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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2024

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 audited consolidated annual results of the Group for the year ended 31 August 2024 (the “**Reporting Period**”). These audited consolidated annual results have been reviewed by the Company’s audit committee together with the management of the Company.

	Year ended 31 August		
	2024	2023	Change (%)
Revenue	1,631,496	1,497,962	8.9%
Gross profit	955,503	890,055	7.4%
Profit before taxation	786,913	688,175	14.3%
Profit for the year	778,171	684,393	13.7%
Non-IFRS Measure: Adjusted net profit ¹	789,883	673,227	17.3%

Note:

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

The Board has recommended the payment of a final dividend of RMB0.0924 per share (equivalent to approximately HK\$0.1 per share) for the Reporting Period (2023: RMB0.053 per share (equivalent to approximately HK\$0.058 per share)), subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the annual general meeting to be held on Friday, 10 January 2025 (the “**2025 AGM**”). The final dividend will be declared in Renminbi and paid in Hong Kong dollars.

Non-IFRS Measure

To supplement the Group's audited 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 non-IFRS measure because it is used by the 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 shareholders, investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Revenue	4	1,631,496	1,497,962
Cost of revenue		<u>(675,993)</u>	<u>(607,907)</u>
Gross profit		955,503	890,055
Other income	5	128,788	84,066
Other gains and losses, net	6	(7,752)	18,086
Selling expenses		(3,929)	(5,109)
Administrative expenses		<u>(189,977)</u>	<u>(174,378)</u>
Profit from operations		882,633	812,720
Finance costs	7	<u>(95,720)</u>	<u>(124,545)</u>
Profit before tax		786,913	688,175
Income tax expenses	8	<u>(8,742)</u>	<u>(3,782)</u>
Total comprehensive income for the year		<u>778,171</u>	<u>684,393</u>
Earnings per share	9		
Basic (RMB cents per share)		<u>65</u>	<u>57</u>
Diluted (RMB cents per share)		<u>63</u>	<u>56</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2024

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	3,161,911	2,987,663
Intangible asset	<i>12</i>	188,000	188,000
Right-of-use assets		760,590	636,517
Prepayment for cooperation agreements	<i>13</i>	800,111	800,111
Other non-current assets	<i>14</i>	337,776	384,797
		<u>5,248,388</u>	<u>4,997,088</u>
Current assets			
Trade and other receivables	<i>15</i>	1,214,535	670,988
Amount due from a shareholder		7	7
Cash and cash equivalents		790,900	789,720
		<u>2,005,442</u>	<u>1,460,715</u>
Current liabilities			
Accruals and other payables	<i>16</i>	395,688	305,747
Deferred revenue		1,541	1,999
Contract liabilities		693,444	678,914
Borrowings	<i>17</i>	1,728,005	1,439,460
Current tax liabilities		30,772	22,030
		<u>2,849,450</u>	<u>2,448,150</u>
Net current liabilities		<u>(844,008)</u>	<u>(987,435)</u>
Total assets less current liabilities		<u>4,404,380</u>	<u>4,009,653</u>
Non-current liabilities			
Deferred revenue		292	1,832
Borrowings	<i>17</i>	520,185	732,162
		<u>520,477</u>	<u>733,994</u>
NET ASSETS		<u>3,883,903</u>	<u>3,275,659</u>
Capital and reserves			
Share capital	<i>18</i>	10	10
Reserves		3,883,893	3,275,649
TOTAL EQUITY		<u>3,883,903</u>	<u>3,275,659</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2024

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands (2023 Revision, as consolidated and revised) 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 in Hong Kong is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited ("**Chunlai Investment**"), which was incorporated in the British Virgin Islands ("**BVI**"), 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 on 13 September 2018.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher education institutions in the People's Republic of China (the "**PRC**"). The Company, and its subsidiaries and its consolidated affiliated entities are collectively referred to as the "**Group**".

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

2. GOING CONCERN BASIS

As at 31 August 2024, the Group had net current liabilities of approximately RMB844,008,000. Included therein, the Group recorded the contract liabilities of approximately RMB693,444,000.

In view of the net current liabilities position, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") that are relevant to its operations and effective for its accounting year beginning on 1 September 2023. IFRSs comprise International Financial Reporting Standards; 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 consolidated financial statements and amounts reported for the current year and prior years.

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 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.

	2024	2023
	RMB'000	RMB'000
Tuition fees	1,486,406	1,359,278
Boarding fees	145,090	138,684
Total revenue	1,631,496	1,497,962

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 year ended 31 August 2024 (2023: 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. OTHER INCOME

	2024	2023
	RMB'000	RMB'000
Government grants (<i>note i</i>)	3,254	102
Interest income	8,491	9,672
Service income	60,920	21,462
Consultancy income from Tianping College (<i>note ii</i>)	14,151	14,151
Interest income from Tianping College (<i>note iii</i>)	27,500	18,688
Ancillary services income (<i>note iv</i>)	7,305	13,230
Others	7,167	6,761
	128,788	84,066

Notes:

- (i) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- (ii) It represents the provision of technical and management consultancy services to Tianping College.
- (iii) It represents the interest income of 4.75% per annum from the advance to Tianping College by the Group.
- (iv) It mainly represents the teaching material fee income recognised the net of the refund of teaching material fee to students, and discounted amount paid to ancillary services providers as well as the original teaching material fee.

6. OTHER GAINS AND LOSSES, NET

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Gain on disposals of property, plant and equipment	76	1,344
Gain on forfeit of share options (<i>note i</i>)	493	–
Net foreign exchange (loss)/gain	<u>(8,321)</u>	<u>16,742</u>
	<u><u>(7,752)</u></u>	<u><u>18,086</u></u>

Note:

- (i) It represents the gain on forfeiture of unvested share options held by various staffs upon their resignation during the year ended 31 August 2024.

7. FINANCE COSTS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest expenses in relation to:		
– Bank borrowings	51,993	74,788
– Borrowings from non-banking institutions	<u>47,408</u>	<u>57,320</u>
	99,401	132,108
Less: capitalised in construction in progress	<u>(3,681)</u>	<u>(7,563)</u>
	<u><u>95,720</u></u>	<u><u>124,545</u></u>

Borrowing costs on funds borrowed generally are capitalised at a rate of 5.4% per annum in 2024 (2023: 6.2%).

8. INCOME TAX EXPENSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”)	<u>8,742</u>	<u>3,782</u>

The Company was incorporated in the Cayman Islands while Chunlai BVI was incorporated in the BVI, 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 year ended 31 August 2024 (2023: 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 year ended 31 August 2024 (2023: 25%).

Shangqiu University, Shangqiu University Kaifeng Campus, Anyang University, Anyang University Yuanyang Campus, Hubei Jiankang Vocational College, and Jingzhou College enjoyed tax exemption for tuition related income during the year ended 31 August 2024 (2023: nil).

9. EARNINGS PER SHARE

	2024	2023
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	<u>778,171</u>	<u>684,393</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	<u>31,884,765</u>	<u>30,474,230</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,231,884,765</u>	<u>1,230,474,230</u>

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as the potential ordinary shares are dilutive for the year ended 31 August 2024 and 2023.

10. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Interim dividend approved and paid/payable – RMB0.0907 (approximate to HK\$0.1) per ordinary share (<i>note i</i>)	<u>108,840</u>	<u>–</u>
Proposed final dividend of RMB0.0924 (approximate to HK\$0.1) (2023: RMB0.053 (approximate to HK\$0.058)) per ordinary share	<u>110,880</u>	<u>63,985</u>
Final dividend for the year ended 31 August 2023/2022 approved and paid/payable – RMB0.053 (approximate to HK\$0.058) (2022: RMB0.1) per ordinary share (<i>note ii and iii</i>)	<u>63,985</u>	<u>30,000</u>

Notes:

- (i) The interim dividend of RMB0.0907 per share (equivalent to approximately HK\$0.1 per share) totaling approximately RMB108,840,000 (equivalent to approximately HK\$120,000,000) was declared and which approximately RMB107,527,000 (equivalent to approximately HK\$118,556,000) was paid during the year ended 31 August 2024, with approximately RMB1,313,000 (equivalent to approximately HK\$1,444,000) remained payable as at 31 August 2024.
- (ii) The final dividend in respect of the year ended 31 August 2022 of RMB0.1 per share (equivalent to approximately HK\$0.1095 per share) was approved at the annual general meeting on 6 February 2023. On 20 December 2022, Chunlai Investment Co., Limited, a company wholly-owned by Mr. Hou, a director and controlling shareholder of the Company, consented to and irrevocably waived all rights to receive such dividend of RMB90,000,000 in respect of the shares it holds.
- (iii) The final dividend in respect of the year ended 31 August 2023 of RMB0.053 per share (equivalent to approximately HK\$0.058 per share) totaling RMB63,985,000 (equivalent to approximately HK\$69,600,000) was approved at the annual general meeting on 19 January 2024, which approximately RMB63,224,000 (equivalent to approximately HK\$68,763,000) was paid during the year ended 31 August 2024, with approximately RMB761,000 (equivalent to approximately HK\$837,000) remained payable as at 31 August 2024.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At 1 September 2022	2,732,774	230,180	19,132	522,448	201,607	3,706,141
Additions	10,454	21,851	2,313	30,289	337,625	402,532
Disposals	–	(681)	(294)	(2,133)	–	(3,108)
Transfer from construction in progress	167,806	–	–	–	(167,806)	–
At 31 August 2023 and 1 September 2023	2,911,034	251,350	21,151	550,604	371,426	4,105,565
Additions	24,708	34,456	4,287	115,386	246,804	425,641
Disposals	(2,400)	(799)	(615)	(1,669)	–	(5,483)
Transfer from construction in progress	427,327	–	–	–	(427,327)	–
At 31 August 2024	3,360,669	285,007	24,823	664,321	190,903	4,525,723
Accumulated depreciation						
At 1 September 2022	545,663	124,962	12,997	224,598	–	908,220
Charge for the year	136,511	31,005	1,281	42,491	–	211,288
Disposals	–	(195)	(263)	(1,148)	–	(1,606)
At 31 August 2023 and 1 September 2023	682,174	155,772	14,015	265,941	–	1,117,902
Charge for the year	157,402	32,633	1,411	56,021	–	247,467
Disposals	(188)	(612)	(569)	(188)	–	(1,557)
At 31 August 2024	839,388	187,793	14,857	321,774	–	1,363,812
Carrying amount						
At 31 August 2024	2,521,281	97,214	9,966	342,547	190,903	3,161,911
At 31 August 2023	2,228,860	95,578	7,136	284,663	371,426	2,987,663

As of 31 August 2024, the Group was in the process of obtaining the property certificates for certain buildings with an aggregate carrying value of RMB1,398,507,000 (2023: RMB1,033,758,000) which are located in the PRC.

At 31 August 2024, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB407,890,000 (2023: RMB441,666,000).

12. INTANGIBLE ASSET

**School
operation right**
RMB'000

Cost:

As at 1 September 2022, 31 August 2023, 1 September 2023 and 31 August 2024 188,000

As at 31 August 2024 and 2023, intangible asset represent a school operation right of Jingzhou College. The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite.

The recoverable amount of the intangible asset of RMB188,000,000 has been determined on the basis of value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 12% (2023: 15%). The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2023: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

13. PREPAYMENT FOR COOPERATION AGREEMENTS

	2024	2023
	RMB'000	RMB'000
Prepayment for cooperation agreements – Tianping College	800,111	800,111

Tianping College of Suzhou University of Science and Technology (“**Tianping College**”) is an independent college and originally sponsored by Suzhou University of Science and Technology and the Suzhou University of Science and Technology Education Development Foundation (the “**Foundation**”) in Jiangsu Province, PRC. In August 2019, the Group entered into an agreement which authorised the Group the right to transfer the sponsorship of Tianping College from Suzhou University of Science and Technology and the Foundation at a consideration of approximately RMB800,111,000 that has been fully paid during the year ended 31 August 2022. Up to the date of this announcement, the transfer of sponsorship has not yet been completed as the transfer is still in progress. Upon the completion of transfer, the payment for the agreement of approximately RMB800,111,000 (2023: approximately RMB800,111,000) will be treated as the consideration of the acquisition of Tianping College.

14. OTHER NON-CURRENT ASSETS

	2024	2023
	RMB'000	RMB'000
Prepayments/deposits paid for acquisition of property, plant and equipment	2,732	31,705
Pledged deposit (<i>note i</i>)	285,044	303,092
Deposit paid (<i>note ii</i>)	50,000	50,000
	337,776	384,797

Notes:

- (i) Pledged deposits of RMB1,440,000 (2023: RMB12,940,000) are secured for borrowings of RMB207,163,000 (2023: RMB384,367,000).

Offshore foreign deposit of USD40,000,000 (equivalent to RMB283,604,000 (2023: RMB290,152,000)) 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 2023, the repayment date of the onshore loan was extended from July 2023 to July 2026.

- (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 RMB50,000,000 as security deposit and provided a guarantee of RMB150,000,000 (the “**Guarantee**”) to Suzhou University of Science and Technology. The Guarantee is provided by a financial institution, Mr. Hou and the Company.

15. TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Tuition and boarding fee receivables (<i>note i</i>)	116,944	80,275
Service income receivables	133,684	69,109
Consultancy income receivables from Tianping College	40,000	25,000
Interest receivables from Tianping College	58,045	30,545
Advance to a third party (<i>note ii</i>)	97,860	62,860
Advance to Tianping College (<i>note iii</i>)	722,700	375,800
Other receivables	19,402	17,930
Interest receivables	11,751	5,927
Prepaid expenses	2,649	3,542
Pledged deposit (<i>note iv</i>)	11,500	–
	1,214,535	670,988

Notes:

- (i) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August or 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.

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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0-180 days	68,468	58,907
181-365 days	31,598	13,443
Over 1 year	16,878	7,925
	116,944	80,275

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all tuition and boarding fee receivables. To measure the expected credit losses, tuition and boarding fee receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	0-180 days	181-365 days	Over 1 year	Total
At 31 August 2024				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	68,468	31,598	16,878	116,944
Loss allowance (RMB'000)	–	–	–	–
At 31 August 2023				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	58,907	13,443	7,925	80,275
Loss allowance (RMB'000)	–	–	–	–

- (ii) As at 31 August 2024, the advance with principal amount of RMB29,860,000 (2023: RMB29,860,000) is unsecured, interest bearing at 6% per annum (2023: 6% per annum) and repayable in February 2025 (2023: repayable in March 2024).

As at 31 August 2024, the advance with principal amount of RMB63,000,000 (2023: RMB33,000,000) is unsecured, interest bearing at 6% per annum (2023: 6% per annum) and repayable in February 2025 (2023: repayable in September 2023 and extended to August 2024).

As at 31 August 2024, the advance with principal amount of RMB5,000,000 is unsecured, interest bearing at 4.75% per annum and repayable in August 2025.

- (iii) As at 31 August 2024, the advance to Tianping College with principal amount of RMB722,700,000 (2023: RMB375,800,000) was unsecured, interest bearing at 4.75% per annum (2023: 4.75% per annum) and repayable in August 2025 (2023: repayable in August 2024).

- (iv) As at 31 August 2024, pledged deposits of RMB11,500,000 are secured for borrowings of RMB41,978,000.

16. ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Interest payables	1,827	2,751
Accrued staff benefits and payroll	51,694	35,208
Payables for purchase of property, plant and equipment and construction	198,221	128,539
Receipt on behalf of ancillary services providers	60,381	59,959
Other payables, accruals and deposits received	61,376	63,580
Other taxes payables	20,115	15,710
Dividend payable	2,074	–
	<u>395,688</u>	<u>305,747</u>

17. BORROWINGS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Secured and guaranteed (<i>note i</i>)	1,544,964	1,290,178
Secured and unguaranteed (<i>note ii</i>)	310,136	303,244
Unsecured and guaranteed (<i>note iii</i>)	393,090	578,200
	<u>2,248,190</u>	<u>2,171,622</u>
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
The borrowings are repayable as follows:		
On demand or within one year	1,728,005	1,439,460
In the second year	465,332	543,912
In the third to fifth years, inclusive	54,853	188,250
	<u>2,248,190</u>	<u>2,171,622</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,728,005)</u>	<u>(1,439,460)</u>
Amount due for settlement after 12 months	<u>520,185</u>	<u>732,162</u>
The exposure of borrowings		
– Fixed rate	1,955,744	2,101,622
– Variable rate	292,446	70,000
	<u>2,248,190</u>	<u>2,171,622</u>

Notes:

- (i) Certain bank borrowings of RMB1,091,216,000 (2023: RMB605,950,000) were secured and/or guaranteed by the followings:
- secured by the rights to receive the tuition fees of Anyang University, Shangqiu University, Shangqiu University Kaifeng Campus and Hubei Jiankang Vocational College (collectively the “**Schools**”). The amount of the secured receivables as at 31 August 2024 and 31 August 2023 are RMB91,842,000 and RMB64,737,000 respectively;
 - secured by equity share of Anyang University, Shangqiu University and Shangqiu University Kaifeng Campus;
 - guaranteed by Mr. Hou, Ms. Song Mengmeng (“**Ms. Song**”) and Ms. Jiang Shuqin (“**Ms. Jiang**”) jointly and severally;
 - guaranteed by the Company and several subsidiaries of the Company; and
 - secured by deposits of RMB12,940,000 (2023: RMB12,940,000).

Certain bank borrowings of RMB109,113,000 are secured by a pledged bank deposits amounted to RMB115,000,000.

Certain borrowing with carrying amount of RMB453,748,000 (2023: RMB684,228,000) is secured by the Group’s plant and equipment of RMB407,890,000 (2023: RMB441,666,000) and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang.

- (ii) A loan from a third party with carrying amount of RMB310,136,000 (2023: RMB303,244,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB283,604,000 (2023: RMB290,152,000)) (note 14).
- (iii) Certain bank borrowings were unsecured and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang jointly and severally and guaranteed by several subsidiaries of the Company.

All borrowings are denominated in RMB. The variable-rate borrowings carry interest with reference to the benchmark borrowing rate of the People's Bank of China.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	2024	2023
Effective interest rate:		
Fixed-rate	2.50% – 9.43%	2.50% – 9.43%
Variable-rate	3.45% – 5.35%	4.35% – 5.60%

18. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount RMB	Amount RMB'000
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2022, 31 August 2023, 1 September 2023 and 31 August 2024	<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 2022, 31 August 2023, 1 September 2023 and 31 August 2024	<u>1,200,000,000</u>	<u>12,000</u>	<u>9,867</u>	<u>10</u>

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 four universities/colleges in Henan Province, namely Shangqiu University* (商丘學院) (“**Shangqiu University**”), Shangqiu University Applied Science and Technology College* (商丘學院應用科技學院) (“**Shangqiu University Kaifeng Campus**”), Anyang University* (安陽學院) (“**Anyang University**”) and Anyang University Yuanyang Campus* (安陽學院原陽校區) (“**Anyang University Yuanyang 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 known as 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.

The schools operated under the Group closely focus on the goal of application-oriented talent training, attach importance to, and actively carry out, the integration of industry and education, strengthen school-enterprise cooperation, explore “diversified talent training, innovative practical education system”, and form their own characteristics and highlights. As at 31 August 2024, the Group had entered into approximately 1,100 school-enterprise cooperations. Our collaboration models include practice and training, joint transformation of research and development results, joint training of order classes, and joint construction of majors and laboratories, which have achieved good results.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the upward trend in employment demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. As at 31 August 2024, the average employment rate of the graduates of our higher education programmes was approximately 93.56%.

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province, the PRC. 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 53 bachelor's degree majors, 38 junior college to bachelor's degree transfer majors, 41 junior college diploma majors, 13 combined vocational education and junior college diploma majors and 22 vocational education majors. Shangqiu University has also been approved to offer double-degree bachelor's degree majors in marketing, Chinese language and literature, economics, human resources management, and international economy and trade. For the 2023/2024 school year, Shangqiu University had a total enrolment of 25,046 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours degree programme that aims to promote comprehensive and individualised education of its selected 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.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province, the PRC. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 20 bachelor's degree majors, 16 junior college to bachelor's degree transfer majors, 7 junior college diploma majors, 4 combined vocational education and junior college diploma majors and 6 vocational education majors. For the 2023/2024 school year, Shangqiu University Kaifeng Campus had a total enrolment of 15,170 students.

Anyang University

Anyang University is located in Anyang, Henan Province, the PRC. 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 46 bachelor's degree majors, 34 junior college to bachelor's degree transfer majors, 39 junior college diploma majors, 23 combined vocational education and junior college diploma majors and 14 vocational education majors. For the 2023/2024 school year, Anyang University had a total enrolment of 28,738 students.

Anyang University Yuanyang Campus

In April 2021, we established the Anyang University Yuanyang Campus. Anyang University Yuanyang Campus currently offers 19 bachelor's degree majors, 12 junior college diploma majors. For the 2023/2024 school year, Anyang University Yuanyang Campus had a total enrolment of 10,788 students.

Jiankang College

Jiankang College is located in Xianning, Hubei Province, the PRC. 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 19 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, and rehabilitation engineering technology. For the 2023/2024 school year, Jiankang College had a total enrolment of 6,805 students.

Jingzhou College (formerly known as Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province, the PRC. Jingzhou College currently offers 38 bachelor's degree majors, 15 junior college to bachelor's degree transfer majors and 20 junior college diploma majors. For the 2023/2024 school year, Jingzhou College had a total enrolment of 16,754 students.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2022/2023 and 2023/2024 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number of students	Percentage change (approximately)
	2023/2024	2022/2023		
Shangqiu University				
Bachelor's degree programmes	9,521	9,698	-177	-1.8%
Junior college to bachelor's degree transfer programmes	4,842	3,011	1,831	60.8%
Junior college diploma programmes ⁽²⁾	5,631	10,632	-5,001	-47.0%
Vocational education programmes ⁽³⁾	5,052	6,017	-965	-16.0%
School subtotal	25,046	29,358	-4,312	-14.7%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes	8,571	8,173	398	4.9%
Junior college to bachelor's degree transfer programmes	4,746	4,163	583	14%
Junior college diploma programmes	1,117	4,938	-3,821	-77.4%
Vocational education programmes	736	780	-44	-5.6%
School subtotal	15,170	18,054	-2,884	-16.0%
Anyang University				
Bachelor's degree programmes	9,951	8,473	1,478	17.4%
Junior college to bachelor's degree transfer programmes	5,764	5,851	-87	-1.5%
Junior college diploma programmes	8,307	10,525	-2,218	-21.1%
Vocational education programmes	4,716	5,481	-765	-14%
School subtotal	28,738	30,330	-1,592	-5.2%
Anyang University Yuanyang Campus				
Bachelor's degree programmes	7,354	7,343	11	0.1%
Junior college to bachelor's degree transfer programmes	2,641	-	2,641	0.0%
Junior college diploma programmes	266	247	19	7.7%
Vocational education programmes	527	528	-1	-0.2%
School subtotal	10,788	8,118	2,670	32.9%
Jiankang College				
Junior college diploma programmes	6,805	3,699	3,106	84.0%
School subtotal	6,805	3,699	3,106	84.0%

	Student enrolment⁽¹⁾ for the school year		Change in number of students	Percentage change (approximately)
	2023/2024	2022/2023		
Jingzhou College				
Bachelor's degree programmes	7,476	6,998	478	6.8%
Junior college to bachelor's degree transfer programmes	2,076	1,671	405	24.2%
Junior college diploma programmes	7,202	5,049	2,153	42.6%
School subtotal	16,754	13,718	3,036	22.1%
Total number of students	103,301	103,277	24	0.02%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2022/2023 and 2023/2024 school years.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.

For the 2023/2024 school year, the number of students enrolled slightly increased by 0.02% from 103,277 in the prior school year to 103,301. The increase was primarily due to the increase in enrolment at Anyang University Yuanyang Campus, Jingzhou College and Jiankang College. 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, our quality faculty team also played an important role in the success of the schools in the past, and will continue to do so in the future.

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we have a good reputation in providing high quality education services in the PRC among our students and their parents. In addition, after over 19 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 deploy 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 2023/2024 school year, the overall yield of our five colleges that offer bachelor's degree programmes (being Shangqiu University, Shangqiu University Kaifeng Campus, Anyang University, Anyang University Yuanyang 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 94.41%.

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 factors 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.

Entering into the Development of Artificial Intelligence Platforms Collaboration Agreement

On 2 February 2024, the Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團), a consolidated affiliated entity (the **"School Sponsor"**) and the sole sponsor of each of Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University, entered into a collaboration agreement with Beijing Gravity Link Technology Co., Ltd* (北京引力互聯科技有限公司) (**"Gravity Link"**), a consultancy services provider which is an independent third party to the Company, pursuant to which Gravity Link agreed to provide certain consultancy services in connection with the design and construction of artificial intelligence education platforms for the School Sponsor. For further details, please refer to the announcement of the Company dated 7 February 2024.

Inclusion in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

The Company has been included in the list of eligible stock under each of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs with effect from 4 March 2024. For further details, please refer to the announcement of the Company dated 6 March 2024.

Strategic Cooperation Agreement with ICBC

On 2 April 2024, the School Sponsor entered into a strategic cooperation agreement with Industrial and Commercial Bank of China Limited Shangqiu Branch* (中國工商銀行股份有限公司商丘分行) (**"ICBC"**), pursuant to which it is intended that ICBC shall be one of the main cooperative banks for the Group's financial and business needs and ICBC shall provide various financial services to the School Sponsor, the schools operated by the Group and Tianping College. For further details, please refer to the announcement of the Company dated 2 April 2024.

Future Development and Prospects

In order to continuously increase our total student enrolment, we plan to acquire additional land use rights and construct new education and living facilities, which, if materialized, we intend to fund from cash generated from its operation and external borrowings. We consider that the increase in capacity of school campus under the expansion plan is essential to accommodate our growth strategy of increasing student enrolment going forward. As each of our colleges generally requires its students to live in dormitories on school campus, 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 to accommodate 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 of the school campuses. We believe the estimated 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, and adequate facilities available and quality education programmes to offer, which are fundamental to our expansion plans going forward.

FINANCIAL REVIEW

Overview

During the Reporting Period, we recorded a revenue of RMB1,631.5 million and a gross profit of RMB955.5 million. The gross profit margin was 58.6% for the year ended 31 August 2024 as compared with 59.4% for the corresponding period in 2023.

The net profit of the Group amounted to RMB778.2 million and RMB684.4 million for the years ended 31 August 2024 and 31 August 2023, respectively. The net profit margin of the Group amounted to 47.7% and 45.7% for the years ended 31 August 2024 and 31 August 2023, respectively.

The adjusted net profit of the Group for the Reporting Period was RMB789.9 million, representing an increase of RMB116.7 million or 17.3% from the corresponding period in 2023. The adjusted net profit margin of the Group was 48.4% and 44.9% for the years ended 31 August 2024 and 31 August 2023, respectively. The increase in adjusted net profit was mainly due to the increase in average tuition fee.

Revenue

Our revenue increased by 8.9% from RMB1,498.0 million for the year ended 31 August 2023 to RMB1,631.5 million for the Reporting Period, primarily due to the increase in average tuition fee.

Revenue from Shangqiu University decreased by 4.3% from RMB401.4 million for the year ended 31 August 2023 to RMB384.3 million for the Reporting Period. The decrease was primarily due to the decrease in number of student enrolment.

Revenue from Shangqiu University Kaifeng Campus decreased by 7.7% from RMB270.8 million for the year ended 31 August 2023 to RMB249.9 million for the Reporting Period. The decrease was primarily due to the decrease in number of student enrolment.

Revenue from Anyang University increased by 5.5% from RMB407.5 million for the year ended 31 August 2023 to RMB430.1 million for the Reporting Period. The increase was primarily due to the increase in average tuition fee.

Revenue from Anyang University Yuanyang Campus increased by 34.3% from RMB131.9 million for the year ended 31 August 2023 to RMB177.2 million for the Reporting Period. The increase was primarily due to the increase in number of student enrolment.

Revenue from Jiankang College increased by 84.9% from RMB52.3 million for the year ended 31 August 2023 to RMB96.7 million for the Reporting Period. The increase was primarily due to the increase in number of student enrolment.

Revenue from Jingzhou College increased by 25.2% from RMB234.2 million for the year ended 31 August 2023 to RMB293.2 million for the Reporting Period. The increase was primarily due to the expansion of student size.

Overall, revenue from tuition fees and boarding fees increased by 9.4% and 4.6%, respectively, from the year ended 31 August 2023 to the Reporting Period.

Cost of Revenue

Our cost of revenue increased by 11.2% from RMB607.9 million for the year ended 31 August 2023 to RMB676.0 million for the Reporting Period. As a percentage of revenue, our cost of revenue increased from 40.6% for the year ended 31 August 2023 to 41.4% for the Reporting Period. The increase in cost of revenue was primarily due to higher depreciation costs.

Gross Profit and Gross Margin

Our gross profit increased by 7.4% from RMB890.1 million for the year ended 31 August 2023 to RMB955.5 million for the Reporting Period, and our gross profit margin decreased from 59.4% for the year ended 31 August 2023 to 58.6% for the Reporting Period.

Other Income

Our other income increased by 53.2% from RMB84.1 million for the year ended 31 August 2023 to RMB128.8 million for the Reporting Period. The increase was primarily due to the increase in service income.

Other Gains and Losses

We recorded other gains of RMB18.1 million for the year ended 31 August 2023, while we recorded other losses of RMB7.8 million for the Reporting Period. The decrease compared to last year was due to net foreign exchange loss.

Selling Expenses

Our selling expenses decreased by 23.1% from RMB5.1 million for the year ended 31 August 2023 to RMB3.9 million for the Reporting Period. The decrease was primarily due to the decrease of advertising expense in student recruitment promotion.

Administrative Expenses

Our administrative expenses increased by 8.9% from RMB174.4 million for the year ended 31 August 2023 to RMB190.0 million for the Reporting Period. The increase was primarily due to the increase in employees' remuneration.

Finance Costs

Our finance costs decreased by 23.1% from RMB124.5 million for the year ended 31 August 2023 to RMB95.7 million for the Reporting Period. The decrease was primarily due to the decrease in borrowing interest rates.

Taxation

We recorded income tax expenses of RMB3.8 million for the year ended 31 August 2023 as compared to income tax expenses of RMB8.7 million for the Reporting Period, due to the increase of taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 13.7% from RMB684.4 million for the year ended 31 August 2023 to RMB778.2 million for the Reporting Period.

Non-IFRS Measure – Adjusted Net Profit

Our adjusted net profit increased by 17.3% from RMB673.2 million for the year ended 31 August 2023 to RMB789.9 million for the Reporting Period. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation, and (ii) foreign exchange loss/(gain). The following table reconciles profit for the year to adjusted net profit for both years:

	For the year ended 31 August	
	2024	2023
	<i>(RMB in thousands)</i>	
Profit for the year	778,171	684,393
Add:		
Share-based compensation	3,391	5,576
Foreign exchange loss/(gain)	8,321	(16,742)
Adjusted net profit	<u>789,883</u>	<u>673,227</u>

Liquidity and Source of Funding and Borrowing

During the Reporting Period, the Company had funded the Group's cash requirements principally from cash generated from its operation and external borrowings. The Company had cash and cash equivalents of RMB789.7 million and RMB790.9 million as at 31 August 2023 and 2024, respectively. The Company generally deposits the Group's surplus cash in interest-bearing bank accounts and current accounts.

As of 31 August 2024, the Group's principal usage of cash was for funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time. Any significant decrease in number of 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 31 August 2024, the gearing ratio of the Group, calculated as total borrowings divided by total equity as of the end of the year, was approximately 57.9%, representing a decrease of 8.3 percentage points as compared with 66.2% as at 31 August 2023. The decrease was due to the increase in total equity.

Significant Investments

Save as disclosed in this announcement, the Group did not make or 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 31 August 2024) during the Reporting Period.

Material Acquisitions and Disposals

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 Reporting Period.

Pledge of Assets

1. On 19 January 2024, Anyang University* (安陽學院), as credit recipient, and Zhongyuan Bank Co. Ltd., Anyang Branch* (中原銀行股份有限公司安陽分行), as creditor (“**Zhongyuan Anyang**”), entered into a line of credit agreement (the “**Anyang Line of Credit Agreement**”), pursuant to which Zhongyuan Anyang agreed to make available a credit line with a principal amount of up to RMB330.0 million to Anyang University. Among other security provided, Anyang University entered into a rights pledge agreement with Zhongyuan Anyang, pursuant to which Anyang University agreed to pledge its rights in favour of Zhongyuan Anyang for its liabilities under the Anyang Line of Credit Agreement.
2. On 19 January 2024, Shangqiu University* (商丘學院), as credit recipient, and Zhongyuan Bank Co. Ltd., Shangqiu Branch* (中原銀行股份有限公司商丘分行), as creditor (“**Zhongyuan Shangqiu**”), entered into a line of credit agreement (the “**Shangqiu Line of Credit Agreement**”), pursuant to which Zhongyuan Shangqiu agreed to make available a credit line with a principal amount of up to RMB240.0 million to Shangqiu University. Among other security provided, Shangqiu University entered into an accounts receivable pledge agreement with Zhongyuan Shangqiu, pursuant to which Shangqiu University agreed to pledge its accounts receivables in favour of Zhongyuan Shangqiu for its liabilities under the Shangqiu Line of Credit Agreement.
3. On 21 May 2024, the School Sponsor (as borrower) and Zhongyuan Shangqiu (as lender) entered into an RMB working capital loan agreement (the “**Working Capital Loan Agreement**”), pursuant to which Zhongyuan Shangqiu agreed to make available a term loan facility of up to RMB90.0 million to the School Sponsor. Among other security provided, each of Shangqiu University, Anyang University and Jiankang College entered into an accounts receivable pledge agreement in favour of Zhongyuan Shangqiu for the School Sponsor's liabilities under the Working Capital Loan Agreement.

Further details of the above are set out in the announcements of the Company dated 19 January 2024, 21 May 2024, respectively.

Loan Agreements

As disclosed in the announcement of the Company dated 5 July 2024, the School Sponsor and Tianping College entered into loan agreements on 1 September 2021, 2022 and 2023, pursuant to which the Company made loans of up to RMB450.0 million, RMB520.0 million and RMB400.0 million, respectively, to Tianping College. The purpose of the loans was for the construction of new campus and operation of Tianping College and the interest rate of the loan is 4.75% per annum. The loans are unsecured and shall be payable after the completion of the conversion of Tianping College into a standalone private ordinary college. The Group financed the loans with the Company's general working capital.

In particular, on 3 April 2023, on an aggregate basis, an amount of RMB150.0 million advanced pursuant to Tianping College under the loan agreement dated 1 September 2023 resulted in the outstanding amount of the advances from the Company to Tianping College exceeding 8% of the assets ratio (as defined under Rule 14.07(1) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")). As at 31 August 2024, a certain amount of the loans has been repaid and RMB722.7 million of the loans remains outstanding.

Contingent Liabilities

Save as disclosed in this announcement, the Group had no material contingent liabilities as at 31 August 2024.

Foreign Exchange Exposure

During the year ended 31 August 2024, the Group mainly operated in the PRC and the majority of the transactions were settled in Renminbi ("**RMB**"), the functional currency of the Group. 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 and Capital Assets

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

Employee and Remuneration Policy

As at 31 August 2023 and 2024, we had 4,750 and 5,180 employees, respectively.

The number of employees employed by the Group varies from time to time depending on business needs. 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 the 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 RMB356.2 million (for the year ended 31 August 2023: RMB330.8 million).

EVENTS AFTER THE REPORTING PERIOD

In November 2024, Anyang University and Shangqiu University entered into sino-foreign school operation agreements with Elite Education Institute in Australia and Anyang University entered into a sino-foreign school operation cooperation agreement with Massey University in New Zealand to establish in-depth strategic cooperation relationships with such institutions to promote their mutual aim of diversification and internationalization of education. For further details, please refer to the announcement of the Company dated 11 November 2024.

Save as disclosed in this announcement, there were no other significant events that might affect the Group since the end of the Reporting Period and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0924 per share (equivalent to approximately HK\$0.1 per share) (the "**Proposed Final Dividend**") for the Reporting Period (2023: RMB0.053 (equivalent to approximately HK\$0.058 per share)), subject to the approval of the Shareholders at the Company's forthcoming annual general meeting. The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of the final dividend (i.e. 22 November 2024 to 28 November 2024) (RMB1 to HK\$1.082). Such proposed dividend will be payable on or around Wednesday, 5 February 2025 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 21 January 2025.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2025 AGM will be held on Friday, 10 January 2025.

For the purpose of determining the entitlement of a Shareholder's entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, 7 January 2025 to Friday, 10 January 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2025 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 6 January 2025.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Thursday, 16 January 2025 to Tuesday, 21 January 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 15 January 2025.

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 Corporate Governance Code

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules during the Reporting Period.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance 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 C3 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 year ended 31 August 2024.

Scope of Work of the Company’s Auditors

The figures contained in this announcement of the Group’s audited consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes for the Reporting Period have been agreed by the Company’s auditor, ZHONGHUI ANDA CPA Limited (the “**Auditor**”), to the figures set out in the audited consolidated financial statements of the Group for the Reporting Period. The work performed by the Auditor in this respect does not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on this announcement.

Audit Committee and Review of Annual Results

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 audited consolidated financial statements of the Group for the year ended 31 August 2024 and has discussed with the Auditor and the senior management members of the Company matters with respect to the accounting and internal control policies and practices adopted by the Company.

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

During the year ended 31 August 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities (including sale of treasury shares (as defined under the Listing Rules)) listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company did not hold any treasury shares (as defined under the Listing Rules) as at 31 August 2024.

Use of Proceeds from Global Offering

The shares of the Company were listed on the Stock Exchange on 13 September 2018 (the “**Global Offering**”). The net proceeds from the Global Offering amounted to RMB489.8 million (equivalent to approximately HK\$552.6 million). The utilisation of the net proceeds from the Global Offering during the Reporting Period was in accordance with the intentions previously disclosed by the Company and details are set out below.

	Net proceeds from the Global Offering	Unutilised amount as at 1 September 2023	Amount utilised during the Reporting Period	Unutilised amount as at 31 August 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Acquisition of land use rights and building education and living facilities of our current colleges	244.9	18.0	18.0	0.0
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	0.0	0.0	0.0
Total	489.8	18.0	18.0	0.0

All the net proceeds from the Global Offering have been fully utilised as at 31 August 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at (<https://www.hkexnews.hk>) and the website of the Company at (<https://www.chunlaiedu.com>), respectively. The annual report of the Group for the Reporting Period will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders (if requested) in due course.

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

Hong Kong, 29 November 2024

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 translations of the company names in Chinese are 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.*