comprehensive income	Discounted cash flow	Discount rate	Decrease	**111,695**	109,857

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the operation of private higher education institutions in the People's Republic of China (the "**PRC**"). Revenue represents tuition and boarding fees from education institutions less sales related tax.

Information reported to the Group's chief operating decision maker, 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 consolidated statement of profit or loss and other comprehensive income.

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Tuition fees	**316,128**	250,758
Boarding fees	**34,729**	29,448
Total revenue	**350,857**	280,206

All revenue is recognised over time. The Group primarily operates in the PRC. All of the Group's revenue was generated in the PRC and all of the Group's non-current assets are located in the PRC.

No single customer contributes 10% or more of total revenue of the Group during the six months ended 29 February 2020 (six months ended 28 February 2019: Nil).

6. FINANCE COSTS

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense in relation to:		
– Lease liabilities	**23**	–
– Bank borrowings	**25,359**	15,669
– Borrowings from non-banking institutes	**17,911**	17,790
	43,293	33,459
Less: capitalised in construction in progress	**(817)**	(3,956)
	42,476	29,503

7. INCOME TAX EXPENSE

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax ("**EIT**")	**2,591**	3,066

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the six months ended 29 February 2020 (six months ended 28 February 2019: 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 29 February 2020 (six months ended 28 February 2019: 25%).

Given that Anyang University and 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 follow previous EIT exemption treatment for the tuition related income. For the six months ended 29 February 2020, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

8. EARNINGS PER SHARE

	Six months ended	
	29 February 2020 (Unaudited)	28 February 2019 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	**68,475**	57,515
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,200,000,000**	1,178,571,429

The calculation of the basic earnings per share attributable to the owners of the Company for the periods ended 29 February 2020 and 28 February 2019 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 2018.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Share Option Scheme as defined in note 15 as the potential ordinary shares are anti-dilutive for the six months ended 29 February 2020.

The computation of diluted earnings per share does not assume the exercise of the over-allotment option as described in the Company's prospectus dated 31 August 2018 as the option is anti-dilutive for the six months ended 29 February 2020.

No diluted earnings per share for the period ended 29 February 2019 was presented as there were no dilutive potential ordinary shares in issue during the period.

9. INTERIM DIVIDEND

The board directors of the Company do not recommend or declare the payment of any interim dividend in respect of the six months ended 29 February 2020 and 28 February 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2020, the Group acquired property, plant and equipment of approximately RMB255,787,000 (six months ended 28 February 2019: RMB416,791,000) for the purpose of construction and improvement of campus infrastructure. As at 29 February 2020, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB1,182,101,000 (31 August 2019: RMB716,467,000) had not been obtained.

11. OTHER NON-CURRENT ASSETS

	As at 29 February 2020 *RMB'000* **(Unaudited)**	As at 31 August 2019 *RMB'000* (Unaudited)
Prepayment for prepaid lease payments	**90,448**	90,448
Prepayments/deposits paid for acquisition of property, plant and equipment	**52,918**	30,194
Loan receivables *(note 1)*	**120,979**	114,548
Deposits *(note 2)*	**280,813**	–
	545,158	235,190

Notes:

1. The carrying amount represents the loans to Hubei College which bear interest at 4.75% per annum. The repayment term is negotiated annually. The management of the Group agreed in writing that the Group will not collect the loan and interest balances within the next 12 months from the end of the reporting period.

2. Offshore foreign deposit of USD40,000,000 is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the interim period, the repayment date of the onshore loan was extended for two years. The offshore foreign deposit was reclassified as non-current asset accordingly as at 29 February 2020.

12. TRADE AND OTHER RECEIVABLES

	As at 29 February 2020 *RMB'000* **(Unaudited)**	As at 31 August 2019 *RMB'000* (Unaudited)
Tuition and boarding fee receivables *(note 1)*	**4,823**	1,046
Third party payment platform receivables *(note 2)*	**–**	12,213
Service income receivables	**17,250**	9,500
Consultancy income receivables	**24,750**	16,250
Advance to a third party *(note 3)*	**26,904**	45,620
Loan receivables	**500**	–
Other receivables	**16,343**	17,880
Interest receivables	**239**	567
Prepaid expenses	**1,928**	91
Deposits *(note 4)*	**–**	285,691
	92,737	388,858

Notes:

(1) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan, which generally take a few months to be settled from governmental institutions. There is no fixed credit term for payments. The Group's tuition receivables were due to a large number of individual students, there is no significant concentration of credit risk and no impairment is considered necessary based on the historical settlement pattern from students. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.

(2) It represents the outstanding balances of tuition and boarding fees that were received through a third party payment platform which are normally collected within 30 days.

(3) As at 31 August 2019, the advance was unsecured, interest bearing at 2.5% per annum and settled during the interim period. During the interim period, a loan of HK$30,000,000 was granted to another third party. The advance is unsecured, interest bearing at 4% per annum and repayable in one year.

(4) Offshore foreign deposit of USD40,000,000 is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the interim period, the repayment date of the onshore loan was extended for two years. The offshore foreign deposit was reclassified as non-current asset accordingly as at 29 February 2020.

An ageing analysis of tuition and boarding fee receivables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 29 February 2020 *RMB'000* **(Unaudited)**	As at 31 August 2019 *RMB'000* (Unaudited)
0-180 days	**4,823**	–
181-365 days	**–**	1,040
More than 1 year	**–**	6
	4,823	1,046

13. ACCRUALS AND OTHER PAYABLES

	As at 29 February 2020 *RMB'000* **(Unaudited)**	As at 31 August 2019 *RMB'000* (Unaudited)
Interest payables	**9,932**	8,927
Accrued staff benefits and payroll	**34,792**	19,026
Payables for purchase of property, plant and equipment and construction	**147,986**	97,599
Receipt on behalf of ancillary services providers	**13,610**	20,461
Other payables, accruals and deposits received	**20,328**	29,491
Other taxes payables	**9,952**	8,979
	236,600	184,483

14. SHARE CAPITAL

	Number of shares	Amount *HK$* (Unaudited)	Amount *RMB* (Unaudited)
Ordinary shares of HK$0.00001 each			
Authorised:			
As at 1 September 2018, 31 August 2019 and 29 February 2020	50,000,000,000	500,000	424,570
Issued and fully paid:			
As at 1 September 2018	900,000,000	9,000	7,251
Issue of shares on 13 September 2018	300,000,000	3,000	2,616
As at 31 August 2019 and 29 February 2020	1,200,000,000	12,000	9,867

On 13 September 2018, the Company issued a total of 300,000,000 ordinary shares at par value of HK$0.00001 each, pursuant to the global offering at the price of HK$2.08 per share and the Company's shares were listed on Main Board of the Stock Exchange on the same date.

15. SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a board resolution passed on 9 August 2018, for the primary purpose of providing incentives to directors and eligible employees, and will expire no later than 10 years from the date of the Listing. Under the Pre-IPO Share Option Scheme, the total number of Company's shares was 35,950,000. The exercise price of all the options granted under the Pre-IPO Share Option Scheme is HK$0.00001 per share.

At 29 February 2020, the number of options that have been granted and remained outstanding under the Pre-IPO Share Option Scheme was 35,950,000, representing approximately 4.00% of the shares of the Company in issue at that date.

Details of specific categories of Pre-IPO Share Options are as follows:

Tranche	Date of grant	Number of shares	Vesting period	Exercise period
A	9 August 2018	10,465,000	9 August 2018 – 9 August 2021	10 August 2021 – 9 August 2038
B	9 August 2018	7,350,000	9 August 2018 – 9 August 2023	10 August 2023 – 9 August 2038
C	9 August 2018	7,190,000	9 August 2018 – 9 August 2025	10 August 2025 – 9 August 2038
D	9 August 2018	10,945,000	9 August 2018 – 9 August 2028	10 August 2028 – 9 August 2038

The following table discloses movements of number of share options under the Company's Pre-IPO Share Option Scheme held by the directors of the Company and employees:

	Balances as at 1 September 2018, 31 August 2019 and 29 February 2020
Directors	
Mr. Hou Chunlai	8,000,000
Mr. Hou Junyu	6,000,000
Ms. Jiang Shuqin	8,000,000
Directors in aggregate	22,000,000
Employees in aggregate	13,950,000
Total	35,950,000

The fair value of share options was calculated using the binomial pricing model. The inputs into the model are as follows:

Exercise price	HK$0.00001
Expected volatility	51.49%
Expected life	20 years
Risk-free rate	2.19%
Expected dividend yield	0%
Forfeiture rate	0%

The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. The estimated fair value of the share options granted on that date was RMB59,844,000.

The Group recognised share-based compensation expense of approximately RMB6,105,000 for the six months ended 29 February 2020 (six months ended 28 February 2019: RMB5,917,000).

16. COMMITMENTS

Capital commitments

	2020 *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**78,358**	140,070
Capital expenditure in respect of land use rights	**11,260**	11,260
Capital expenditure in respect of acquisition of Hubei College	**20,000**	20,000
Capital expenditure in respect of acquisition of Tianping College	**400,056**	400,056
	509,674	571,386

17. RELATED PARTY TRANSACTIONS

During the period, besides the disclosures elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

Compensation of key management personnel

The remuneration of directors and other members of key management during the period as follows:

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**1,750**	2,284
Equity-settled share-based payments	**4,187**	4,372
Retirement benefit scheme contribution	**7**	108
	5,944	6,764

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The formal education system in the People's Republic of China ("**PRC**" or "**China**") 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 Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) ("**Tianping College**"). We are in the process of acquiring the sponsor interest of Hubei College and Tianping College. 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.

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 2019/2020 school year, Shangqiu University had a total enrolment of 24,112 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, Chunlai Institute also offers courses that prepare students for graduate school entrance exams and civil service examinations.

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 2019/2020 school year, Anyang University had a total enrolment of 27,709 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, 6 junior college to bachelor's degree transfer programmes and 8 junior college diploma programmes. For the 2019/2020 school year, Shangqiu University Kaifeng Campus had a total enrolment of 9,740 students.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the six months ended 28 February 2019 and the six months ended 29 February 2020:

	Student enrolment			
	As at 29 February 2020	As at 28 February 2019	Change in number	Percentage change (approximately %)
Shangqiu University				
Bachelor's degree programmes	**10,828**	10,122	706	7.0%
Junior college to bachelor's degree transfer programmes	**1,608**	1,218	390	32.0%
Junior college diploma programmes(2)	**7,451**	4,916	2,535	51.6%
Vocational education programmes(3)	**4,225**	3,569	656	18.4%
School subtotal	**24,112**	19,825	4,287	21.6%
Anyang University				
Bachelor's degree programmes	**12,038**	11,589	449	3.9%
Junior college to bachelor's degree transfer programmes	**3,152**	2,439	713	29.2%
Junior college diploma programmes(2)	**7,505**	3,303	4,202	127.2%
Vocational education programmes(3)(4)	**5,014**	4,809	205	4.3%
School subtotal	**27,709**	22,140	5,569	25.2%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes(5)	**6,873**	6,109	764	12.5%
Junior college to bachelor's degree transfer programmes(6)	**1,346**	974	372	38.2%
Junior college diploma programmes(7)	**1,521**	1,163	358	30.8%
School subtotal	**9,740**	8,246	1,494	18.1%
Total number of students	**61,561**	50,211	11,350	22.6%

Notes:

(1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 28 February and 29 February for the 2018/2019 and 2019/2020 school years, respectively.

(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 2019/2020 school year, the number of students increased by 22.6% from 50,211 in the prior school year to 61,561, achieving the Company's goal and realizing steady improvement in 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 curricula 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 15 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 2019/2020 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 96.1% for the 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 29 February 2020, we had 1,492 fulltime teachers and 175 part-time teachers.

Acquisition of Sponsor Interest of Tianping College

On 19 August 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (the "**School Sponsor**"), a consolidated affiliated entity of the Company, entered into an agreement with Suzhou University of Science and Technology (蘇州科技大學) ("**Suzhou University of Science and Technology**") and Suzhou University of Science and Technology Education Development Foundation (蘇州科技大學教育發展基金會), which was amended by a supplemental agreement dated 20 August 2019 between the School Sponsor and Suzhou University of Science and Technology (collectively, the "**Formal Agreement**"). Pursuant to the Formal Agreement, the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during a certain preparatory period for converting Tianping College into a standalone private ordinary college without the name of Suzhou University of Science and Technology (the "**Preparatory Period for Conversion**") for a total consideration of RMB800,111,100 (equivalent to approximately HK$909,217,159). The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC (the "**Acquisition**"). For further details, please refer to the announcements of the Company dated 23 July 2019 and 20 August 2019 and the major transaction circular to be published in due course.

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 29 February 2020, we recorded a revenue of RMB350.9 million, a gross profit of RMB172.2 million and an adjusted net profit of RMB82.4 million. The gross profit margin was 49.1% for the six months ended 29 February 2020 as compared with 49.3% for the six months ended 28 February 2019.

The adjusted net profit of the Group for the six months ended 29 February 2020 was RMB82.4 million, representing an increase of RMB0.5 million or a 0.6% increase from the corresponding period in 2018. The adjusted net profit margin of the Group was 23.5% and 29.2% for the six months ended 29 February 2020 and 28 February 2019, respectively. The increase in the adjusted net profit was mainly due to the increase of the Group's student enrolment.

The net profit of the Group amounted to RMB65.7 million and RMB57.5 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The net profit margin of the Group amounted to 18.7% and 20.5% for the six months ended 29 February 2020 and 28 February 2019, respectively.

Revenue

Our revenue increased by 25.2% from RMB280.2 million for the six months ended 28 February 2019 to RMB350.9 million for the six months ended 29 February 2020, primarily due to the increase of the Group's student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 15.5% from RMB53.0 million for the six months ended 28 February 2019 to RMB61.2 million for the six months ended 29 February 2020. The increase was primarily due to an increase in student enrolment from 8,246 for the 2018/2019 school year to 9,740 for the 2019/2020 school year. As Shangqiu University Kaifeng Campus increased its capacity from 10,866 for the 2018/2019 school year to 12,774 for the 2019/2020 school year, it received a significantly larger admission quota for the 2019/2020 school year, which was the primary reason for the increase in its student enrolment. 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 2019/2020 school year.

Revenue from Anyang University increased by 11.0% from RMB123.2 million for the six months ended 28 February 2019 to RMB136.8 million for the six months ended 29 February 2020. The increase was primarily due to an increase in student enrolment from 22,140 for the 2018/2019 school year to 27,709 for the 2019/2020 school year. As Anyang University increased its capacity from 24,508 for the 2018/2019 school year to 26,414 for the 2019/2020 school year, it received a larger admission quota for the 2019/2020 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 2019/2020 school year.

Revenue from Shangqiu University increased by 25.5% from RMB104.0 million for the six months ended 28 February 2019 to RMB130.5 million for the six months ended 29 February 2020. The increase was primarily due to an increase in student enrolment from 19,825 for the 2018/2019 school year to 24,112 for the 2019/2020 school year. The capacity of Shangqiu University is 25,172 for the 2019/2020 school year.

Overall, revenue from tuition fees and boarding fees of the Group increased by 26.1% and 17.9%, respectively from the six months ended 28 February 2019 to the six months ended 29 February 2020.

Cost of Revenue

Our cost of revenue increased by 25.7% from RMB142.1 million for the six months ended 28 February 2019 to RMB178.7 million for the six months ended 29 February 2020. As a percentage of revenue, our cost of revenue increased from 50.7% for the six months ended 28 February 2019 to 50.9% for the six months ended 29 February 2020. 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 Profit Margin

As a result of the foregoing, our gross profit increased by 24.7% from RMB138.1 million for the six months ended 28 February 2019 to RMB172.2 million for the six months ended 29 February 2020, and our gross profit margin decreased from 49.3% for the six months ended 28 February 2019 to 49.1% for the six months ended 29 February 2020.

Other Income

Our other income increased by 17.2% from RMB22.6 million for the six months ended 28 February 2019 to RMB26.5 million for the six months ended 29 February 2020, primarily due to the consultancy income amounted to RMB8.0 million starting from the 2019/2020 school year, which arises from our provision of technical and management consultancy services to Hubei College.

Other Gains and Losses

We recorded other losses of RMB12.1 million for the six months ended 28 February 2019, while we recorded other losses of RMB10.6 million for the six months ended 29 February 2020. The other losses for the six months ended 29 February 2020 were primarily attributable to net foreign exchange losses.

Selling Expenses

Our selling expenses increased by 117.3% from RMB1.1 million for the six months ended 28 February 2019 to RMB2.3 million for the six months ended 29 February 2020, 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 30.5% from RMB57.5 million for the six months ended 28 February 2019 to RMB75.0 million for the six months ended 29 February 2020, primarily due to increases in depreciation and amortisation, staff costs and travelling expenses.

Listing Expenses

We recorded RMB6.5 million listing expenses 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 did not record any listing expenses for the six months ended 29 February 2020.

Finance Costs

Our finance costs increased by 44.0% from RMB29.5 million for the six months ended 28 February 2019 to RMB42.5 million for the six months ended 29 February 2020, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalization.

Taxation

We recorded income tax of RMB3.1 million for the six months ended 28 February 2019 as compared to income tax of RMB2.6 million for the six months ended 29 February 2020 due to service revenue and other income.

Profit for the Period

Our profit increased by 14.2% from RMB57.5 million for the six months ended 28 February 2019 to RMB65.7 million for the six months ended 29 February 2020.

Adjusted Net Profit

Our adjusted net profit increased by 0.6% from RMB81.9 million for the six months ended 28 February 2019 to RMB82.4 million for the six months ended 29 February 2020. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the period excluding (i) share-based compensation, (ii) foreign exchange loss, and (iii) listing expenses. The following table reconciles profit for the period to adjusted net profit for both periods:

	For the six months ended 29 February 2020 ***RMB'000***	For the six months ended 28 February 2019 *RMB'000*
Profit for the period	**65,657**	57,515
Add:		
Share-based compensation	**6,105**	5,917
Foreign exchange loss	**10,637**	12,005
Listing expenses	**–**	6,481
Adjusted net profit	**82,399**	81,918

Liquidity and Source of Funding and Borrowing

As at 29 February 2020, 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 RMB473.6 million and RMB163.8 million as of 31 August 2019 and 29 February 2020, respectively. The Company generally deposit the Group's excess cash in interest bearing bank accounts and current accounts.

As at 29 February 2020, the Group's principal uses of cash have been for the funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this announcement, and the announcements of the Company dated 23 July 2019 and 20 August 2019), 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 that the liquidity requirements of the Group will be satisfied by using funds from a combination of internally generated cash, external borrowings, the proceeds from the Global 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 29 February 2020, 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 100.6%, representing a decrease of 17.5% as compared with 118.1% as at 31 August 2019. The decrease was due to the fact that the Group had partly repaid certain interest-bearing bank loans.

Significant Investments

Save as disclosed in this announcement, the Group did not make or hold any significant investments during the six months ended 29 February 2020.

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 29 February 2020.

Pledge of Assets

On 19 June 2019, Shangqiu University (the "**Borrower**") entered into a loan agreement with Zhongyuan Bank Co., Ltd., Shangqiu Branch (中原銀行股份有限公司商丘分行) (the "**Lender**") in relation to a term loan facility in an aggregate amount of RMB180,000,000 (the "**Loan**") with an initial annual interest rate of 6.525% which shall be adjusted every month with reference to the benchmark lending rate promulgated by the People's Bank of China made by the Lender to the Borrower. On 21 December 2018, the Borrower and the Lender entered into an accounts receivables pledge agreement (the "**Pledge Agreement**"), pursuant to which the Borrower agreed to pledge its account receivables in favour of the Lender so as to guarantee its repayment of any liabilities (including but not limited to the principal amount which shall be no more than RMB225,000,000 and the corresponding interest, penalty and other compensation, if any) under any facility agreement to be entered into between the Borrower and the Lender during the period between 21 December 2018 and 21 December 2019. Further details of the Loan and the Pledge Agreement are set out in the announcement of the Company dated 19 June 2019.

On 27 December 2019 and 25 December 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), one of the Group's consolidated affiliated entities, as borrower ("**Henan Shangqiu**") and Zhongyuan Bank Co., Ltd., Shangqiu Branch (中原銀行股份有限公司商丘分行) as lender ("**Zhongyuan Bank**") entered into (i) a loan agreement (the "**First Loan Agreement**"), pursuant to which Zhongyuan Bank has agreed to make available a term loan facility in an amount of RMB150,000,000 (the "**First Loan**") to Henan Shangqiu and (ii) a loan agreement (the "**Second Loan Agreement**" and together with the First Loan Agreement, the "**Loan Agreements**"), pursuant to which Zhongyuan Bank has agreed to make available a term loan facility in an amount of RMB40,000,000 (the "**Second Loan**" and together with the First Loan, the "**Combined Loans**") to Henan Shangqiu. In connection with the Combined Loans, on 25 December 2019, each of Shangqiu University and Anyang University respectively entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which each of Shangqiu University and Anyang University agreed to pledge its account receivables in favour of Zhongyuan Bank for Henan Shangqiu's liabilities under the Loan Agreements (including but not limited to the Combined Loans, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Combined Loans and the related account receivables pledge agreement are set out in the announcement of the Company dated 27 December 2019.

Save as disclosed in this announcement, the Group had no other 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 29 February 2020.

Foreign Exchange Exposure

During the six months ended 29 February 2020, the Group mainly operated in the PRC and majority of the transactions were settled in Renminbi ("**RMB**"), the functional currency of the Group's PRC subsidiaries and its consolidated affiliated entities. Save as disclosed in this announcement, as at 29 February 2020, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations or any foreign currency hedging policy.

Future Plans for Material Investments and Capital Assets, Acquisitions and Disposals

Except as disclosed in this interim results announcement, the Company has no other future plans for material investments and capital assets, acquisitions and disposals.

Employee and Remuneration Policy

As of 29 February 2020, we had 3,069 employees. As of 29 February 2020, all of our employees were located in Henan Province. The following table sets forth the total number of employees by function as of 29 February 2020:

Function	**Number of employees**	**% of total**
Teachers	1,667[1]	54.3
Administrative staff	425	13.8
Ancillary teacher staff [2]	493	16.1
Other staff	484	15.8
Total	**3,069**	**100.0**

Notes:

(1) Including 1,492 full-time teachers and 175 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 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

In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the education business of the Group, mainly due to domestic travel restrictions and various precautionary measurements undertaken by respective local authorities which inter alia, include closure of schools and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans for the students during the schools' closure period, which include implementation of on-line modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group subsequent to the six months ended 29 February 2020 and up to the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the operation and financial position of the Group, and in the event that there is any significant impact, the Company will update the market as and when appropriate.

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 29 February 2019.

DIVIDEND

The Board resolved not to declare any dividend for the six months ended 29 February 2020 (2019: nil).

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 29 February 2020, 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.

Continued Suspension of Trading

The Company published an announcement on 2 December 2019 stating its inability to comply with Rule 13.49 of the Listing Rules to publish its annual results for the year ended 31 August 2019 no later than three months after the end of the financial year of the Company, i.e. on or before 30 November 2019. Shares of the Company have been suspended from trading since 2 December 2019 pursuant to Rule 13.50 of the Listing Rules. Further, on 13 January 2020, the Company announced that given the delay in the publication of the annual results for the year ended 31 August 2019, the annual report of the Company for the year ended 31 August 2019 ("**2019 Annual Report**") would not be ready by 31 December 2019, and such delay in despatching the 2019 Annual Report constituted non-compliance with Rule 13.46(2)(a) of the Listing Rules. For further details, please refer to the announcements of the Company dated 2 December 2019, 13 January 2020, 27 March 2020 and 9 April 2020.

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 29 February 2020.

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 who possesses appropriate professional qualification.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2020 with the management of the Company. 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 29 February 2020, 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 29 February 2020. 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 29 February 2020, the utilization breakdown of the net proceeds from the Global Offering is set out below.

	Net proceeds from the Global Offering	**Unutilized amount as of 31 August 2019**	**Utilization during the six months ended 29 February 2020**	**Unutilized amount as of 29 February 2020**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Acquisition of land use rights and building educational and living facilities for our current colleges	244.9	156.7	(8.0)	148.7
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purposes	49.0	47.5	(9.1)	38.4
Total	489.8	204.2	(17.1)	187.1

The remaining balance of the net proceeds (approximately RMB187.1 million) was held as short term deposits. The Group expects to gradually apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 31 August 2018 in accordance with actual business needs.

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 29 February 2020 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.
Hon Junyu
Executive Director and Chief Executive Officer

Hong Kong, 29 April 2020

As at the date of this announcement, the Board comprises Mr. Hou Junyu as executive Director and chief executive officer, Ms. Jiang Shuqin as executive Director, Mr. Hou Chunlai as non-executive Director and chairman, and Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man as independent non-executive Directors.