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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 2021

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 28 February 2021 (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 | | Change (%) |
|---|---------------------|---------------------|---------------|
| | 28 February 2021 | 29 February 2020 | |
| Revenue | 501,224 | 350,857 | +42.9% |
| Gross Profit | 307,293 | 170,596 | +80.1% |
| Profit before taxation | 169,197 | 74,747 | +126.4% |
| Profit for the period | 164,552 | 72,156 | +128.1% |
| Non-IFRS Measure: Adjusted Net Profit ¹ | 194,419 | 88,898 | +118.7% |

Note:

- (1) Adjusted net profit is calculated as profit for the period excluding (i) share-based compensation and (ii) foreign exchange loss/(gain). 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 Measures

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 28 FEBRUARY 2021

| | | Six months ended | |
|---|--------------|-----------------------------|---------------------|
| | | 28 February 2021 | 29 February 2020 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 501,224 | 350,857 |
| Cost of revenue | | <u>(193,931)</u> | <u>(180,261)</u> |
| Gross profit | | 307,293 | 170,596 |
| Other income | | 24,871 | 26,530 |
| Other gains and losses, net | | (24,264) | (10,637) |
| Selling expenses | | (1,849) | (2,310) |
| Administrative expenses | | <u>(92,957)</u> | <u>(67,521)</u> |
| Profit from operations | | 213,094 | 116,658 |
| Finance costs | 5 | <u>(43,897)</u> | <u>(41,911)</u> |
| Profit before tax | | 169,197 | 74,747 |
| Income tax expense | 6 | <u>(4,645)</u> | <u>(2,591)</u> |
| Profit for the period | 7 | 164,552 | 72,156 |
| Other comprehensive income after tax: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Fair value gain on debt investment at fair value through other comprehensive income | | <u>–</u> | <u>2,818</u> |
| Other comprehensive income for the period, net of tax | | <u>–</u> | <u>2,818</u> |
| Total comprehensive income for the period | | <u>164,552</u> | <u>74,974</u> |
| Earnings per share | 8 | | |
| Basic (RMB cents per share) | | <u>14</u> | <u>6</u> |
| Diluted (RMB cents per share) | | <u>14</u> | <u>6</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2021

| | <i>Notes</i> | As at 28 February 2021 <i>RMB'000</i> (Unaudited) | As at 31 August 2020 <i>RMB'000</i> (Audited) |
|--|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 2,102,234 | 1,928,004 |
| Right-of-use assets | | 434,710 | 440,482 |
| Prepayment for cooperation agreements | | 740,056 | 500,056 |
| Other non-current assets | 11 | 430,381 | 456,857 |
| | | <u>3,707,381</u> | <u>3,325,399</u> |
| Current assets | | | |
| Trade and other receivables | 12 | 352,464 | 224,101 |
| Amount due from a shareholder | | 7 | 7 |
| Cash and cash equivalents | | 142,884 | 204,011 |
| | | <u>495,355</u> | <u>428,119</u> |
| Current liabilities | | | |
| Accruals and other payables | 13 | 329,659 | 412,129 |
| Deferred revenue | | 2,313 | 2,874 |
| Contract liabilities | | 496,271 | 89,092 |
| Lease liabilities | | – | 140 |
| Borrowings | | 1,287,113 | 1,294,203 |
| Current tax liabilities | | 16,676 | 12,031 |
| | | <u>2,132,032</u> | <u>1,810,469</u> |
| Net current liabilities | | <u>(1,636,677)</u> | <u>(1,382,350)</u> |
| Total assets less current liabilities | | <u>2,070,704</u> | <u>1,943,049</u> |
| Non-current liabilities | | | |
| Deferred revenue | | 1,792 | 2,792 |
| Borrowings | | 457,308 | 498,808 |
| | | <u>459,100</u> | <u>501,600</u> |
| NET ASSETS | | <u>1,611,604</u> | <u>1,441,449</u> |
| Capital and reserves | | | |
| Share capital | 14 | 10 | 10 |
| Reserves | | 1,611,594 | 1,441,439 |
| TOTAL EQUITY | | <u>1,611,604</u> | <u>1,441,449</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

| | Share capital RMB'000 | Share premium RMB'000 | Statutory reserve RMB'000 <i>(note i)</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 2019 (Audited) | 10 | 516,431 | 211,853 | 142,600 | 12,549 | (491) | 404,411 | 1,287,363 |
| Total comprehensive income for the period (Unaudited) | - | - | - | - | - | 2,818 | 72,156 | 74,974 |
| Recognition of equity-settled share-based payments (Unaudited) | - | - | - | - | 6,105 | - | - | 6,105 |
| Transfer to statutory reserve (Unaudited) | - | - | 28,906 | - | - | - | (28,906) | - |
| At 29 February 2020 (Unaudited) | <u>10</u> | <u>516,431</u> | <u>240,759</u> | <u>142,600</u> | <u>18,654</u> | <u>2,327</u> | <u>447,661</u> | <u>1,368,442</u> |
| At 1 September 2020 (Audited) | 10 | 516,431 | 274,068 | 142,600 | 24,812 | - | 483,528 | 1,441,449 |
| Total comprehensive income for the period (Unaudited) | - | - | - | - | - | - | 164,552 | 164,552 |
| Recognition of equity-settled share-based payments (Unaudited) | - | - | - | - | 5,603 | - | - | 5,603 |
| Transfer to statutory reserve (Unaudited) | - | - | 59,986 | - | - | - | (59,986) | - |
| At 28 February 2021 (Unaudited) | <u>10</u> | <u>516,431</u> | <u>334,054</u> | <u>142,600</u> | <u>30,415</u> | <u>-</u> | <u>588,094</u> | <u>1,611,604</u> |

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 28 FEBRUARY 2021

| | Six months ended | |
|---|-------------------------|--------------------|
| | 28 February | 29 February |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 699,573 | 99,213 |
| Cash flows from investing activities | | |
| Advance to Hubei College | (121,000) | (91,000) |
| Advance to third parties | (58,471) | (30,000) |
| Interest income received | 789 | 1,655 |
| Payments for acquisition of property, plant and equipment | (294,799) | (227,525) |
| Prepayment for cooperation agreements | (240,000) | – |
| Repayment from Hubei College | 52,500 | 87,000 |
| Repayment from a third party | 8,353 | 44,988 |
| Refund of prepayment for land use right | 5,000 | – |
| Net cash used in investing activities | (647,628) | (214,882) |
| Cash flows from financing activities | | |
| Interest paid | (35,496) | (43,082) |
| Lease interests paid | (1) | (23) |
| Proceeds from borrowings | 375,000 | 240,000 |
| Repayment to Tianping College | (20,950) | – |
| Repayment of borrowings | (431,486) | (390,500) |
| Repayment of lease liabilities | (139) | (567) |
| Net cash used in financing activities | (113,072) | (194,172) |
| Net decrease in cash and cash equivalents | (61,127) | (309,841) |
| Cash and cash equivalents at beginning of period | 204,011 | 473,619 |
| Cash and cash equivalents at end of period | 142,884 | 163,778 |
| Analysis of cash and cash equivalents | | |
| Bank and cash balances | 142,884 | 163,778 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40th Floor, Dah Sing Financial Centre, No. 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 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. BASIS OF PREPARATION

These 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**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 August 2020.

Going concern basis

The Group had net current liabilities of approximately RMB1,636,677,000 as at 28 February 2021. This condition 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 28 February 2021. 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 28 February 2021;
- (ii) the Group has entered into loan facility agreements, under which loan facilities up to a maximum amount of approximately RMB2,325,881,000 are available for the Group to draw down within twelve months from 28 February 2021 including a maximum amount of approximately RMB1,268,234,000 are available to the Group for not less than twelve months from 28 February 2021;

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

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 IASB that are relevant to its operations and effective for its accounting period beginning on 1 September 2020. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); 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 condensed consolidated financial statements and amounts reported for the current period and prior periods.

The Group has not applied the 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. 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 | |
|---------------|---|---|
| | 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
| Tuition fees | 452,631 | 316,128 |
| Boarding fees | <u>48,593</u> | <u>34,729</u> |
| Total revenue | <u><u>501,224</u></u> | <u><u>350,857</u></u> |

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 28 February 2021 (six months ended 29 February 2020: Nil).

Revenue is recognised over the relevant period of schooling semesters, i.e. over the period of time when the students simultaneously receive and consume the benefits provided by the Group.

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. The fees are recognised proportionately over the relevant period of the applicable programme. The portion of the fees received from students but not earned is recorded as contract liabilities under current liabilities as such amounts represent revenue that the Group expects to earn within one year.

5. FINANCE COSTS

| | Six months ended | |
|---|---|---|
| | 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
| Interest expense in relation to: | | |
| – Lease liabilities | 1 | 23 |
| – Bank borrowings | 34,406 | 25,359 |
| – Borrowings from non-banking institutes | 11,720 | 17,911 |
| | <u>46,127</u> | <u>43,293</u> |
| Less: capitalised in construction in progress | (2,230) | (1,382) |
| | <u><u>43,897</u></u> | <u><u>41,911</u></u> |

6. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
| Current tax – PRC Enterprise Income Tax (“EIT”) | <u><u>4,645</u></u> | <u><u>2,591</u></u> |

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 28 February 2021 (six months ended 29 February 2020: 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 2021 (six months ended 29 February 2020: 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 28 February 2021, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

7. PROFIT FOR THE PERIOD

This is stated at after charging the following:

| | Six months ended | |
|--|---|---|
| | 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
| Directors' remuneration | 5,417 | 5,944 |
| Depreciation of property, plant and equipment | 65,584 | 43,154 |
| Depreciation of right-of-use assets | 5,772 | 5,035 |
| Staff costs (including directors' remuneration): | | |
| – Salaries, bonuses and allowances | 94,174 | 92,408 |
| – Retirement benefit scheme contributions | 9,863 | 10,904 |
| – Equity-settled share-based payments | 5,603 | 6,105 |
| | 109,640 | 109,417 |

8. EARNINGS PER SHARE

| | Six months ended | |
|--|------------------------------------|------------------------------------|
| | 28 February 2021 (Unaudited) | 29 February 2020 (Unaudited) |
| Earnings: | | |
| Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000) | 164,552 | 72,156 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 1,200,000,000 | 1,200,000,000 |
| Effect of dilutive potential ordinary shares: | | |
| Pre-IPO share options | 12,468,520 | 5,630,625 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 1,212,468,520 | 1,205,630,625 |

9. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the six months ended 28 February 2021 and 29 February 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2021, the Group acquired property, plant and equipment of approximately RMB237,584,000 (six months ended 29 February 2020: RMB243,185,000) for the purpose of construction and improvement of campus infrastructure. As at 28 February 2021, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB1,424,380,000 (31 August 2020: RMB1,300,120,000) had not been obtained.

11. OTHER NON-CURRENT ASSETS

| | As at 28 February 2021 <i>RMB'000</i> (Unaudited) | As at 31 August 2020 <i>RMB'000</i> (Audited) |
|---|---|---|
| Prepayments/deposits paid for acquisition of property, plant and equipment | 24,402 | 35,738 |
| Prepayment for investment fund of Hubei College | 80,000 | 80,000 |
| Refund of prepayment for land use rights | 14,430 | 14,430 |
| Pledged deposit (<i>note i</i>) | 261,549 | 276,689 |
| Deposit paid (<i>note ii</i>) | 50,000 | 50,000 |
| | 430,381 | 456,857 |
| | 430,381 | 456,857 |

Notes:

- (i) 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.
- (ii) Deposit paid of RMB50,000,000 represents the refundable security deposit paid to Suzhou University of Science and Technology.

To guarantee that the Group will safeguard the school facilities and reputation of Suzhou University of Science and Technology and that the Group will operate the Tianping College properly, the Group paid RMB50 million as security deposit and provided a guarantee of RMB150 million (the “**Guarantee**”) to Suzhou University of Science and Technology. The Guarantee is provided by a financial institution and counter guaranteed by Mr. Hou.

12. TRADE AND OTHER RECEIVABLES

| | As at 28 February 2021 <i>RMB'000</i> (Unaudited) | As at 31 August 2020 <i>RMB'000</i> (Audited) |
|--|---|---|
| Tuition and boarding fee receivables (<i>note i</i>) | 10,190 | 5,691 |
| Service income receivables | 25,720 | 25,000 |
| Consultancy income receivables from Hubei College | 21,875 | 13,250 |
| Consultancy income receivables from Tianping College | 5,000 | – |
| Advance to third parties (<i>note ii</i>) | 75,176 | 26,509 |
| Advance to Tianping College | – | 500 |
| Advance to Hubei College (<i>note iii</i>) | 170,576 | 105,900 |
| Refund of prepayment for land use right | 22,714 | 27,714 |
| Other receivables | 14,720 | 17,637 |
| Interest receivables | 1,188 | 770 |
| Prepaid expenses | 5,305 | 1,130 |
| | 352,464 | 224,101 |
| | 352,464 | 224,101 |

Notes:

(i) 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.

(ii) As at 28 February 2021, the advance with principal amount of HK\$40,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.

As at 28 February 2021, the advance with principal amount of HK\$30,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.

As at 28 February 2021, the advance with principal amount of HK\$20,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.

(iii) The advance to Hubei College is unsecured, non-interest bearing and repayable on 30 August 2021.

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 28 February 2021 <i>RMB'000</i> (Unaudited) | As at 31 August 2020 <i>RMB'000</i> (Audited) |
|------------------|---|---|
| 0-180 days | 6,738 | – |
| 181-365 days | – | 5,691 |
| More than 1 year | 3,452 | – |
| | <u>10,190</u> | <u>5,691</u> |

13. ACCRUALS AND OTHER PAYABLES

| | As at 28 February 2021 <i>RMB'000</i> (Unaudited) | As at 31 August 2020 <i>RMB'000</i> (Audited) |
|---|---|---|
| Interest payables | 1,061 | 2,151 |
| Accrued staff benefits and payroll | 22,690 | 29,990 |
| Payables for purchase of property, plant and equipment and construction | 206,067 | 274,618 |
| Receipt on behalf of ancillary services providers | 9,128 | 8,313 |
| Advance from Tianping College (<i>note i</i>) | 28,550 | 50,000 |
| Other payables, accruals and deposits received | 50,573 | 36,522 |
| Other taxes payables | 11,590 | 10,535 |
| | <u>329,659</u> | <u>412,129</u> |

Note:

(i) The amount advanced from Tianping College is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

14. SHARE CAPITAL

| | Number of shares | Amount HK\$ | Amount RMB | Amount RMB'000 |
|---|---------------------|----------------|---------------|-------------------|
| Ordinary shares of HK\$0.00001 each | | | | |
| Authorised: | | | | |
| As at 1 September 2019, 31 August 2020, 1 September 2020 (Audited) and 28 February 2021 (Unaudited) | 50,000,000,000 | 500,000 | 424,570 | 425 |
| Issued and fully paid: | | | | |
| As at 1 September 2019, 31 August 2020, 1 September 2020 (Audited) and 28 February 2021 (Unaudited) | 1,200,000,000 | 12,000 | 9,867 | 10 |

15. CAPITAL COMMITMENTS

| | As at 28 February 2021 RMB'000 (Unaudited) | As at 31 August 2020 RMB'000 (Audited) |
|---|--|--|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for | 67,930 | 170,336 |
| Capital expenditure in respect of land use rights | 11,460 | 11,460 |
| Capital expenditure in respect of acquisition of Hubei College | 20,000 | 20,000 |
| Capital expenditure in respect of capital contribution to Tianping College | 30,000 | 30,000 |
| Capital expenditure in respect of acquisition of Tianping College | 160,056 | 400,056 |
| | 289,446 | 631,852 |

16. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period:

| | Six months ended | |
|--|---|---|
| | 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
| Consultancy income from Hubei College (<i>note ii</i>) | 8,137 | 8,019 |
| Consultancy income from Tianping College (<i>note iii</i>) | 4,717 | – |

The balances with related parties at the end of the reporting period are as follows:

| | As at 28 February 2021 RMB'000 (Unaudited) | As at 31 August 2020 RMB'000 (Audited) |
|--|---|--|
| Consultancy income receivables from Hubei College (<i>note ii</i>) | <u>21,875</u> | <u>13,250</u> |
| Consultancy income receivables from Tianping College (<i>note iii</i>) | <u>5,000</u> | <u>–</u> |
| Advance to Hubei College (<i>note ii</i>) | <u>170,576</u> | <u>105,900</u> |
| Advance to Tianping College (<i>note iii</i>) | <u>–</u> | <u>500</u> |
| Advance from Tianping College (<i>note iii</i>) | <u>28,550</u> | <u>50,000</u> |

Notes:

- (i) As at 28 February 2021, the Group has provided financial guarantees for banking facilities of RMB70,000,000 granted to Hubei College. The bank loan of Hubei College with carrying amount of RMB70,000,000 (31 August 2020: RMB50,000,000) was guaranteed by the Group at the end of the reporting period.
 - (ii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Hubei College.
 - (iii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Tianping College.
- (b) Compensation of key management personnel

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

| | Six months ended 28 February 2021 RMB'000 (Unaudited) | 29 February 2020 RMB'000 (Unaudited) |
|--|--|---|
| Short-term benefits | 1,962 | 1,750 |
| Equity-settled share-based payments | 3,455 | 4,187 |
| Retirement benefit scheme contribution | <u>–</u> | <u>7</u> |
| | <u>5,417</u> | <u>5,944</u> |

17. EVENTS AFTER THE REPORTING PERIOD

Up to the approval date of the condensed consolidated financial statements, the Group has provided financial guarantees for loan facilities of RMB120,000,000 granted to Hubei College. The borrowings of Hubei College with carrying amount of RMB120,000,000 was guaranteed by the Group.

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 categorized 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, and 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 one college in Hubei Province, namely Hubei Jiankang Vocational College (湖北健康職業學院) (“**Jiankang College**”). We also 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.

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 online modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, management of the Group has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group as at 28 February 2021. The Company is of the view that the business of the Group remained relatively stable for the six months ended 28 February 2021, notwithstanding the impact of COVID-19.

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 2019/2020 and 2020/2021 school years, the average initial employment rate of our higher education programmes was approximately 85.1% and 93.3%, respectively. The employment rate of our graduates for the 2019/2020 school year dropped given the impact of COVID-19 on the employment market in the PRC in 2020.

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 2020/2021 school year, Shangqiu University had a total enrolment of 12,198 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 enrollees, Chunlai 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), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 41 bachelor's degree programmes, 32 junior college diploma programmes, 3 double bachelor's degree programmes, 12 adult higher education programmes, 3 counterpart bachelor's degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes. For the 2020/2021 school year, Anyang University had a total enrolment of 13,716 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 25 bachelor's degree programmes and 18 junior college diploma programmes. For the 2020/2021 school year, Shangqiu University Kaifeng Campus had a total enrolment of 7,681 students.

Jiankang College

Jiankang College is located in Xianning, Hubei Province. By closely following the state's "Healthy China 2030" and "Aging Service and Industry" strategic development needs, Jiankang College has set up three departments and two divisions, including the Department of Nursing, the Department of Health Intelligent Engineering, the Department of Public Health, the Division of Basic Medicine, and the Division of Public Instruction, and offers 7 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, early childhood development and health management, and rehabilitation engineering technology. For the 2020/2021 school year, Jiankang College had a total enrolment of 505 students.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges as at 29 February 2020 and 28 February 2021:

| | Student enrolment ⁽¹⁾ | | Change | Percentage change (approximately) |
|--|----------------------------------|------------------------|---------------|-----------------------------------|
| | As at 28 February 2021 | As at 29 February 2020 | | |
| Shangqiu University | | | | |
| Bachelor's degree programmes | 10,378 | 10,828 | (450) | (4.2%) |
| Junior college to bachelor's degree transfer programmes | 2,544 | 1,608 | 936 | 58.2% |
| Junior college diploma programmes ⁽²⁾ | 13,173 | 7,451 | 5,722 | 76.8% |
| Vocational education programmes ⁽³⁾ | 4,428 | 4,225 | 203 | 4.8% |
| School subtotal | 30,523 | 24,112 | 6,411 | 26.6% |
| Anyang University | | | | |
| Bachelor's degree programmes | 13,186 | 12,038 | 1,148 | 9.5% |
| Junior college to bachelor's degree transfer programmes | 3,562 | 3,152 | 410 | 13% |
| Junior college diploma programmes ⁽²⁾ | 10,268 | 7,505 | 2,763 | 36.8% |
| Vocational education programmes ⁽³⁾⁽⁴⁾ | 8,123 | 5,014 | 3,109 | 62% |
| School subtotal | 35,139 | 27,709 | 7,430 | 26.8% |
| Shangqiu University Kaifeng Campus | | | | |
| Bachelor's degree programmes ⁽⁵⁾ | 7,393 | 6,873 | 520 | 7.6% |
| Junior college to bachelor's degree transfer programmes ⁽⁶⁾ | 1,622 | 1,346 | 276 | 20.5% |
| Junior college diploma programmes ⁽⁷⁾ | 5,665 | 1,521 | 4,144 | 272.5% |
| School subtotal | 14,680 | 9,740 | 4,940 | 50.7% |
| Jiankang College | | | | |
| Junior college diploma programmes ⁽⁸⁾ | 486 | N/A | N/A | N/A |
| School subtotal | 486 | N/A | N/A | N/A |
| Total number of students | 80,828 | 61,561 | 19,267 | 31.3% |

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 29 February and 28 February for the 2019/2020 and 2020/2021 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.
- (8) Jiankang College started its junior college diploma programmes in 2020.

For the 2020/2021 school year, the number of students increased by 31.3% from 61,561 in the prior school year to 80,828, 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 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 2020/2021 school year, the overall yield of our four 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 96.0% 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.

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) (“**Henan Shangqiu Chunlai**”), 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 Henan Shangqiu Chunlai and Suzhou University of Science and Technology (collectively, the “**Formal Agreement**”). Pursuant to the Formal Agreement, Henan Shangqiu Chunlai 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 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. 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 28 February 2021, we recorded a revenue of RMB501.2 million, a gross profit of RMB307.3 million and an adjusted net profit of RMB194.4 million. The gross profit margin was 61.3% for the six months ended 28 February 2021 as compared with 48.6% for the six months ended 29 February 2020.

The adjusted net profit of the Group for the six months ended 28 February 2021 was RMB194.4 million, representing an increase of RMB105.5 million or a 118.7% increase from the corresponding period in 2020. The adjusted net profit margin of the Group was 38.8% and 25.3% for the period ended 28 February 2021 and 29 February 2020, respectively. The increase in the adjusted net profit was mainly due to the increase in the Group's student enrolment.

The net profit of the Group amounted to approximately RMB164.6 million and RMB72.2 million for the period ended 28 February 2021 and 29 February 2020, respectively. The net profit margin of the Group amounted to 32.8% and 20.6% for the period ended 28 February 2021 and 29 February 2020, respectively.

Revenue

Our revenue increased by 42.9% from RMB350.9 million for the six months ended 29 February 2020 to RMB501.2 million for the six months ended 28 February 2021, primarily due to the increase in the Group's student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 49.3% from RMB68.3 million for the six months ended 29 February 2020 to RMB102.0 million for the six months ended 28 February 2021. The increase was primarily due to an increase in student enrolment from 9,740 for the 2019/2020 school year to 14,680 for the 2020/2021 school year. The increase 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 2020/2021 school year.

Revenue from Anyang University increased by 40.0% from RMB152.0 million for the six months ended 29 February 2020 to RMB212.8 million for the six months ended 28 February 2021. The increase was primarily due to an increase in student enrolment from 27,709 for the 2019/2020 school year to 35,139 for the 2020/2021 school year. The increase 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 2020/2021 school year.

Revenue from Shangqiu University increased by 40.6% from RMB130.5 million for the six months ended 29 February 2020 to RMB183.5 million for the six months ended 28 February 2021. The increase was primarily due to an increase in student enrollment from 24,112 for the 2019/2020 school year to 30,523 for the 2020/2021 school year.

Jiankang College began to have its first class of students in September 2020, with 486 students. Revenue from Jiankang College was RMB2.89 million for the six months ended 28 February 2021.

Overall, revenue from tuition fees and boarding fees increased by 43.2% and 39.9%, respectively from the six months ended 29 February 2020 to the six months ended 28 February 2021.

Cost of Revenue

Our cost of revenue increased by 7.6% from RMB180.3 million for the six months ended 29 February 2020 to RMB193.9 million for the six months ended 28 February 2021. The increase was primarily due to an increase in teaching staff costs, teaching expenses, and depreciation and amortization.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 80.1% from RMB170.6 million for the six months ended 29 February 2020 to RMB307.3 million for the six months ended 28 February 2021, and our gross profit margin increased from 48.6% for the six months ended 29 February 2020 to 61.3% for the six months ended 28 February 2021.

Other Income

Our other income decreased by 6.3% from RMB26.5 million for the six months ended 29 February 2020 to RMB24.9 million for the six months ended 28 February 2021.

Other Gains and Losses

We recorded other losses of RMB10.6 million for the six months ended 29 February 2020, while we recorded other losses of RMB24.3 million for the six months ended 28 February 2021. The other losses for the six months ended 28 February 2021 were primarily attributable to net foreign exchange losses.

Selling Expenses

Our selling expenses decreased by 20% from RMB2.3 million for the six months ended 29 February 2020 to RMB1.8 million for the six months ended 28 February 2021, primarily because the cost of enrollment publicity has been reduced.

Administrative Expenses

Our administrative expenses increased by 37.7% from RMB67.5 million for the six months ended 29 February 2020 to RMB93.0 million for the six months ended 28 February 2021, primarily due to increases in utilities, printing expenses, maintenance cost, and staff costs.

Finance Costs

Our finance costs increased by 4.7% from RMB41.9 million for the six months ended 29 February 2020 to RMB43.9 million for the six months ended 28 February 2021, primarily due to the increase in Henan Shangqiu Chunlai's finance costs.

Taxation

We recorded income tax of RMB2.6 million for the six months ended 29 February 2020 as compared to income tax of RMB4.6 million for the six months ended 28 February 2021 due to service revenue and other income.

Profit for the Period

Our profit increased by 128.1% from RMB72.2 million for the six months ended 29 February 2020 to RMB164.6 million for the six months ended 28 February 2021.

Adjusted Net Profit

Our adjusted net profit increased by 118.7% from RMB88.9 million for the six months ended 29 February 2020 to RMB194.4 million for the six months ended 28 February 2021. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the period excluding (i) share-based compensation and (ii) foreign exchange loss/(gain). The following table reconciles profit for the period to adjusted net profit for both periods:

| | Six months ended | |
|------------------------------|---------------------|---------------------|
| | 28 February 2021 | 29 February 2020 |
| Profit for the period | 164,552 | 72,156 |
| Add: | | |
| Share-based compensation | 5,603 | 6,105 |
| Foreign exchange loss/(gain) | 24,264 | 10,637 |
| Adjusted net profit | 194,419 | 88,898 |

Liquidity and Source of Funding and Borrowing

As at 28 February 2021, 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 RMB204.0 million and RMB142.9 million as of 31 August 2020 and 28 February 2021, respectively. The Company generally deposits the Group's excess cash in interest bearing bank accounts and current accounts.

As at 28 February 2021, 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 the liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, the proceeds from the initial public offering and other funds raised from the capital markets from time to time. Any significant decrease in 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 2021, 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 108.2%, representing a decrease of 16.2 percentage point(s) as compared with 124.4% as at 31 August 2020. The decrease was due to the fact that the Group had partly repaid certain interest-bearing bank loans and the increase of equity.

Significant Investments

Save as disclosed in this announcement, the Group did not hold any significant investments (including any investment in an investee company with a value of 5 per cent, or more of the Company's total assets as at 28 February 2021) during the six months ended 28 February 2021.

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 2021.

Pledge of Assets

On 30 December 2020, Henan Shangqiu Chunlai (as borrower) entered into a loan agreement (the "**Loan Agreement**") with Zhongyuan Bank Co., Ltd., Shangqiu Branch ("**Zhongyuan Bank**") (as lender) in relation to a term loan facility in an aggregate amount of RMB140,000,000 (the "**Loan**") with an annual interest rate of 6.0%, being 2.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People's Bank of China of 3.85% as at the date immediately before the date of the Loan Agreement. On the same day, each of Anyang University, Shangqiu University and Jiankang College entered into an account receivables pledge agreement with Zhongyuan Bank (collectively, the "**Pledge Agreements**"), pursuant to which each of Anyang University, Shangqiu University and Jiankang College agreed to pledge its account receivables in favour of Zhongyuan Bank for Henan Shangqiu Chunlai's liabilities under the Loan Agreement (including but not limited to the Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

Further details of the Loan and the Pledge Agreements are set out in the announcement of the Company dated 30 December 2020.

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 28 February 2021.

Foreign Exchange Exposure

During the six months ended 28 February 2021, the Group mainly operated in the PRC and the majority of the transactions were settled in Renminbi (“**RMB**”), the functional currency of the Group’s PRC subsidiaries and consolidated affiliated entities. The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollar and Hong Kong dollar which are currencies other than RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Future Plans for Material Investments and Capital Assets

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

Employee and Remuneration Policy

As of 29 February 2020 and 28 February 2021, we had 3,069 and 2,576 employees, respectively.

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

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 2021.

DIVIDEND

The Board resolved not to declare any dividend for the six months ended 28 February 2021 (2020: nil).

EXTRACT FROM INDEPENDENT REVIEW REPORT

The following is an extract of the independent review report on the Group's condensed consolidated financial statements for the six months ended 28 February 2021.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the condensed consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB1,636,677,000 as at 28 February 2021. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The aforesaid "note 2 to the condensed consolidated financial statements" in the extract from the independent review report is disclosed as note 2 to the notes to the condensed consolidated financial statements in this announcement.

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 (the "**Stock Exchange**") as the basis of the Company's corporate governance practices. During the six months ended 28 February 2021, 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

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 2021.

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 and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2021. 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 2021, 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 Group was not involved in any material litigation or arbitration during the six months ended 28 February 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group.

Use of Proceeds from Listing

Our shares were listed on the Stock Exchange on 13 September 2018 (the "Listing"). The net proceeds from the Listing amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). As of 28 February 2021, the utilization breakdown of the net proceeds from the Listing is set out below.

| | Net proceeds from the Listing <i>RMB million</i> | Unutilized amount as of 31 August 2020 <i>RMB million</i> | Utilization during the six months ended 28 February 2021 <i>RMB million</i> | Unutilized amount as of 28 February 2021 <i>RMB million</i> |
|--|---|---|---|---|
| Acquisition of land use rights and building educational and living facilities for our current colleges | 244.9 | 146.4 | (60.0) | 86.4 |
| 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 | 34.8 | (10.0) | 24.8 |
| Total | 489.8 | 181.2 | (70.0) | 111.2 |

The remaining balance of the net proceeds (approximately RMB111.2 million) is held as short-term deposits. The Company 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 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 28 February 2021 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
China Chunlai Education Group Co., Ltd.
Hou Chunlai
Chairman

Hong Kong, 30 April 2021

As at the date of this announcement, the Board comprises Mr. Hou Junyu and Ms. Jiang Shuqin as executive Directors, Ms. Zhang Jie as executive Director and chief executive officer, 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.