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 2020

CONTENTS

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 and one college in Jiangsu Province. The total student enrolment of the Group's colleges increased from 50,211 as at 28 February 2019 to 61,561 as at 29 February 2020. To capture growth opportunities, each of the Group's current colleges in Henan Province has 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 RMB280.2 million for the six months ended 28 February 2019 to RMB350.9 million for the six months ended 29 February 2020.

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)

AUTHORISED REPRESENTATIVES

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

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
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Causeway Bay, Hong Kong

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COMPLIANCE ADVISER

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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

CORPORATE INFORMATION

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Henan Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

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Services Limited
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and Beihai Road, Development District
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 29 February 2020	Six months ended 28 February 2019	Change (%)
	(RMB in thousands, except percentages)		
	(Unaudited)	(Unaudited)	
Revenue	**350,857**	280,206	+25.2%
Gross profit	**170,596**	138,103	+23.5%
Profit before taxation	**74,747**	60,581	+23.4%
Profit for the period	**72,156**	57,515	+25.5%
Non-IFRS measure			
Adjusted net profit[1]	**88,898**	81,918	+8.5%

Note

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

Non-IFRS Measure

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The 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. According to Frost & Sullivan, the total number of private higher education institutions in China grows continuously, and the development of private higher education is primarily driven by a number of factors, including (i) support by PRC government policies and initiatives; (ii) increasing resident income and demand for higher education; (iii) growing market demand for technical talents; and (iv) increasing diversification and strengthened education quality. With the help of these factors, the rapid growth in higher education in China is expected to continue, the private higher education landscape remains competitive.

BUSINESS REVIEW

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and participate in the operation of College of Engineering and Technology of Yangtze University (長江大學工程技術學院) ("**Hubei College**"), an independent college of Yangtze University in Hubei Province, and Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) ("**Tianping College**"). We are in the process of acquiring the sponsor interest of Hubei College and Tianping College. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates.

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2019/2020 school year, Shangqiu University had a total enrolment of 24,112 students.

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

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 38 bachelor's degree programmes, 25 junior college to bachelor's degree transfer programmes, 25 junior college diploma programmes, 18 combined vocational education and junior college diploma programmes and five vocational education programmes. For the 2019/2020 school year, Anyang University had a total enrolment of 27,709 students.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 17 bachelor's degree programmes, 6 junior college to bachelor's degree transfer programmes and 8 junior college diploma programmes. For the 2019/2020 school year, Shangqiu University Kaifeng Campus had a total enrolment of 9,740 students.

Student Enrolment

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

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

Notes:

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

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

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

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

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

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

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

For the 2019/2020 school year, the number of students increased by 22.6% from 50,211 in the prior school year to 61,561, achieving the Company's goal and realizing steady improvement in performance. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

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

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 15 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe would assist us to continuously attract outstanding students. Other than referrals from alumni network, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2019/2020 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 96.1% for the bachelor's degree programmes.

Our Teachers

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 29 February 2020, we had 1,492 fulltime teachers and 175 part-time teachers.

Acquisition of Sponsor Interest of Tianping College

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

FUTURE DEVELOPMENT

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

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

FINANCIAL REVIEW

OVERVIEW

For the six months ended 29 February 2020, we recorded a revenue of RMB350.9 million, a gross profit of RMB170.6 million and an adjusted net profit of RMB88.9 million. The gross profit margin was 48.6% for the six months ended 29 February 2020 as compared with 49.3% for the six months ended 28 February 2019.

The adjusted net profit of the Group for the six months ended 29 February 2020 was RMB88.9 million, representing an increase of RMB7.0 million or a 8.5% increase from the corresponding period in 2019. The adjusted net profit margin of the Group was 25.3% and 29.2% for the six months ended 29 February 2020 and 28 February 2019, respectively. The increase in the adjusted net profit was mainly due to the increase of the Group's student enrolment.

The net profit of the Group amounted to RMB72.2 million and RMB57.5 million for the six months ended 29 February 2020 and 28 February 2019, respectively. The net profit margin of the Group amounted to 20.6% and 20.5% for the six months ended 29 February 2020 and 28 February 2019, respectively.

REVENUE

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

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

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

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

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

COST OF REVENUE

Our cost of revenue increased by 26.9% from RMB142.1 million for the six months ended 28 February 2019 to RMB180.3 million for the six months ended 29 February 2020. As a percentage of revenue, our cost of revenue increased from 50.7% for the six months ended 28 February 2019 to 51.4% for the six months ended 29 February 2020. The increases were primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by 23.5% from RMB138.1 million for the six months ended 28 February 2019 to RMB170.6 million for the six months ended 29 February 2020, and our gross profit margin decreased from 49.3% for the six months ended 28 February 2019 to 48.6% for the six months ended 29 February 2020.

OTHER INCOME

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

OTHER GAINS AND LOSSES

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

SELLING EXPENSES

Our selling expenses increased by 117.3% from RMB1.1 million for the six months ended 28 February 2019 to RMB2.3 million for the six months ended 29 February 2020, primarily because the Group increased investment in student recruitment promotion, and advertising efficiency and cost control will be optimised in the long run.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by 17.5% from RMB57.5 million for the six months ended 28 February 2019 to RMB67.5 million for the six months ended 29 February 2020, primarily due to increases in depreciation and amortisation, staff costs and travelling expenses.

LISTING EXPENSES

We recorded RMB6.5 million listing expenses for the six months ended 28 February 2019 in connection with the Listing. We did not record any listing expenses for the six months ended 29 February 2020.

FINANCE COSTS

Our finance costs increased by 42.1% from RMB29.5 million for the six months ended 28 February 2019 to RMB41.9 million for the six months ended 29 February 2020, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalization.

TAXATION

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

PROFIT FOR THE PERIOD

Our profit increased by 25.5% from RMB57.5 million for the six months ended 28 February 2019 to RMB72.2 million for the six months ended 29 February 2020.

ADJUSTED NET PROFIT

Our adjusted net profit increased by 8.5% from RMB81.9 million for the six months ended 28 February 2019 to RMB88.9 million for the six months ended 29 February 2020. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the period excluding (i) share-based compensation, (ii) foreign exchange loss, and (iii) listing expenses. The following table reconciles profit for the period to adjusted net profit for both periods:

	For the six months ended 29 February 2020 RMB'000	For the six months ended 28 February 2019 RMB'000
Profit for the period	**72,156**	57,515
Add:		
Share-based compensation	**6,105**	5,917
Foreign exchange loss	**10,637**	12,005
Listing expenses	**–**	6,481
Adjusted net profit	**88,898**	81,918

LIQUIDITY AND SOURCE OF FUNDING AND BORROWING

As at 29 February 2020, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB473.6 million and RMB163.8 million as of 31 August 2019 and 29 February 2020, respectively. The Company generally deposit the Group's excess cash in interest bearing bank accounts and current accounts.

As at 29 February 2020, the Group's principal uses of cash have been for the funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this interim report, and the announcements of the Company dated 23 July 2019 and 20 August 2019), funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Company believes that the liquidity requirements of the Group will be satisfied by using funds from a combination of internally generated cash, external borrowings, the proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in the student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

GEARING RATIO

As at 29 February 2020, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the period, was approximately 100.1%, representing a decrease of 18.0% as compared with 118.1% as at 31 August 2019. The decrease was due to the fact that the Group had partly repaid certain interest-bearing bank loans.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 29 February 2020.

PLEDGE OF ASSETS

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

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

Save as disclosed in this interim report, as at 29 February 2020, the Group had no other bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 29 February 2020.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS, ACQUISITIONS AND DISPOSALS

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

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 29 February 2020, 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 29 February 2020.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Lau Tsz Man, Dr. Jin Xiaobin and Ms. Fok Pui Ming Joanna. Mr. Lau Tsz Man is the chairman of the audit committee and is appropriately qualified as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2020 with the management of the Company and has met with the Company's auditor, ZHONGHUI ANDA CPA Limited. 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.

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 29 February 2020.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the six months ended 29 February 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 29 February 2020.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Stock Exchange on 13 September 2018. The net proceeds from the Global Offering amounted to approximately HK$552.6 million. As of 29 February 2020, the utilization breakdown of the net proceeds from the Global Offering is set out below.

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

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

EMPLOYEE AND REMUNERATION POLICIES

As of 29 February 2020, we had 3,069 employees. As of 29 February 2020, all of our employees were located in Henan Province. The 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 29 February 2020:

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

Notes:

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

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

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

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 29 February 2020 was RMB109.4 million (for the six months ended 28 February 2019: RMB105.7 million).

PRE-IPO SHARE OPTION SCHEME

In order to incentivize 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 provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

As at ended 29 February 2020, 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 16 to the financial statements.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at 1 September 2019	Granted during the Period	Exercised during the Period	Forfeited/ Cancelled/ Lapsed during the Period	Outstanding as at 29 February 2020
Director									
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		–	–	13,950,000
TOTAL					35,950,000	–	–	–	35,950,000

None of the options granted referred to above had been forfeited or cancelled or had lapsed during the Reporting Period.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the 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 29 February 2020, no Shares have been granted or agreed to be granted under the Share Award Scheme.

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

As at 29 February 2020, 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	Approximate Percentage of Shareholding in the Company[1]
Mr. Hou	Interest in a controlled corporation	Chunlai Investment[2]	900,000,000 (L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000 (L)	0.50%
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse[3]	N/A	8,000,000 (L)	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse[3]	N/A	8,000,000 (L)	0.67%

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 29 February 2020.

(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).

(5) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

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), as to 9.9% by Ms. Jiang (RMB11,260,260) and as to 1% by the PRC Holdco (RMB1,137,400). 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 29 February 2020, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executive 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 29 February 2020, so far as the Directors are aware, the following persons (other than our Directors or chief executive 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	Approximate Percentage of Shareholding[1]
Mr. Hou[2]	Interest in a controlled corporation	900,000,000 (L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000 (L)	0.50%
Chunlai Investment	Beneficial owner	900,000,000 (L)	75%
Xiang Rong International limited	Beneficial owner	66,037,000 (L)	5.50%

Notes:

(1) The percentages are calculated on the basis of 1,200,000,000 Shares in issue as at 29 February 2020.

(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).

(4) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed above, as at 29 February 2020, 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 29 February 2020 (2019: nil).

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

With effect from 1 May 2020, the director's fee of the independent non-executive Directors, namely Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man, have been increased to HK$400,000, HK$400,000 and HK$500,000 per year respectively.

Save as disclosed above, as at the date of this interim report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

QUALIFICATION REQUIREMENT

Draft Foreign Investment Law

On 15 March 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 came into effect on 1 January 2020. On 26 December, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (中華人民共和國外商投資法實施條例) (the "**Implementation Regulations**"), which came into effect on 1 January, 2020. The FIL and the Implementation Regulations replaced 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 and the Implementation Regulations embody 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 without elaboration on the meaning of "other methods". The Implementation Regulations is also silent on whether foreign investment includes contractual arrangements. Therefore, the FIL and the Implementation Rules still leave 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 and the Implementation Rules are relatively new, uncertainties still exist in relation to its interpretation and implementation, the Company believes that any attempt to evaluate the potential impact that they 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, Hubei College and Tianping College are PRC nationals; and (b) the representatives or the directors of our PRC Operating Schools, Hubei College and Tianping College are appointed by PRC entities, our PRC Legal Adviser is of the view that our PRC Operating Schools, Hubei College and Tianping College are in full compliance with the Foreign Control 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 29 February 2020, 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, the Hubei Implementation Opinions, Implementation Opinions of Jiangsu Government on Encouraging Social Groups to Engage in Education and Promoting the Healthy Development of Private Education (江蘇省政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見) and Implementation Rules for Classification and Registration of Private Schools in Jiangsu Province (江蘇省民辦學校分類登記實施細則), the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Henan, Hubei and Jiangsu provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations.

As of 29 February 2020, 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

Buildings

As of 29 February 2020, 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 29 February 2020, 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.

Suspension of trading

The Company has published an announcement on 2 December 2019 stating its inability to comply with Rule 13.49 of the Listing Rules to publish its annual results for the year ended 31 August 2019 no later than three months after the end of the financial year of the Company, i.e. on or before 30 November 2019. Shares of the Company have been suspended from trading since 2 December 2019 pursuant to Rule 13.50 of the Listing Rules. Further, on 13 January 2020, the Company announced that given the delay in the publication of the annual results for the year ended 31 August 2019, the annual report of the Company for the year ended 31 August 2019 ("**2019 Annual Report**") would not be ready by 31 December 2019, and such delay in despatching 2019 Annual Report constituted non-compliance with Rule 13.46(2)(a) of the Listing Rules. For further details, please refer to the announcements of the Company dated 2 December 2019, 13 January 2020, 27 March 2020, 9 April 2020, 29 May 2020 and 9 July 2020.

The Company has published its unaudited annual results for the year ended 31 August 2019 on 29 April 2020, unaudited interim results for the six months ended 29 February 2020 on 29 April 2020 (as supplemented by a supplemental announcement dated 3 May 2020 and an update announcement dated 20 August 2020 on the annual results for the year ended 31 August 2019 and the interim results for the six months ended 29 February 2020).

EVENTS AFTER THE REPORTING PERIOD

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

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

On 5 June 2020, the Company obtained the registration certificate to Hubei Jiankang Vocational College (湖北健康職業學院), a private higher education vocational school (民辦高等職業學校) in the PRC, from the Hubei Provincial Civil Affairs Department (湖北省民政廳). For further details, please refer to the announcement of the Company dated 9 June 2020.

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 29 February 2020.

By the order of the Board
Mr. Hou Chunlai
Chairman

Hong Kong
20 August 2020

ZHONGHUI

TO THE BOARD OF DIRECTORS OF 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)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 48, which comprises the condensed consolidated statement of financial position of China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 29 February 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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 interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the condensed consolidated financial information which mentions that the Group had net current liabilities of approximately RMB1,221,957,000 as at 29 February 2020 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Engagement Director
Practising Certificate Number P03614
Hong Kong, 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Notes	Six months ended 29 February 2020 RMB'000 (Unaudited)	Six months ended 28 February 2019 RMB'000 (Unaudited)
Revenue	5	**350,857**	280,206
Cost of revenue		**(180,261)**	(142,103)
Gross profit		**170,596**	138,103
Other income		**26,530**	22,642
Other gains and losses, net		**(10,637)**	(12,110)
Selling expenses		**(2,310)**	(1,063)
Administrative expenses		**(67,521)**	(57,488)
Profit from operations		**116,658**	90,084
Finance costs	6	**(41,911)**	(29,503)
Profit before tax		**74,747**	60,581
Income tax expense	7	**(2,591)**	(3,066)
Profit for the period	8	**72,156**	57,515
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Fair value gain on debt investment at fair value through other comprehensive income		**2,818**	–
Other comprehensive income for the period, net of tax		**2,818**	–
Total comprehensive income for the period		**74,974**	57,515
Profit and total comprehensive income for the period attributable to owners of the Company		**74,974**	57,515
Earnings per share	9		
Basic (RMB cents per share)		**6**	5
Diluted (RMB cents per share)		**6**	5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Notes	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**1,586,550**	1,390,998
Right-of-use assets		**351,117**	–
Prepaid lease payments		**–**	346,112
Prepayment for cooperation agreements		**500,056**	500,056
Other non-current assets	12	**545,158**	235,190
		2,982,881	2,472,356
Current assets			
Trade and other receivables	13	**92,737**	388,858
Prepaid lease payments		**–**	8,387
Debt investment at fair value through other comprehensive income		**111,695**	109,857
Amount due from a shareholder		**7**	7
Cash and cash equivalents		**163,778**	473,619
		368,217	980,728
Current liabilities			
Accruals and other payables	14	**218,119**	184,483
Deferred revenue		**3,726**	2,928
Contract liabilities		**379,113**	447,130
Lease liabilities		**701**	–
Borrowings		**980,671**	1,291,111
Current tax liabilities		**7,844**	5,402
		1,590,174	1,931,054
Net current liabilities		**(1,221,957)**	(950,326)
Total assets less current liabilities		**1,760,924**	1,522,030
Non-current liabilities			
Deferred revenue		**3,542**	5,667
Borrowings		**388,940**	229,000
		392,482	234,667
NET ASSETS		**1,368,442**	1,287,363
Capital and reserves			
Share capital	15	**10**	10
Reserves		**1,368,432**	1,287,353
TOTAL EQUITY		**1,368,442**	1,287,363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note i)	Capital reserve RMB'000	Share-based payment reserve RMB'000	Debt investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 September 2018 (audited)	7	–	162,337	142,600	697	–	289,193	594,834
Total comprehensive income for the period (unaudited)	–	–	–	–	–	–	57,515	57,515
Issue of shares	3	544,537	–	–	–	–	–	544,540
Transaction cost attributable to issue of shares	–	(28,639)	–	–	–	–	–	(28,639)
Recognition of equity-settled share-based payments	–	–	–	–	5,917	–	–	5,917
Transfer to statutory reserve	–	–	14,379	–	–	–	(14,379)	–
At 28 February 2019 (unaudited)	10	515,898	176,716	142,600	6,614	–	332,329	1,174,167
At 1 September 2019 (audited)	10	516,431	211,853	142,600	12,549	(491)	404,411	1,287,363
Total comprehensive income for the period (unaudited)	–	–	–	–	–	2,818	72,156	74,974
Recognition of equity-settled share-based payments	–	–	–	–	6,105	–	–	6,105
Transfer to statutory reserve	–	–	28,906	–	–	–	(28,906)	–
At 29 February 2020 (unaudited)	**10**	**516,431**	**240,759**	**142,600**	**18,654**	**2,327**	**447,661**	**1,368,442**

Note:

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Six months ended	
	29 February 2020 RMB'000 (Unaudited)	28 February 2019 RMB'000 (Unaudited)
Net cash generated from operating activities	**99,213**	108,857
Cash flows from investing activities		
Purchase of property, plant and equipment	**(176,930)**	(354,400)
Deposits paid for acquisition of property, plant and equipment	**(50,595)**	–
Advance to target colleges	**(91,000)**	–
Advance to a third party	**(30,000)**	(5,000)
Repayment from a target college	**87,000**	–
Repayment from a third party	**44,988**	–
Interest income received	**1,655**	5,632
Placement of time deposits	**–**	(267,746)
Return of prepaid lease payments	**–**	160
Purchase of debt investment at fair value through other comprehensive income	**–**	(100,346)
Net cash used in investing activities	**(214,882)**	(721,700)
Cash flows from financing activities		
Repayment of borrowings	**(390,500)**	(234,035)
Interest paid	**(43,082)**	(35,912)
Repayment of lease liabilities	**(567)**	–
Lease interests paid	**(23)**	–
Proceeds from borrowings	**240,000**	135,298
Proceeds from issue of new shares	**–**	544,540
Repayment from a third party	**–**	19,860
Issue costs paid	**–**	(21,994)
Net cash (used in)/generated from financing activities	**(194,172)**	407,757
Net decrease in cash and cash equivalents	**(309,841)**	(205,086)
Effect of foreign exchange rate changes	**–**	(12,005)
Cash and cash equivalents at beginning of period	**473,619**	544,620
Cash and cash equivalents at end of period	**163,778**	327,529
Analysis of cash and cash equivalents		
Bank and cash balances	**163,778**	327,529

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

Going concern basis

The Group had net current liabilities of approximately RMB1,221,957,000 as at 29 February 2020 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

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

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 August 2019 except as stated below.

2. BASIS OF PREPARATION *(Continued)*

Leases

The Group as lessee

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

Land use rights	2%
Land and buildings	89%

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 16 "Leases"

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

	As at 1 September 2019 RMB'000 (Unaudited)
Increase in right-of-use assets	355,768
Increase in lease liabilities	(1,269)
Decrease in prepaid lease payments	(354,499)

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

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

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

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair value.

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

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

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

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

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

(a) Disclosure of level in fair value hierarchy

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

4. FAIR VALUE MEASUREMENTS *(Continued)*

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

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

The total gains or losses recognised in other comprehensive income are presented in fair value gain or loss on debt investment at fair value through other comprehensive income in the condensed consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

4. FAIR VALUE MEASUREMENTS *(Continued)*

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

Level 3 fair value measurements

Description	**Valuation technique**	**Key input**	**Effect on fair value for increase of key input**	**Fair value as at 29 February 2020 RMB'000** (Unaudited)	Fair value as at 31 August 2019 RMB'000 (Audited)
Debt investment at fair value through other comprehensive income	Discounted cash flow	Discount rate of 1.9% (31 August 2019: 2.7%)	Decrease	111,695	109,857

5. REVENUE AND SEGMENT INFORMATION

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

Information reported to the Group's chief operating decision maker, Mr. Hou, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

6. FINANCE COSTS

	Six months ended 29 February 2020 RMB'000 (Unaudited)	Six months ended 28 February 2019 RMB'000 (Unaudited)
Interest expense in relation to:		
– Lease liabilities	**23**	–
– Bank borrowings	**25,359**	15,669
– Borrowings from non-banking institutes	**17,911**	17,790
	43,293	33,459
Less: capitalised in construction in progress	**(1,382)**	(3,956)
	41,911	29,503

7. INCOME TAX EXPENSE

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

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

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

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the EIT rate was 25% during the six months ended 29 February 2020 (six months ended 28 February 2019: 25%).

Given that Anyang University and Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not-for-profit schools, according to the relevant in-charge tax bureau, the schools follow previous EIT exemption treatment for the tuition related income. For the six months ended 29 February 2020, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

8. PROFIT FOR THE PERIOD

This is stated at after charging the following:

	Six months ended 29 February 2020 RMB'000 (Unaudited)	Six months ended 28 February 2019 RMB'000 (Unaudited)
Directors' remuneration	**5,944**	6,764
Depreciation	**48,189**	34,698
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	**92,408**	89,408
– Retirement benefit scheme contributions	**10,904**	10,369
– Equity-settled share-based payments	**6,105**	5,917
	109,417	105,694

9. EARNINGS PER SHARE

	Six months ended 29 February 2020 (Unaudited)	Six months ended 28 February 2019 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	**72,156**	57,515
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,200,000,000**	1,178,571,429
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	**5,630,625**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,205,630,625**	1,178,571,429

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 16 as the potential ordinary shares are dilutive for the six months ended 29 February 2020.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 16 as the potential ordinary shares are anti-dilutive for the six months ended 28 February 2019.

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2020, the Group acquired property, plant and equipment of approximately RMB243,185,000 (six months ended 28 February 2019: RMB416,791,000) for the purpose of construction and improvement of campus infrastructure. As at 29 February 2020, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB1,182,101,000 (31 August 2019: RMB716,467,000) had not been obtained.

12. OTHER NON-CURRENT ASSETS

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

Notes:

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

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

13. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

14. ACCRUALS AND OTHER PAYABLES

	As at 29 February 2020 RMB'000 (Unaudited)	As at 31 August 2019 RMB'000 (Audited)
Interest payables	**9,932**	8,927
Accrued staff benefits and payroll	**34,792**	19,026
Payables for purchase of property, plant and equipment and construction	**129,505**	97,599
Receipt on behalf of ancillary services providers	**13,610**	20,461
Other payables, accruals and deposits received	**20,328**	29,491
Other taxes payables	**9,952**	8,979
	218,119	184,483

15. SHARE CAPITAL

	Number of shares	Amount HK$	Amount RMB	Amount RMB'000
Ordinary shares of HK$0.00001 each				
Authorised:				
As at 1 September 2018, 31 August 2019, 1 September 2019 and 29 February 2020	50,000,000,000	500,000	424,570	425
Issued and fully paid:				
As at 1 September 2018	900,000,000	9,000	7,251	7
Issue of shares on 13 September 2018	300,000,000	3,000	2,616	3
As at 31 August 2019, 1 September 2019 and 29 February 2020	1,200,000,000	12,000	9,867	10

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

16. SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

Pursuant to written resolution passed on 9 August 2018, the Company adopted a share option scheme ("Pre-IPO Share Option Scheme"), details of which are set out in "Report of the Directors – Pre-IPO Share Option Scheme" to the annual report for the year ended 31 August 2019.

16. SHARE-BASED PAYMENTS *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

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

Tranche	Date of grant	Number of shares	Vesting period	Exercise period	Exercise price HK$
A	9 August 2018	10,465,000	9 August 2018 – 9 August 2021	10 August 2021 – 9 August 2038	0.00001
B	9 August 2018	7,350,000	9 August 2018 – 9 August 2023	10 August 2023 – 9 August 2038	0.00001
C	9 August 2018	7,190,000	9 August 2018 – 9 August 2025	10 August 2025 – 9 August 2038	0.00001
D	9 August 2018	10,945,000	9 August 2018 – 9 August 2028	10 August 2028 – 9 August 2038	0.00001

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

	Balances as at 1 September 2018, 31 August 2019 1 September 2019 and 29 February 2020
Directors	
Mr. Hou Chunlai	8,000,000
Mr. Hou	6,000,000
Ms. Jiang Shuqin	8,000,000
Directors in aggregate	22,000,000
Employees in aggregate	13,950,000
Total	35,950,000
Exercise price (HK$)	0.00001

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

17. COMMITMENTS

Capital commitments

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

18. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

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

19. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the debt investment at fair value through other comprehensive income, which was valued at approximately RMB111,695,000 as at 29 February 2020, with principal and interest were fully redeemed on 15 June 2020 and 29 June 2020, respectively.

"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
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Chairman Hou"	Mr. Hou Chunlai (侯春來), 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 2018 and a wholly-owned subsidiary of our Company
"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 2018 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 the "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 2018

DEFINITIONS

"consolidated affiliated entities" or "consolidated affiliated entity"	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 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 GEM 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
"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 2018 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 2019, 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

DEFINITIONS

"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended 29 February 2020
"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
"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 2019, 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 2019 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