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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 2022

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 2022 (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 2022	28 February 2021	
Revenue	655,568	501,224	+30.8%
Gross Profit	409,951	307,293	+33.4%
Profit before taxation	252,024	169,197	+49.0%
Profit for the period	250,845	164,552	+52.4%
Non-IFRS Measure: Adjusted Net Profit ¹	263,399	194,419	+35.5%

Note:

- (1) Adjusted net profit is calculated as profit for the period excluding (i) share-based compensation, and (ii) exchange loss. For the year ended 31 August 2021, we included the gain on acquisition of Jingzhou College in the calculation of adjusted net profit. This was deleted for the six months ended 28 February 2022 because the results of operations of Jingzhou College has been consolidated into those of the Group. 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.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

		Six months ended	
		28 February 2022	28 February 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	655,568	501,224
Cost of revenue		<u>(245,617)</u>	<u>(193,931)</u>
Gross profit		409,951	307,293
Other income		20,339	24,871
Other losses, net		(9,736)	(24,264)
Selling expenses		(2,417)	(1,849)
Administrative expenses		<u>(99,623)</u>	<u>(92,957)</u>
Profit from operations		318,514	213,094
Finance costs	5	<u>(66,490)</u>	<u>(43,897)</u>
Profit before tax		252,024	169,197
Income tax expense	6	<u>(1,179)</u>	<u>(4,645)</u>
Profit and total comprehensive income for the period	7	<u>250,845</u>	<u>164,552</u>
Earnings per share	8		
Basic (RMB cents per share)		<u>21</u>	<u>14</u>
Diluted (RMB cents per share)		<u>21</u>	<u>14</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	<i>Notes</i>	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	2,793,389	2,780,754
Right-of-use assets		565,581	541,520
Intangible asset		188,000	188,000
Prepayment for cooperation agreements		800,111	640,056
Other non-current assets	11	564,324	342,625
		<u>4,911,405</u>	<u>4,492,955</u>
Current assets			
Trade and other receivables	12	157,869	161,635
Amount due from a shareholder		7	7
Cash and cash equivalents		241,384	399,603
		<u>399,260</u>	<u>561,245</u>
Current liabilities			
Accruals and other payables	13	234,662	383,719
Deferred revenue		2,895	3,499
Contract liabilities		629,492	219,419
Borrowings		1,548,949	1,593,517
Current tax liabilities		16,236	15,057
		<u>2,432,234</u>	<u>2,215,211</u>
Net current liabilities		<u>(2,032,974)</u>	<u>(1,653,966)</u>
Total assets less current liabilities		<u>2,878,431</u>	<u>2,838,989</u>
Non-current liabilities			
Deferred revenue		3,685	4,830
Borrowings		561,639	774,715
		<u>565,324</u>	<u>779,545</u>
NET ASSETS		<u>2,313,107</u>	<u>2,059,444</u>
Capital and reserves			
Share capital	14	10	10
Reserves		2,313,097	2,059,434
TOTAL EQUITY		<u>2,313,107</u>	<u>2,059,444</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note i)	Capital reserve RMB'000	Share- based payment reserve RMB'000	Retained earnings RMB'000	Total RMB'000
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>588,094</u>	<u>1,611,604</u>
At 1 September 2021 (Audited)	10	516,431	394,059	142,600	35,882	970,462	2,059,444
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	250,845	250,845
Recognition of equity-settled share-based payments (Unaudited)	-	-	-	-	2,818	-	2,818
Transfer to statutory reserve (Unaudited)	-	-	77,036	-	-	(77,036)	-
At 28 February 2022 (Unaudited)	<u>10</u>	<u>516,431</u>	<u>471,095</u>	<u>142,600</u>	<u>38,700</u>	<u>1,144,271</u>	<u>2,313,107</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 2022

	Six months ended	
	28 February	28 February
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	794,587	699,573
Cash flows from investing activities		
Advance to Tianping College	(270,800)	–
Payments for acquisition of property, plant and equipment	(242,947)	(294,799)
Prepayment for cooperation agreements	(160,055)	(240,000)
Advance to Hubei College	–	(121,000)
Advance to third parties	(55,000)	(58,471)
Payment for land use rights	(30,792)	–
Payment for acquisition of Jingzhou College	(20,000)	–
Repayment from Hubei College	–	52,500
Repayment from a third party	59,148	8,353
Repayment from Tianping College	50,500	–
Refund of prepayment for land use right	38,388	5,000
Interest income received	4,209	789
Net cash used in investing activities	(627,349)	(647,628)
Cash flows from financing activities		
Repayment of borrowings	(838,341)	(431,486)
Interest paid	(40,616)	(35,496)
Repayment to Tianping College	–	(20,950)
Repayment of lease liabilities	–	(139)
Lease interests paid	–	(1)
Proceeds from borrowings	553,500	375,000
Net cash used in financing activities	(325,457)	(113,072)
Net decrease in cash and cash equivalents	(158,219)	(61,127)
Cash and cash equivalents at beginning of period	399,603	204,011
Cash and cash equivalents at end of period	241,384	142,884
Analysis of cash and cash equivalents		
Bank and cash balances	241,384	142,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

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 and its consolidated affiliated entities 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 for the six months ended 28 February 2022 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 2021 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 2021.

Going concern basis

The Group had net current liabilities of approximately RMB2,032,974,000 as at 28 February 2022. This condition indicates 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 2022. 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 2022;
- (ii) the Group has entered into ten loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB2,100,000,000 are available to the Group for not less than twelve months from 28 February 2022;

- (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 2021. 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 2022	28 February 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tuition fees	594,711	452,631
Boarding fees	60,857	48,593
Total revenue	655,568	501,224

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 2022 (six months ended 28 February 2021: 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 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Interest expense in relation to:		
– Lease liabilities	–	1
– Bank borrowings	39,806	34,406
– Borrowings from non-banking institutes	27,197	11,720
	67,003	46,127
Less: capitalised in construction in progress	(513)	(2,230)
	66,490	43,897

6. INCOME TAX EXPENSE

	Six months ended	
	28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)	1,179	4,645

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 2022 (six months ended 28 February 2021: 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 2022 (six months ended 28 February 2021: 25%).

Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Hubei Jiankang Vocational College and Jingzhou College enjoyed tax exemption for tuition related income during the six months ended 28 February 2022.

7. PROFIT FOR THE PERIOD

This is stated at after charging the following:

	Six months ended	
	28 February 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Directors' remuneration	3,645	5,417
Depreciation of property, plant and equipment	99,798	65,584
Depreciation of right-of-use assets	6,731	5,772
Foreign exchange loss	9,736	24,264
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	116,517	94,174
– Retirement benefit scheme contributions	15,113	9,863
– Equity-settled share-based payments	2,818	5,603
	134,448	109,640

8. EARNINGS PER SHARE

	Six months ended	
	28 February 2022 (Unaudited)	28 February 2021 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	250,845	164,552
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	20,867,217	12,468,520
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,220,867,217	1,212,468,520

9. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the six months ended 28 February 2022 and 28 February 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2022, the Group acquired property, plant and equipment of approximately RMB111,936,000 (six months ended 28 February 2021: RMB237,584,000) for the purpose of construction and improvement of campus infrastructure. As at 28 February 2022, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB1,403,284,000 (31 August 2021: RMB1,648,016,000) had not been obtained.

11. OTHER NON-CURRENT ASSETS

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Prepayments/deposits paid for acquisition of property, plant and equipment	29,605	16,329
Refund of prepayment for land use rights	255	–
Pledged deposit (<i>note i</i>)	269,314	276,296
Deposit paid (<i>note ii</i>)	50,000	50,000
Advance to Tianping College (<i>note iii</i>)	215,150	–
	<u>564,324</u>	<u>342,625</u>

Notes:

- (i) Offshore foreign deposit of USD40,000,000 (equivalent to RMB252,824,000) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year ended 31 August 2021, the repayment date of the onshore loan was extended to July 2023.

Pledged deposits of RMB16,490,000 are secured for borrowings of RMB456,143,000.

- (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.

- (iii) As at 28 February 2022, the advance with principal amount of RMB215,150,000 is unsecured, interest bearing at 4.75% per annum and repayable in August 2023.

12. TRADE AND OTHER RECEIVABLES

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Tuition and boarding fee receivables (<i>note i</i>)	34,587	13,920
Service income receivables	39,109	26,870
Consultancy income receivables from Tianping College	5,000	–
Advance to third parties (<i>note ii</i>)	55,000	59,148
Refund of prepayment for land use right	–	38,643
Other receivables	13,656	13,096
Interest receivables	2,891	1,682
Prepaid expenses	7,626	8,276
	<u>157,869</u>	<u>161,635</u>

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 31 August 2021, the advance with principal amount of HK\$70,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021. During the reporting period, advance to third parties of HK\$70,000,000 was fully settled.

As at 28 February 2022, the advance with principal amount of RMB25,000,000 is unsecured, interest bearing at 6% per annum and repayable in November 2022.

As at 28 February 2022, the advance with principal amount of RMB30,000,000 is unsecured, interest bearing at 6% per annum and repayable in February 2023.

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 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
0-180 days	23,683	–
181-365 days	–	10,829
Over 1 year	10,904	3,091
	<u>34,587</u>	<u>13,920</u>

13. ACCRUALS AND OTHER PAYABLES

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Interest payables	2,384	3,194
Accrued staff benefits and payroll	34,654	42,041
Payables for purchase of property, plant and equipment and construction	95,032	212,767
Receipt on behalf of ancillary services providers	26,002	18,542
Advance from Tianping College (<i>note i</i>)	–	5,150
Other payables, accruals and deposits received	63,977	70,264
Consideration payable for acquisition of Jingzhou College	–	20,000
Other taxes payables	12,613	11,761
	<u>234,662</u>	<u>383,719</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 <i>HK\$</i>	Amount <i>RMB</i>	Amount <i>RMB'000</i>
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2020, 31 August 2021, 1 September 2021 (Audited) and 28 February 2022 (Unaudited)	<u>50,000,000,000</u>	<u>500,000</u>	<u>424,570</u>	<u>425</u>
Issued and fully paid:				
As at 1 September 2020, 31 August 2021, 1 September 2021 (Audited) and 28 February 2022 (Unaudited)	<u>1,200,000,000</u>	<u>12,000</u>	<u>9,867</u>	<u>10</u>

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	24,528	1,266
Capital expenditure in respect of land use rights	11,460	11,460
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
	65,988	202,782

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 2022 RMB'000 (Unaudited)	28 February 2021 RMB'000 (Unaudited)
Consultancy income from Hubei College	–	8,137
Consultancy income from Tianping College (<i>note i</i>)	4,717	4,717

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

	As at 28 February 2022 RMB'000 (Unaudited)	As at 31 August 2021 RMB'000 (Audited)
Consultancy income receivables from Tianping College (<i>note i</i>)	5,000	–
Advance from Tianping College (<i>note i</i>)	–	5,150

Notes:

- (i) 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 2022	28 February 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,942	1,962
Equity-settled share-based payments	1,703	3,455
	3,645	5,417

17. EVENTS AFTER THE REPORTING PERIOD

On 14 April 2022, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Zhongyuan Bank in relation to a term loan facility with a principal amount of up to RMB180,000,000 (the “**Shangqiu University Loan**”) for a term of one year commencing on 19 April 2022, at an annual interest rate of 5%, being 1.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China before the date of the Shangqiu University Loan Agreement. On the same day, Shangqiu University entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Zhongyuan Bank for Shangqiu University’s liabilities under the Shangqiu University Loan Agreement (including but not limited to the Shangqiu University Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Shangqiu University Loan Agreement and the related security agreements are set out in the announcement of the Company dated 18 April 2022.

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 has been growing 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 two colleges in Hubei Province, namely Hubei Jiankang Vocational College (湖北健康職業學院) (“**Jiankang College**”) and Jingzhou College* (荊州學院) (“**Jingzhou College**”) (formerly Hubei College). We also participate in the operation of Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) (“**Tianping College**”). We completed the acquisition of sponsor interest of Jingzhou College in May 2021 and are in the process of acquiring the sponsor interest of 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.

Since 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 measures undertaken by respective local authorities which, inter alia, include closure of schools and delays in class 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, the 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 2022. The Company is of the view that the business of the Group remained relatively stable for the year ended 28 February 2022, 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 2020/2021 and 2021/2022 school years, the average initial employment rate of our higher education programmes was approximately 93.3% and 94.4%, respectively.

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 47 bachelor’s degree programmes, 18 junior college to bachelor’s degree transfer programmes, 36 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 20 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor’s degree programmes in marketing, Chinese language and literature, economics, human resources management, and international economy and trade. For the 2021/2022 school year, Shangqiu University had a total enrolment of 30,356 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 41 bachelor’s degree programmes, 32 junior college diploma 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 2021/2022 school year, Anyang University had a total enrolment of 34,194 students.

Anyang University Yuanyang Campus

In April 2021, we established the new Anyang University Yuanyang Campus, which only started to enrol students for the 2021/22 school year after the year ended 31 August 2021. Anyang University Yuanyang Campus currently offers 19 bachelor’s degree programmes and 7 junior college diploma programmes. For the 2021/2022 school year, Anyang University Yuanyang Campus had a total enrolment of 4,060 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 26 bachelor’s degree programmes, 20 junior college to bachelor’s degree transfer programmes and 20 junior college diploma programmes. For the 2021/2022 school year, Shangqiu University Kaifeng Campus had a total enrolment of 16,174 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 2021/2022 school year, Jiankang College had a total enrolment of 1,342 students.

Jingzhou College (formerly Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province. Jingzhou College currently offers 31 bachelor’s degree programmes, and 18 junior college diploma programmes. For the 2021/2022 school year, Jingzhou College had a total enrolment of 12,261 students. We have completed the acquisition of sponsor interest of Jingzhou College in May 2021 and the results of operations has been consolidated into those of the Group since the year ended 31 August 2021.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the six months ended 28 February 2021 and the six months ended 28 February 2022:

	Student enrolment		Change	Percentage change (approximately)
	As at 28 February 2022	As at 28 February 2021		
Shangqiu University				
Bachelor's degree programmes	10,008	10,378	-370	-3.6%
Junior college to bachelor's degree transfer programmes	2,399	2,544	-145	-5.7%
Junior college diploma programmes ⁽²⁾	12,735	13,173	-438	-3.3%
Vocational education programmes ⁽³⁾	5,214	4,428	786	17.8%
School subtotal	30,356	30,523	-167	-0.5%
Anyang University				
Bachelor's degree programmes	10,808	13,186	-2,378	-18.0%
Junior college to bachelor's degree transfer programmes	3,605	3,562	43	1.2%
Junior college diploma programmes ⁽²⁾	12,188	10,268	1,920	18.7%
Vocational education programmes ⁽³⁾⁽⁴⁾	7,593	8,123	-530	-6.5%
School subtotal	34,194	35,139	-945	-2.7%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	7,891	7,393	498	6.7%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	2,495	1,622	873	53.8%
Junior college diploma programmes ⁽⁷⁾	5,788	5,665	123	2.2%
School subtotal	16,174	14,680	1,494	10.2%
Jiankang College				
Junior college diploma programmes ⁽⁸⁾	1,342	486	856	176.1%
School subtotal	1,342	486	856	176.1%
Jingzhou College				
Bachelor's degree programmes	6,616	6,447	169	2.6%
Junior college to bachelor's degree transfer programmes	1,282	3,731	-2,449	-65.6%
Junior college diploma programmes	4,363	581	3,782	650.9%
School subtotal	12,261	10,759	1,502	14.0%
Anyang University Yuangyang Campus				
Bachelor's degree programmes	3,735	–	3,735	N/A
Vocational education programmes ⁽⁹⁾	325	–	325	N/A
School subtotal	4,060	–	4,060	N/A
Total number of students	98,387	91,587	6,800	7.4%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 28 February and 28 February for the 2020/2021 and 2021/2022 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.
- (9) Anyang University Yuanyang Campus started its bachelor's degree programmes and vocational education programmes in 2021.

For the 2021/2022 school year, the number of students increased by 7.4% from 91,587 in the prior school year to 98,387. The increase was primarily due to the incorporation of Jingzhou college and Anyang University Yuanyang Campus into the consolidated statement. 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 16 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 in our colleges that offer bachelor's degree programmes. For example, for the 2021/2022 school year, the overall yield of our four colleges that offer bachelor's degree programmes (being Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus and Jingzhou College), as defined by the number of students who enrolled in a bachelor's degree programme divided by the number of students who were admitted in that programme, was 96.3%.

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) (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 were completed with effect from 31 May 2021. For further details, please refer to the announcements of the Company dated 23 July 2019, 20 August 2019, 24 September 2021 and 29 October 2021, and the major transaction circular of the Company dated 18 January 2022.

Future Development

In order to continuously increase our total enrolment, we plan to acquire additional land use rights and construct new education 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 in dormitories on campus. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. Taking into account 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 2022, we recorded a revenue of RMB655.6 million, a gross profit of RMB410.0 million and an adjusted net profit of RMB263.4 million. The gross profit margin was 62.5% for the six months ended 28 February 2022 as compared with 61.3% for the six months ended 28 February 2021.

The adjusted net profit of the Group for the six months ended 28 February 2022 was RMB263.4 million, representing an increase of RMB69.0 million or a 35.5% increase from the corresponding period in 2021. The adjusted net profit margin of the Group was 40.2% and 38.8% for the period ended 28 February 2022 and 28 February 2021, 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 RMB250.8 million and RMB164.6 million for the period ended 28 February 2022 and 28 February 2021, respectively. The net profit margin of the Group amounted to 38.3% and 32.8% for the period ended 28 February 2022 and 28 February 2021, respectively.

Revenue

Our revenue increased by 30.8% from RMB501.2 million for the six months ended 28 February 2021 to RMB655.6 million for the six months ended 28 February 2022, primarily due to the increase in the Group's student enrolment.

Revenue from Shangqiu University increased by 4.7% from RMB183.5 million for the six months ended 28 February 2021 to RMB192.2 million for the six months ended 28 February 2022. The increase was primarily due to an increase in the average tuition fee level for the 2021/2022 school year.

Revenue from Anyang University decreased by 3.1% from RMB212.8 million for the six months ended 28 February 2021 to RMB206.3 million for the six months ended 28 February 2022. The decrease was primarily due to a decrease in student enrolment from 35,139 for the 2020/2021 school year to 34,194 for the 2021/2022 school year.

Revenue from Shangqiu University Kaifeng Campus increased by 16.4% from RMB102.0 million for the six months ended 28 February 2021 to RMB118.7 million for the six months ended 28 February 2022. The increase was primarily due to an increase in student enrolment from 14,680 for the 2020/2021 school year to 16,174 for the 2021/2022 school year. 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 2021/2022 school year.

Anyang University Yuangyang Campus began to have its first class of students in September 2021, with 4,060 students. Revenue from Anyang University Yuangyang Campus was RMB32.6 million for the six months ended 28 February 2022.

For the 2021/2022 school year, Jingzhou College had a total enrolment of 12,261 students. For the six months ended 28 February, 2022, the revenue of Jingzhou College is RMB96.3 million.

Revenue from Jiankang College increased by 227.6% from RMB2.9 million for the six months ended 28 February 2021 to RMB9.5 million for the six months ended 28 February 2022. The increase was primarily due to an increase in student enrollment from 486 for the 2020/2021 school year to 1,342 for the 2021/2022 school year.

Overall, revenue from tuition fees and boarding fees increased by 31.4% and 25.2%, respectively from the six months ended 28 February 2021 to the six months ended 28 February 2022.

Cost of Revenue

Our cost of revenue increased by 26.7% from RMB193.9 million for the six months ended 28 February 2021 to RMB245.6 million for the six months ended 28 February 2022. The increase was primarily due to the increase in depreciation caused by the increase in fixed assets.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 33.4% from RMB307.3 million for the six months ended 28 February 2021 to RMB410.0 million for the six months ended 28 February 2022, and our gross profit margin increased from 61.3% for the six months ended 28 February 2021 to 62.5% for the six months ended 28 February 2022.

Other Income

Our other income decreased by 18.5% from RMB24.9 million for the six months ended 28 February 2021 to RMB20.3 million for the six months ended 28 February 2022, primarily due to the group will no longer charge the consulting service fees for Jingzhou College.

Other Gains and Losses

We recorded other losses of RMB24.3 million for the six months ended 28 February 2021, while we recorded other losses of RMB9.7 million for the year ended 28 February 2022. The other losses for the year ended 28 February 2022 were primarily attributable to net foreign exchange losses.

Selling Expenses

Our selling expenses increased by 33.3% from RMB1.8 million for the six months ended 28 February 2021 to RMB2.4 million for the six months ended 28 February 2022, primarily because the increase in recruitment publicity costs.

Administrative Expenses

Our administrative expenses increased by 7.1% from RMB93.0 million for the six months ended 28 February 2021 to RMB99.6 million for the six months ended 28 February 2022, primarily due to the increase of staff costs.

Finance Costs

Our finance costs increased by 51.5% from RMB43.9 million for the six months ended 28 February 2021 to RMB66.5 million for the six months ended 28 February 2022, primarily due to an increase in borrowing.

Taxation

We recorded income tax of RMB4.6 million for the period ended 28 February 2021 as compared to income tax of RMB1.2 million for the period ended 28 February 2022 due to service revenue and other income.

Profit for the Period

Our profit increased by 52.4% from RMB164.6 million for the six months ended 28 February 2021 to RMB250.8 million for the six months ended 28 February 2022, primarily due to the incorporation of Jingzhou College into the consolidated statement and the growth of revenue more than the growth of costs and expenses.

Non-IFRS Measure – Adjusted Net Profit

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.

Our adjusted net profit increased by 35.5% from RMB194.4 million for the six months ended 28 February 2021 to RMB263.4 million for the six months ended 28 February 2022. Adjusted net profit (as an non-IFRS measure) was calculated as profit for the period excluding (i) share-based compensation, and (ii) foreign exchange loss. For the year ended 31 August 2021, we included the gain on acquisition of Jingzhou College in the calculation of adjusted net profit. This was deleted for the six months ended 28 February 2022 because the results of operations of Jingzhou College has been consolidated into those of the Group. The following table reconciles profit for the period to adjusted net profit for both periods:

	For the six months ended	
	28 February	28 February
	2022	2021
	<i>(RMB in thousands)</i>	
Profit for the period	250,845	164,552
Add:		
Share-based compensation	2,818	5,603
Foreign exchange loss	9,736	24,264
Adjusted net profit	263,399	194,419

Liquidity and Source of Funding and Borrowing

As at 28 February 2022, 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 RMB399.6 million and RMB241.4 million as of 31 August 2021 and 28 February 2022, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As at 28 February 2022, 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, the announcements of the Company dated 23 July 2019 and 20 August 2019, and the major transaction circular dated 18 January 2022), 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 Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering (as defined below) and other funds raised from the capital markets from time to time. Any significant decrease in the student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

Gearing Ratio

As at 28 February 2022, 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 91.2%, representing a decrease of 23.8 percentage point(s) as compared with 115.0% as at 31 August 2021. The decrease was due to the repayment of 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% or more of the Company's total assets as at 28 February 2022) during the six months ended 28 February 2022.

Material Acquisitions and Disposals

On 15 December 2021, Tianping College entered into an asset transfer agreement with the Gaochun Bureau of the Nanjing Bureau of Planning and Natural Resources* (南京市規劃和自然資源局高淳分局), pursuant to which Tianping College shall acquire the land use right of a piece of land ("**Acquisition of Land Use Right**") situated east of Ninggao New Channel, Higher Vocational Education Innovation and Innovation Park (高職園寧高新通道以東) and north of Weier Road (緯二路北側) with a total land use right area of 315,732.18 sq m. for education purposes and for the construction and development of a new school campus at a consideration of RMB180 million (equivalent to approximately HK\$220 million). Further details of the Acquisition of Land Use Right are set out the announcement of the Company dated 16 December 2021.

Save as disclosed in this announcement, 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 2022.

Pledge of Assets

1. On 9 September 2021, Jingzhou College (as borrower) entered into a loan agreement (the "**Jingzhou College Loan Agreement**") with China Everbright Bank Co. Ltd., Jingzhou Branch* (中國光大銀行股份有限公司荊州分行) ("**China Everbright Bank**") in relation to a revolving loan facility with a principal amount of up to RMB30,000,000 (the "**Jingzhou College Loan**") for a term of one year with an interest rate to be separately agreed by Jingzhou College and China Everbright Bank. On 10 September 2021, each of the Company, the PRC Holdco, the School Sponsor, Hubei Chunlai, WFOE entered into a guarantee agreement with China Everbright Bank (collectively, the "**Company Guarantee Agreements**"), and each of Mr. Hou Junyu ("**Mr. Hou**"), Ms. Song Mengmeng ("**Ms. Song**") and Ms. Jiang Shuqin ("**Ms. Jiang**") entered into a guarantee agreement with China Everbright Bank (collectively, the "**Personal Guarantee Agreements**" and together with the Company Guarantee Agreements, the "**Guarantee Agreements**"). Pursuant to the Guarantee Agreements, each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai, WFOE, Mr. Hou, Ms. Song and Ms. Jiang shall provide a guarantee in favour of China Everbright Bank for Jingzhou College's liabilities under the Jingzhou College Loan Agreement (including but not limited to the principal amount of the Jingzhou College Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions).

Further details of the Jinzhou College Loan and the related security agreements are set out in the announcement of the Company dated 24 September 2021.

2. On 20 December 2021, the School Sponsor entered into a loan agreement (the “**School Sponsor Loan Agreement**”) with Zhongyuan Bank Co. Ltd., Shangqiu Branch* (中原銀行股份有限公司商丘分行) (“**Zhongyuan Bank**”) in relation to a term loan facility with a principal amount of up to RMB90,000,000 (the “**School Sponsor Loan**”) for a term of one year commencing on 1 January 2022, at an annual interest rate of 6.00%, being 2.15% above the latest one-year loan prime rate (being 3.85%) promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China (“**PBOC**”) before the date of the First Loan Agreement (as defined below). On the same day, each of Anyang University, Shangqiu University and Jiankang College entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which each of Anyang University, Shangqiu University and Jiankang College agreed to pledge its account receivables in favour of Zhongyuan Bank for the School Sponsor’s liabilities under the School Sponsor Loan Agreement (including but not limited to the School Sponsor Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

Further details of the School Sponsor Loan Agreement and the related security agreements are set out in the announcement of the Company dated 20 December 2021.

3. Reference is made to the announcement of the Company dated 20 December 2021 in respect of the loan agreement (the “**December Agreement**”) entered into between Anyang University and Zhongyuan Bank. Pursuant to the December Agreement, Zhongyuan Bank agreed to make available a term loan facility with a principal amount of up to RMB300,000,000 to Anyang University. The Company would like to clarify that the December Agreement was subsequently cancelled.

Following the cancellation of the December Agreement, Anyang University entered into the following loan agreements (the “**Anyang University Loan Agreements**”) with Zhongyuan Bank:

- (a) a loan agreement dated 20 December 2021 in relation to a term loan facility with a principal amount of up to RMB45,000,000 (the “**First Loan**”) for a term of two years commencing on 21 December 2021, at an annual interest rate of 6.00%, being 2.15% above the latest one-year loan prime rate (being 3.85%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Second Loan Agreement;
- (b) a loan agreement dated 11 February 2022 in relation to a term loan facility with a principal amount of up to RMB130,000,000 (the “**Second Loan**”) for a term of two years commencing on 16 February 2022, at an annual interest rate of 6.00%, being 2.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Third Loan Agreement; and

- (c) a loan agreement dated 11 February 2022 in relation to a term loan facility with a principal amount of up to RMB125,000,000 (the “**Third Loan**”, together with the First Loan and the Second Loan, the “**Anyang University Loans**”) for a term of two years commencing on 23 February 2022, at an annual interest rate of 6.00%, being 2.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Fourth Loan Agreement.

In respect of the Anyang University Loan Agreements, Anyang University entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which Anyang University agreed to pledge its account receivables in favour of Zhongyuan Bank for Anyang University’s liabilities under the Anyang University Loan Agreements (including but not limited to the Anyang University Loans, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

Further details of the Anyang University Loan Agreements and the related security agreements are set out in the announcement of the Company dated 11 February 2022.

Contingent Liabilities

The Group had no material contingent liabilities as at 28 February 2022.

Foreign Exchange Exposure

During the six months ended 28 February 2022, 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 dollars and Hong Kong dollars. 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 or 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 28 February 2021 and 28 February 2022, we had 2,576 and 4,494 employees, respectively.

The number of employees employed by the Group varies from time to time depending on business need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are reviewed periodically. As required by PRC laws and regulations, the Company participates in various employee social security insurance plans for its employees that are administered by local governments, including, among others, housing provident funds, pensions, medical insurance, social 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 the previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee based on the Group's performance and the executives' respective contributions to the Group.

The Company has also adopted a pre-IPO share option scheme and a share award scheme.

The total remuneration cost incurred by the Group for the Reporting Period was RMB134.4 million (for the six months ended 28 February 2021: RMB109.6 million).

EVENTS AFTER THE REPORTING PERIOD

On 14 April 2022, Shangqiu University (as borrower) entered into a loan agreement (the "**Shangqiu University Loan Agreement**") with Zhongyuan Bank in relation to a term loan facility with a principal amount of up to RMB180,000,000 (the "**Shangqiu University Loan**") for a term of one year commencing on 19 April 2022, at an annual interest rate of 5%, being 1.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Shangqiu University Loan Agreement. On the same day, Shangqiu University entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Zhongyuan Bank for Shangqiu University's liabilities under the Shangqiu University Loan Agreement (including but not limited to the Shangqiu University Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Shangqiu University Loan Agreement and the related security agreements are set out in the announcement of the Company dated 18 April 2022.

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 2022.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 28 February 2022 (2021: nil).

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the condensed consolidated financial statements. 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 2022:

“The Group had net current liabilities of approximately RMB2,032,974,000 as at 28 February 2022. 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 2022, the Company has complied with all the code provisions set out in the CG Code.

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, 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 2022.

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 Rule 3.10(2) and Rule 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 2022. 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 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Use of Proceeds from Global Offering

Our shares were listed on the Stock Exchange on 13 September 2018 (the "Global Offering"). The net proceeds from the Global Offering amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). The utilisation breakdown of the net proceeds from the Global Offering as of 28 February 2022 is set out below.

	Net proceeds from the Global Offering <i>RMB million</i>	Unutilised as of 31 August 2021 <i>RMB million</i>	Utilisation during the six months ended 28 February 2022 <i>RMB million</i>	Unutilised amount as of 28 February 2022 <i>RMB million</i>
Acquisition of land use rights and building education and living facilities for our current colleges	244.9	104.1	45.9	58.2
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 purpose	49.0	20.3	8.0	12.3
Total	489.8	124.4	53.9	70.5

The remaining balance of the net proceeds (approximately RMB70.5 million) is held as short-term deposits. The Company expects to gradually apply the remaining net proceeds in the manner set out below:

- RMB58.2 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024; and
- RMB12.3 million for working capital and general corporate purposes by September 2023.

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 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By Order of the Board of Directors
China Chunlai Education Group Co., Ltd.
Hou Junyu
Executive Director

Hong Kong, 28 April 2022

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.

* *The English translation of entity or enterprise names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*