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 REPORT

2019

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COMPANY PROFILE

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province, and participate in the operation of one college in Hubei Province. The total student enrolment of the Group's colleges increased from 45,210 for the six months ended 28 February 2018 to 50,211 for the six months ended 28 February 2019. To capture growth opportunities, each of the Group's current colleges in Henan Province have acquired or is in the process of acquiring additional land and other resources to further increase student enrolment. The Group's employment-oriented curricula are focused on equipping our students with practical skills that meet the demand of economic development in China.

The Group's revenue increased from RMB243.8 million for the six months ended 28 February 2018 to RMB280.2 million for the six months ended 28 February 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hou Junyu (侯俊宇) *(Chief Executive Officer)*
Ms. Jiang Shuqin (蔣淑琴)

Non-executive Director

Mr. Hou Chunlai (侯春來) *(Chairman)*

Independent non-executive Directors

Dr. Jin Xiaobin (金曉斌)
Ms. Fok, Pui Ming Joanna (霍珮鳴)
Mr. Lau, Tsz Man (劉子文)

AUDIT COMMITTEE

Mr. Lau, Tsz Man (劉子文) *(Chairman)*
Dr. Jin Xiaobin (金曉斌)
Ms. Fok, Pui Ming Joanna (霍珮鳴)

REMUNERATION COMMITTEE

Ms. Fok, Pui Ming Joanna (霍珮鳴) *(Chairlady)*
Ms. Jiang Shuqin (蔣淑琴)
Mr. Lau, Tsz Man (劉子文)

NOMINATION COMMITTEE

Mr. Hou Junyu (侯俊宇) *(Chairman)*
Dr. Jin Xiaobin (金曉斌)
Ms. Fok, Pui Ming Joanna (霍珮鳴)

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑) *ACS, ACIS*

AUTHORISED REPRESENTATIVES

Mr. Hou Junyu (侯俊宇)
Mr. Wong Yu Kit (黃儒傑)

AUDITOR

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CORPORATE INFORMATION

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Shangqiu City
Henan Province
PRC

China CITIC Bank Co., Ltd.
Anyang People's Avenue Sub-branch
Southeast Corner, Intersection of People's Avenue
and Yongming Road, Anyang City
Henan Province
PRC

COMPANY WEBSITE

www.chunlaiedu.com

STOCK CODE

1969

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

Notes

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

Non-IFRS Measures

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

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

The Private Higher Education Industry in China

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

BUSINESS REVIEW

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

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

Our Colleges

Shangqiu University

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

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

Anyang University

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

Shangqiu University Kaifeng Campus

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

Student Enrolment

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

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

Notes:

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

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

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

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

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

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

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

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

The Group believes the educational philosophies of its schools and its well-developed curriculums as well as its high graduate employment rates enable the Group to attract high-quality students who are seeking a pathway to satisfactory employment. In addition, the quality faculty team is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of the schools.

Student Recruitment

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

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

Our Teachers

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

FUTURE DEVELOPMENT

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

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

FINANCIAL REVIEW

OVERVIEW

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

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

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

REVENUE

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

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

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

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

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

COST OF REVENUE

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

GROSS PROFIT AND GROSS MARGIN

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

OTHER INCOME

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

OTHER GAINS AND LOSSES

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

SELLING EXPENSES

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

ADMINISTRATIVE EXPENSES

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

LISTING EXPENSES

We recorded listing expenses of RMB6.5 million for the six months ended 28 February 2019 in connection with the Listing on the Stock Exchange. We recorded RMB11.8 million listing expenses for the six months ended 28 February 2018.

FINANCE COSTS

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

TAXATION

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

PROFIT FOR THE PERIOD

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

ADJUSTED NET PROFIT

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

LIQUIDITY AND SOURCE OF FUNDING AND BORROWING

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

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

GEARING RATIO

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

MATERIAL INVESTMENTS

Save as disclosed in this interim report, the Group did not make any material investments during the six months ended 28 February 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

Save as disclosed in this interim report, as at 28 February 2019, the Group had no bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

During the six months ended 28 February 2019, the Group mainly operated in the PRC and majority of the transactions were settled in RMB, the functional currency of the Group's PRC subsidiary and consolidated affiliated entities. Save as disclosed in this interim report and Note 6 to the financial statements, as at 28 February 2019, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the interim results announcement of the Company dated 30 April 2019 and this interim report, the Company has no other plans for material investments and capital assets. However, the Group will continue to identify new opportunities for business development.

CORPORATE GOVERNANCE PRACTICES

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.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. During the six months ended 28 February 2019, the Company has complied with all the code provisions set out in the Corporate Governance Code.

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 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 2019.

EMPLOYEE AND REMUNERATION POLICIES

As at 28 February 2019, the Group had 3,560 employees (28 February 2018: 2,687). As of 28 February 2019, all of our employees were located in Henan Province. The number of employees employed by the Group varies from time to time depending on 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 periodically reviewed.

The following table sets forth the total number of employees by function as of 28 February 2019:

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

Notes:

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

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

OTHER INFORMATION

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

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

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

The total remuneration cost incurred by the Group for the six months ended 28 February 2019 was RMB25.5 million (for the six months ended 28 February 2018: RMB17.7 million).

PRE-IPO SHARE OPTION SCHEME

In order to incentivise the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 9 August 2018. The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

As at 28 February 2019, share options for 35,950,000 Shares were granted to 27 participants under the Pre-IPO Share Option Scheme. No further options have or will be granted under the Pre-IPO Share Option Scheme subsequent to the Listing Date.

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme. For further details on the movement of the options during the Reporting Period, please see note 19 to the financial statements.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at 1 September 2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 28 February 2019
Director of the Company									
Chairman Hou	Non-executive Director and chairman of the Board	9 August 2018	20 years from the date of grant	HK$0.00001	8,000,000	–	–	–	8,000,000
Ms. Jiang	Executive Director	9 August 2018	20 years from the date of grant	HK$0.00001	8,000,000	–	–	–	8,000,000
Mr. Hou	Executive Director and chief executive officer	9 August 2018	20 years from the date of grant	HK$0.00001	6,000,000	–	–	–	6,000,000
Other grantees in aggregate		9 August 2018	20 years from the date of grant	HK$0.00001	13,950,000		–	–	19,950,000
TOTAL					35,950,000	–	–	–	35,950,000

Note:

(1) Details of other grantees can be found in the sub-section headed "1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus.

As at 28 February 2019, none of the options granted referred to above had been forfeited or cancelled or had lapsed.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme with effect from the Listing Date by resolutions in writing of the Shareholders on 24 August 2018. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Shares, dividend and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long term growth and profits of the Group.

As at the 28 February 2019, no Shares have been granted or agreed to be granted under the Share Award Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2019, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director or chief executives of our Company is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/Nature of Interest	Relevant Company	Number of Shares[4]	Approximate Percentage of Shareholding in the Company[1]
Mr. Hou	Interest in a controlled corporation	Chunlai Investment[2]	900,000,000	75%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000	0.50%
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[3]	N/A	8,000,000	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[3]	N/A	8,000,000	0.67%

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 28 February 2019.

(2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the Shares in which Chunlai Investment is interested by virtue of the SFO.

(3) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

(4) All the Shares are held in long position (as defined under Part XV of the SFO).

Interest in Associated Corporations

Name of Director	Capacity/Nature of Interest	Name of associated corporation	Amount of issued share capital/registered capital/ sponsor capital in the associated corporation	Percentage of holding in the associated corporation
Mr. Hou	Beneficial owner	Chunlai Investment	US$1	100%
	Beneficial owner	The PRC Holdco	RMB30,000,000	100%
	Beneficial owner[(1)]	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner[(1)] and interest of spouse[(2)]	The School Sponsor	RMB33,780,000	29.7%
Ms. Jiang	Beneficial owner[(1)] and interest of spouse[(2)]	The School Sponsor	RMB33,780,000	29.7%

Notes:

(1) The sponsor interest of the School Sponsor is held as to 69.3% by Mr. Hou (RMB78,821,820), as to 19.8% by Chairman Hou (RMB22,520,520) and as to 9.9% by Ms. Jiang (RMB11,260,260). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.

(2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

Save as disclosed above, as at 28 February 2019, so far as is known to any Director or the chief executives of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2019, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares[3]	Approximate Percentage of Shareholding[1]
Mr. Hou[2]	Interest in a controlled corporation	900,000,000	75%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000	0.50%
Chunlai Investment	Beneficial owner	900,000,000	75%
Xiang Rong International limited	Beneficial owner	66,037,000	5.48%

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 28 February 2019.

(2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the same number of shares in which Chunlai Investment is interested by virtue of the SFO.

(3) All the Shares are held in long position (as defined under Part XV of the SFO).

Save as disclosed above, as at 28 February 2019, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as at 28 February 2019 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

AUDIT COMMITTEE

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

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

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 28 February 2019 (2018: nil).

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors and chief executives of the Company are set out below:

Ms. Fok, Pui Ming Joanna ("**Ms. Fok**") has resigned as an associate director of the human resources department of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司) on 14 April 2019 and was appointed as an associate director of the Talent Acquisition department of Colliers International Pacific Limited with effect from 29 April 2019.

OTHER INFORMATION

QUALIFICATION REQUIREMENT

The Foreign Investment Law

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (中華人民共和國外商投資法) ("**FIL**"), which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Though the FIL does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. Given that the FIL is relatively new, uncertainties still exist in relation to its interpretation and implementation, the Company believes that any attempt to evaluate the potential impact that it will have on the Contractual Arrangements and the business of our Group would be premature. The Board will continuously monitor any future laws, administrative regulations or provisions promulgated by the State Council in relation to the contractual arrangements and seek guidance from our PRC Legal Adviser to ensure compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

The foreign investor in a Sino-foreign joint venture school for PRC students at higher education institutions must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

On the basis that (a) the principals and other chief executive officers of our PRC Operating Schools and Hubei College are PRC nationals; and (b) the representatives or the directors of our PRC Operating Schools and Hubei College are appointed by PRC entities, our PRC Legal Adviser is of the view that our PRC Operating Schools and Hubei College are in full compliance with the Foreign Ownership Restriction as stipulated above.

Our PRC Legal Adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

The Group is implementing a business plan with a view to expanding our education operations overseas. The Group believes that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirement.

The Group is also in the process of communicating or negotiating with certain experienced and reputational overseas education service providers in various forms of potential cooperation, including but not limited to expanding our school network abroad. Our subsidiary in Hong Kong, Chunlai (Hong Kong), will serve as the main control hub of our overseas business and will be responsible for, among other things:

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organising international classes or courses;

2. investing in or acquiring overseas education businesses as and when appropriate;

3. holding our overseas intellectual property rights and licensing them to our international partners; and

4. recruiting and employing overseas education business professionals and advisers outside of PRC.

CHANGE OF SCHOOL SPONSOR OF HUBEI COLLEGE SUBJECT TO MOE APPROVAL

As disclosed in the Prospectus, the Company is in the course of applying for the change of school sponsor of Hubei College, subject to MOE approval. As of 28 February 2019, the application is pending the final approval of the MOE and registration with the provincial civil affairs authorities. Based on our understanding of the process involved and communication with the relevant government authorities (including the consultations as mentioned in the Prospectus), we do not expect any material impediment to completing the administrative procedures in respect of the application.

REGULATORY UPDATE

On 7 November 2016, the 2016 Decision, namely the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改的決定》) was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. The 2016 Decision has made certain amendments to the Law for Promoting Private Education. According to the 2016 Decision, school sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities.

Under the 2016 Decision, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Pursuant to the Henan Implementation Opinions, Private HEIs in Henan Province shall complete the re-registration procedures by the end of year 2022. Despite the issuance of the Henan Implementation Opinions and the Hubei Implementation Opinions, the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Henan and Hubei provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations.

As of 28 February 2019, there is no update in relation to the Group's re-registration as a for-profit or non-profit private school.

UPDATE ON NON-COMPLIANCE MATTERS

As of 28 February 2019, we owned buildings with a total ground floor area of approximately 0.61 million square metres. We have not obtained building ownership certificates for a substantial portion of our buildings primarily because they were not constructed in full compliance with applicable rules and regulations in the PRC. We commenced construction of these buildings on land when the relevant land use right certificates were still under application, as our management believed that it was a practice acceptable to the relevant local authorities and in compliance with local policies.

We are proactively liaising with the relevant government authorities with a view to complying with the relevant requirements as soon as practicable. As of 28 February 2019, we were in the process of applying for the relevant construction land use planning permits (建設用地規劃許可) and construction planning permits (建設工程規劃許可) for our non-compliant buildings.

We consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company's subsequent interim and annual reports.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM LISTING

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

The remaining balancing of the net proceeds are held as short-term deposits. The Company will apply the remaining net proceeds as intended in the Prospectus.

IMPORTANT EVENTS AFTER REPORTING DATE

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

By the order of the Board
Mr. Hou Chunlai
Chairman

Hong Kong
30 April 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA CHUNLAI EDUCATION GROUP CO., LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Chunlai Education Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 52, which comprise the condensed consolidated statement of financial position as of 28 February 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

	NOTES	Six months ended 28 February 2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Revenue	4	**280,206**	243,797
Cost of revenue		**(142,103)**	(101,182)
Gross profit		**138,103**	142,615
Other income	5	**22,642**	3,908
Other gains and losses	6	**(12,110)**	(83)
Selling expenses		**(1,063)**	(1,009)
Administrative expenses		**(51,007)**	(32,385)
Listing expenses		**(6,481)**	(11,829)
Finance costs	7	**(29,503)**	(42,270)
Profit before tax		**60,581**	58,947
Income tax expense	8	**(3,066)**	(275)
Profit and total comprehensive income for the period	9	**57,515**	58,672
Profit and total comprehensive income for the period attributable to owners of the Company		**57,515**	58,672
Basic earnings per share (RMB cents)	11	**4.9**	6.9
Diluted earnings per share (RMB cents)	11	**4.9**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2019

	NOTES	**As at 28 February 2019 RMB'000 (unaudited)**	As at 31 August 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**1,264,176**	878,131
Prepaid lease payments		**350,302**	354,499
Prepayment for cooperation agreements		**100,000**	100,000
Debt instrument at fair value through other comprehensive income	13	**101,678**	–
Other non-current assets	14	**86,760**	142,058
		1,902,916	1,474,688
Current assets			
Trade and other receivables	15	**29,328**	47,443
Amount due from the shareholder		**7**	7
Prepaid lease payments		**8,387**	8,387
Time deposit		**267,746**	–
Bank balances and cash		**327,529**	544,620
		632,997	600,457
Current liabilities			
Deferred revenue		**2,732**	358,366
Other payables and accrued expenses	16	**220,104**	169,014
Income tax payable		**3,892**	825
Contract liabilities		**277,393**	–
Borrowings	17	**335,368**	265,353
		839,489	793,558
Net current liabilities		**(206,492)**	(193,101)
Total assets less current liabilities		**1,696,424**	1,281,587
Non-current liabilities			
Deferred revenue		**4,257**	–
Borrowings	17	**518,000**	686,753
		522,257	686,753
Net assets		**1,174,167**	594,834
Capital and reserves			
Share capital/paid-in-capital	18	**10**	7
Reserves		**1,174,157**	594,827
Total equity		**1,174,167**	594,834

	Share capital/ Paid-in capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 September 2017	112,600	–	–	–	132,600	199,982	445,182
Profit and total comprehensive income for the period	–	–	–	–	–	58,672	58,672
Capital injection (note i)	30,000	–	–	–	–	–	30,000
Issue of shares	7	–	–	–	–	–	7
Group reorganisation (note ii)	(142,600)	–	142,600	–	–	–	–
Balance at 28 February 2018	7	–	142,600	–	132,600	258,654	533,861
Balance at 1 September 2018	7	–	142,600	697	162,337	289,193	594,834
Profit and total comprehensive income for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**57,515**	**57,515**
Issue of new shares (unaudited)	**3**	**544,537**	**–**	**–**	**–**	**–**	**544,540**
Transaction cost attributable to issue of new shares (unaudited)	**–**	**(28,639)**	**–**	**–**	**–**	**–**	**(28,639)**
Recognition of equity-settled share-based payments (unaudited)	**–**	**–**	**–**	**5,917**	**–**	**–**	**5,917**
Transfer to statutory reserve (unaudited) (note iii)	**–**	**–**	**–**	**–**	**14,379**	**(14,379)**	**–**
Balance at 28 February 2019 (unaudited)	**10**	**515,898**	**142,600**	**6,614**	**176,716**	**332,329**	**1,174,167**

Notes:

i. It represented the capital contribution upon establishment of Chunlai Technology (as defined in Note 2) prior to the Group Reorganisation (as defined in Note 2).

ii. As disclosed in Note 2 to the condensed consolidated financial statements, China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") became the holding company of the Group on 22 February 2018, when the Structured Contracts (as defined in Note 2) became effective. The capital reserve represented the combined paid-in capitals of Henan Chunlai (as defined in Note 2) and Chunlai Technology upon the completion of Group Reorganisation.

iii. 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 board 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 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 2019

	Six months ended 28 February	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
NET CASH FROM OPERATING ACTIVITIES	**108,857**	204,065
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(354,400)**	(139,954)
Prepayment/deposits paid for acquisition of property, plant and equipment	**–**	(59,925)
Return of prepaid land lease payments	**160**	–
Interest income received	**5,632**	736
Advance to related parties	**–**	(22,500)
Repayment from related parties	**–**	194,948
Advance to a third party	**(5,000)**	–
Purchase of debt instruments at fair value through other comprehensive income	**(100,346)**	–
Placement of time deposits	**(267,746)**	–
Redemption of restricted bank balance	**–**	100,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(721,700)**	73,305
FINANCING ACTIVITIES		
Proceeds from borrowings	**135,298**	420,000
Repayment of borrowings	**(234,035)**	(360,000)
Repayment from a third party	**19,860**	–
Advance to a third party	**(5,000)**	–
Repayment to related parties	**–**	(42,100)
Proceeds from capital contributed by a shareholder	**–**	30,000
Issuance of new shares	**544,540**	–
Issue costs paid	**(21,994)**	(1,624)
Interest paid	**(35,912)**	(39,253)
NET CASH FROM FINANCING ACTIVITIES	**407,757**	7,023
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(205,086)**	284,393
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**544,620**	267,344
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(12,005)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**327,529**	551,737

1. GENERAL

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

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION

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

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION *(Continued)*

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied for the first time, the following new amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after 1 September 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

The application of these new and amendments to IFRSs and an interpretation in the current interim period has had no significant financial effect on the financial position or performance of the Group set out in these condensed consolidated financial statements except for those described below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

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

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

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the students.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.1.2 Summary of effects arising from initial application of IFRS 15

The Group recognises revenue from the provision of education services. For the provision of education services, revenue, including tuition fee and boarding fee (each being single performance obligations), was recognised over the relevant period of schooling semesters, i.e. over the period of time.

Upon initial application of IFRS 15, except for certain reclassification of financial statements line items as set out in the below table, there is no other impact on the presentation and measurement or classification on the Group's condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

3.1.2 Summary of effects arising from initial application of IFRS 15 *(Continued)*

	Note	Carrying amounts previously reported at 31 August 2018	Reclassification	Carrying amounts under IFRS 15 at 1 September 2018
		RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES				
Deferred revenue	a	358,366	(353,928)	4,438
Contract liabilities	a	–	353,928	353,928

Note:

a. At the date of initial application, the total deferred revenue of RMB353,928,000 related to the consideration received from the students of schools in advance for the provision of education services. These balances were reclassified to "contract liabilities" upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 28 February 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported at 28 February 2019	Adjustments	Amounts without application of IFRS 15 at 28 February 2019
	RMB'000	RMB'000	RMB'000
Current Liabilities			
Deferred revenue	2,732	277,393	280,125
Contract liabilities	277,393	(277,393)	–

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments*. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

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

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All recognised financial assets that are within the scope of IFRS 9 (including trade and other receivables, time deposit, bank balances and cash) are subsequently measured at amortised cost.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date. No changes in classification and measurement on the Group's financial assets resulted from application on IFRS 9.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, bank balances and cash, and time deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Impairment under ECL model *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history); (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Measurement and recognition of ECL *(Continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against retained profit at 1 September 2018.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

For the six months ended 28 February 2019

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

The Group's contracts with students for higher education programmes are normally with duration of 1 year renewed up to total duration of 3 – 4 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition and boarding fees are determined and paid by the students before the start of the school year.

The contracts for tuition fees, boarding fees are for periods of one year or less, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 28 February 2018

	RMB'000 (audited)
Tuition fees	217,326
Boarding fees	26,471
Total revenue	243,797

Geographical information

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 except for the debt instrument at fair value through other comprehensive income are located in the PRC.

5. OTHER INCOME

	Six months ended 28 February	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Government grants (1)	**1,373**	900
Academic administrative income	**667**	462
Interest income	**7,639**	1,345
Service and management fee income	**6,132**	1,101
Consultancy income (2)	**6,132**	–
Others	**699**	100
	22,642	3,908

Notes:

(1) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.

(2) Consultancy income arises from our provision of technical and management consultancy services to the College of Engineering and Technology of Yangtze University ("Hubei College").

6. OTHER GAINS AND LOSSES

	Six months ended 28 February	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Net foreign exchange loss	**(12,005)**	–
Loss on disposal of property, plant and equipment	**(3)**	–
Others	**(102)**	(83)
	(12,110)	(83)

7. FINANCE COSTS

	Six months ended 28 February	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Interest expense in relation to:		
– Bank borrowings	**15,669**	30,661
– Borrowing from non-banking institutes	**17,790**	11,440
– Loan from a related party	**–**	169
	33,459	42,270
Less: capitalised in construction in progress	**(3,956)**	–
	29,503	42,270

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 7.08% per annum (six months ended 28 February 2018: Nil) to expenditure on property, plant and equipment (construction in progress).

8. INCOME TAX EXPENSE

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

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

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

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

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

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

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

8. INCOME TAX EXPENSE *(Continued)*

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

9. PROFIT FOR THE PERIOD

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

10. DIVIDENDS

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

11. EARNINGS PER SHARE

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

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

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Share Option Scheme as defined in note 19 as the potential ordinary shares are anti-dilutive for the six months ended 28 February 2019.

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

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

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2019, the Group acquired property and equipment of approximately RMB416,791,000 (six months ended 28 February 2018: RMB94,517,000) for the purpose of construction and improvement of campus infrastructure. As at 28 February 2019, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB666,969,000 (31 August 2018: RMB605,703,000) had not been obtained.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis.

13. DEBT INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In September 2018, the Group, through an agent, subscribed an unlisted five-year corporate bond with principal amount of USD15,000,000 (equivalent to RMB100,346,070.10) carrying fixed coupon rate of 2.80% annually, the issuer has the right to redeem the bond in whole any time after 27 July 2019. As the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of the asset and the contractual cash flows of the investment are solely payments of principal and interest on the principal amount outstanding, the debt instrument is classified as debt instrument at fair value through other comprehensive income.

14. OTHER NON-CURRENT ASSETS

	28 February 2019 RMB'000 (unaudited)	31 August 2018 RMB'000 (audited)
Prepayment for prepaid lease payments	**58,948**	59,108
Prepayment/deposits paid for acquisition of property, plant and equipment	**8,589**	49,544
Loan receivables (Note)	**19,223**	33,406
	86,760	142,058

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

15. TRADE AND OTHER RECEIVABLES

	28 February 2019 RMB'000 (unaudited)	31 August 2018 RMB'000 (audited)
Tuition and boarding fee receivables (1)	**8,342**	12,339
Third party payment platform receivables (2)	**–**	22,920
Service income receivables	**6,500**	–
Consultancy income receivables	**6,500**	–
Interest receivables	**4,000**	–
Other receivables	**3,440**	1,031
Deferred share issue costs	**–**	8,115
Prepaid expenses	**446**	2,938
Deposits	**100**	100
	29,328	47,443

15. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(1) The students are required to pay tuition fees 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. There is no fixed credit term for payments. In view of the aforementioned and the fact that the Group's tuition receivables related to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.

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

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

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

Trade receivables are due from individual students who have applied for delayed payment but are within reasonable period. The Group considered the trade receivables overdue over 90 days for students that are not dropped out from schools are not default as the tuition fees and boarding fees will be fully received upon the graduation of the students by reference to past experience.

16. OTHER PAYABLES AND ACCRUED EXPENSES

	28 February 2019 RMB'000 (unaudited)	31 August 2018 RMB'000 (audited)
Interest payables	**6,447**	8,743
Accrued staff benefits and payroll	**25,536**	17,671
Payables for construction and purchase of property, plant and equipment	**136,378**	73,988
Receipt on behalf of ancillary services providers	**17,135**	19,033
Other payables, accruals and deposits received	**21,077**	30,207
Other taxes payables	**8,582**	7,513
Accrued share issue costs/listing expenses	**4,949**	11,859
	220,104	169,014

17. BORROWINGS

During the current interim period, the Group obtained new borrowings with amounts of approximately RMB135,298,000. The proceeds were used to meet the working capital requirement and acquisitions of property, plant and equipment for construction and improvement of campus infrastructure. Repayment of bank borrowings amounting to approximately RMB234,035,000 were made in line with the relevant repayment terms.

As at 28 February 2019 and 31 August 2018, all the borrowings were denominated in RMB. The Group's borrowings carried fixed-rate of 6.4% to 10.4% and variable-rate of 5.7% to 7.1% per annum. The variable-rate borrowings carry interest with reference to the benchmark borrowing rate of the People's Bank of China.

The carrying amount of above borrowings are repayable based on scheduled repayment dates set out in loan agreements:

	28 February 2019 RMB'000	31 August 2018 RMB'000
– Within one year	**335,368**	265,353
– Within a period of more than one year but not exceeding two years	**485,000**	570,879
– Within a period of more than two years but not exceeding five years	**33,000**	107,710
– Within a period of more than five years	**–**	8,164
	853,368	952,106

18. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 November 2017 with an authorised share capital of HK$500,000 divided into 50,000,000,000 shares with par value of HK$0.00001. On the same date, Chunlai Investment acquired one share in the Company at par value and 899,999,999 shares were further issued and allotted to Chunlai Investment as fully-paid at par value with a share capital of HK$9,000 on 12 February 2018.

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

19. SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a Board of Director's resolution passed on 9 August 2018, for the primary purpose of providing incentives to directors and eligible employees, and will expire no later than 10 years from the date of the Listing. Under the Pre-IPO Share Option Scheme, 35,950,000 share options have been granted on 9 August 2018. The exercise price of all the options granted under the Pre-IPO Share Option Scheme is HK$0.00001 per Share. For details of the Pre-IPO Share Option Scheme, please refer to the section "Appendix V" of the prospectus of the Company dated 31 August 2018.

As at 28 February 2019, the number of options that have been granted and remained outstanding under the Pre-IPO Share Option Scheme was 35,950,000, representing approximately 3% of the shares of the Company in issue.

The fair value of the share option was calculated using binomial model. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

The Group recognised share based compensation expense of RMB5,917,000 for the six months ended 28 February 2019 (six months ended 28 February 2018: nil).

20. CAPITAL COMMITMENTS

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

21. RELATED PARTIES DISCLOSURES

During the period, save as the disclosure elsewhere in the condensed consolidated financial statement, the Group entered into the following transactions with the related parties:

(a) 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Short-term benefits	**2,284**	1,701
Equity-settled share-based payments	**4,372**	–
Retirement benefit scheme contribution	**108**	36
	6,764	1,737

"affiliate"	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
"Anyang University"	Anyang University (安陽學院), a Private HEI (formerly an independent college known as College of Humanities and Management of Anyang Normal University) (安陽師範學院人文管理學院) that obtained approval from MOE for its establishment on 25 April 2003 (excluding the Wenming Avenue (文明大道) campus of the College of Humanities and Management of Anyang Normal University, which was managed by Anyang Normal University) and one of our PRC Operating Schools
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Chairman Hou"	Mr. Hou Chunlai (候春來), a PRC citizen, a non-executive Director and Chairman of the Board, and spouse of Ms. Jiang and father of Mr. Hou
"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this Interim Report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term "Chinese" has a similar meaning
"Chunlai (Hong Kong)"	China Chunlai Education (Hong Kong) Limited (中國春來教育(香港)有限公司), a company with limited liability incorporated in Hong Kong on 19 December 2017 and a wholly-owned subsidiary of our Company

DEFINITIONS

"Chunlai Investment"	Chunlai Investment Co., Ltd (春來投資有限公司), a company incorporated in the BVI with limited liability on 13 July 2017 and one of the Controlling Shareholders
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our Company"	China Chunlai Education Group Co., Ltd (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
"consolidated affiliated entities"	the entities we control through the Contractual Arrangements, being the PRC Holdco, the School Sponsor and the PRC Operating Schools
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and the Group's consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou and Chunlai Investment
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of the Company from time to time
"Group", "our Group", "the Group", "we", "us" or "our"	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Henan Implementation Opinions"	the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) promulgated by the Henan Municipal Government on 2 February 2018

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hubei College"	College of Engineering and Technology of Yangtze University (長江大學工程技術學院), an independent college of Yangtze University (長江大學) located in Hubei Province, the PRC that obtained approval from MOE for its establishment on 18 March 2004
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 13 September 2018
"Listing Date"	13 September 2018, the date the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Hou"	Mr. Hou Junyu (候俊宇), a PRC citizen, an executive Director, our chief executive officer and our controlling shareholder, and son of Chairman Hou and Ms. Jiang
"Ms. Jiang"	Ms. Jiang Shuqin (蔣淑琴), a PRC citizen and an executive Director, and spouse of Chairman Hou and mother of Mr. Hou
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

DEFINITIONS

"PRC Holdco"	Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of our consolidated affiliated entities
"PRC Legal Adviser"	Tian Yuan Law Firm, our legal adviser as to PRC laws and regulations
"PRC Operating Schools"	Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University
"Pre-IPO Share Option Scheme"	the share option scheme effective from 9 August 2018, the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus
"Prospectus"	the prospectus of the Company published on 31 August 2018
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended 28 February 2019
"School Sponsor"	Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2014, one of our consolidated affiliated entities and the sole school sponsor of each of our PRC Operation Schools
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shangqiu University"	Shangqiu University (商丘學院), a Private HEI (formerly an independent college known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) that obtained approval from MOE for its establishment on 14 July 2005) and one of our PRC Operating Schools; operating and financial data stated to be of Shangqiu University presented in this document do not include contributions by Shangqiu University Kaifeng Campus, unless otherwise specified
"Shangqiu University Kaifeng Campus"	Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013

"Share(s)"	ordinary share(s) in the Company of par value of HK$0.00001 each
"Share Award Scheme"	the share award scheme approved and adopted by the sole shareholder of the Company on 24 August 2018, the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme" in Appendix V to the Prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"WFOE"	Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of our Company
"%"	percent

GLOSSARY

"college"	a higher educational institution offering bachelor's degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"private HEI", "private higher education institution" or "private university"	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by nongovernmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public
"private school"	a school that is not run by local, provincial or national governments
"school sponsor"	an individual or entity that funds or holds interests in an educational institution