



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

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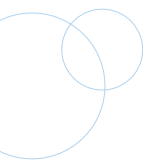
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# COMPANY PROFILE

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province and one college in Hubei 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 61,561 as at 29 February 2020 to 80,828 as at 28 February 2021. 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 RMB350.9 million for the six months ended 29 February 2020 to RMB501.2 million for the six months ended 28 February 2021.



## BOARD OF DIRECTORS

### Executive Directors

Mr. Hou Junyu (侯俊宇)

Ms. Jiang Shuqin (蔣淑琴)

Ms. Zhang Jie (張潔) (*Chief Executive Officer*)

(*appointed on 25 September 2020*)

### Non-executive Director

Mr. Hou Chunlai (侯春來) (*Chairman*)

Mr. Hao Xiaohui (郝曉暉) (*Vice chairman*)

(*appointed on 25 September 2020 and resigned on 8 February 2021*)

### 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

Unit 701, Citicorp Centre, 18 Whitfield Road

Causeway Bay, Hong Kong

## LEGAL ADVISERS

*As to Hong Kong and U.S. laws:*

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15 Queen's Road Central

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## COMPLIANCE ADVISER

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## REGISTERED OFFICE

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Grand Cayman KY1-9008

Cayman Islands

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Hong Kong

# CORPORATE INFORMATION

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 66, Beihai East Road  
Shangqiu City  
Henan Province  
PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
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## PRINCIPAL BANKERS

Zhongyuan Bank Co., Ltd.  
Shangqiu Development District Sub-branch  
Northeast Corner, Intersection of Yuyuan Road  
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](http://www.chunlaiedu.com)

## STOCK CODE

1969



# FINANCIAL HIGHLIGHTS

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

Note:

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

## Non-IFRS Measures

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

# 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 categorized into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes.

### The Private Higher Education Industry in China

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

## BUSINESS REVIEW

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

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

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

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2019/2020 and 2020/2021 school years, the average initial employment rate of our higher education programmes was approximately 85.1% and 93.3%, respectively. The employment rate of our graduates for the 2019/2020 school year dropped given the impact of COVID-19 on the employment market in the PRC in 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Our Colleges

### Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2020/2021 school year, Shangqiu University had a total enrolment of 12,198 students.

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

### Anyang University

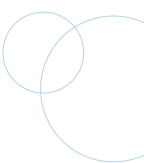
Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 41 bachelor's degree programmes, 32 junior college diploma programmes, 3 double bachelor's degree programmes, 12 adult higher education programmes, 3 counterpart bachelor's degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes. For the 2020/2021 school year, Anyang University had a total enrolment of 13,716 students.

### Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 25 bachelor's degree programmes and 18 junior college diploma programmes. For the 2020/2021 school year, Shangqiu University Kaifeng Campus had a total enrolment of 7,681 students.

### Jiankang College

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





# MANAGEMENT DISCUSSION AND ANALYSIS

## Student Enrolment

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 29 February and 28 February for the 2019/2020 and 2020/2021 school years, respectively.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.
- (8) Jiankang College started its junior college diploma programmes in 2020.

For the 2020/2021 school year, the number of students increased by 31.3% from 61,561 in the prior school year to 80,828, achieving the Company's goal and realizing steady improvement in performance. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

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

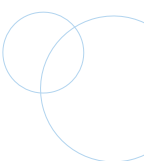
## Student Recruitment

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

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2020/2021 school year, the overall yield of our four colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 96.0% for the bachelor's degree programmes.

## Our Teachers

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Acquisition of Sponsor Interest of Tianping College

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

## FUTURE DEVELOPMENT

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

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

## FINANCIAL REVIEW

### Overview

For the six months ended 28 February 2021, we recorded a revenue of RMB501.2 million, a gross profit of RMB307.3 million and an adjusted net profit of RMB194.4 million. The gross profit margin was 61.3% for the six months ended 28 February 2021 as compared with 48.6% for the six months ended 29 February 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## REVENUE

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

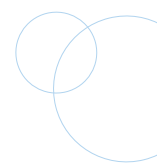
Revenue from Shangqiu University Kaifeng Campus increased by 49.3% from RMB68.3 million for the six months ended 29 February 2020 to RMB102.0 million for the six months ended 28 February 2021. The increase was primarily due to an increase in student enrolment from 9,740 for the 2019/2020 school year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

Revenue from Anyang University increased by 40.0% from RMB152.0 million for the six months ended 29 February 2020 to RMB212.8 million for the six months ended 28 February 2021. The increase was primarily due to an increase in student enrolment from 27,709 for the 2019/2020 school year to 35,139 for the 2020/2021 school year. The increase was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2020/2021 school year.

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## **COST OF REVENUE**

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

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

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

## **OTHER INCOME**

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

## **OTHER GAINS AND LOSSES**

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

## **SELLING EXPENSES**

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

## **ADMINISTRATIVE EXPENSES**

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

## **FINANCE COSTS**

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

## **TAXATION**

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

## **PROFIT FOR THE PERIOD**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ADJUSTED NET PROFIT

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

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

## LIQUIDITY AND SOURCE OF FUNDING AND BORROWING

As at 28 February 2021, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB204.0 million and RMB142.9 million as of 31 August 2020 and 28 February 2021, respectively. The Company generally deposits the Group's excess cash in interest bearing bank accounts and current accounts.

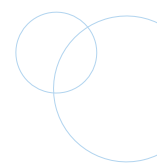
As at 28 February 2021, the Group's principal uses of cash have been for the funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this interim report, and the announcements of the Company dated 23 July 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 the liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, the proceeds from the initial public offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

## GEARING RATIO

As at 28 February 2021, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the period, was approximately 108.2%, representing a decrease of 16.2 percentage point(s) as compared with 124.4% as at 31 August 2020. The decrease was due to the fact that the Group had partly repaid certain interest-bearing bank loans and the increase of equity.

## SIGNIFICANT INVESTMENTS

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





# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 28 February 2021.

## PLEDGE OF ASSETS

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

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

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

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 28 February 2021.

## FOREIGN EXCHANGE EXPOSURE

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## BORROWINGS

All borrowings are denominated in RMB. As at 28 February 2021, the total carrying amount of borrowings amounted to RMB1,744.42 million. For the six months ended 28 February 2021, the Group raised RMB375.00 million of new bank borrowings. Based on source of borrowings, bank borrowings were RMB1,231.00 million and non-bank institutional borrowings were RMB513.42 million. Based on repayment terms, repayment on demand or short-term borrowings were RMB1287.11 million and long-term borrowings were RMB457.31 million. Based on fixed or floating interest rates, fixed-rate borrowings were RMB1,694.42 million and floating-rate borrowings were RMB50 million. The fixed effective interest rate ranges from approximately 5% to 7.6% per annum and floating effective interest rate ranges from approximately 4.4% to 6.5% per annum. The interest rate of floating rate borrowing is determined with reference to the benchmark interest rate of the People’s Bank of China.

### **CORPORATE GOVERNANCE PRACTICES**

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. During the six months ended 28 February 2021, 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 of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the six months ended 28 February 2021.

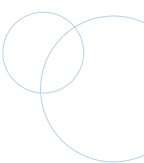
### **AUDIT COMMITTEE**

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2021. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

### **OTHER BOARD COMMITTEES**

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



## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended 28 February 2021.

### MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the six months ended 28 February 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended 28 February 2021.

### USE OF NET PROCEEDS FROM LISTING

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

	Net proceeds from the Listing RMB million	Unutilized amount as of 31 August 2020 RMB million	Utilization during the six months ended 28 February 2021 RMB million	Unutilized amount as of 28 February 2021 RMB million
Acquisition of land use rights and building educational and living facilities for our current colleges	244.9	146.4	(60.0)	86.4
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purposes	49.0	34.8	(10.0)	24.8
<b>Total</b>	<b>489.8</b>	<b>181.2</b>	<b>(70.0)</b>	<b>111.2</b>

The remaining balance of the net proceeds (approximately RMB111.2 million) is held as short-term deposits. The Company expects to gradually apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 31 August 2018 in accordance with business needs.

### EMPLOYEE AND REMUNERATION POLICIES

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

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. 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.

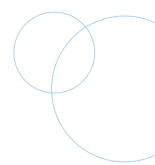
The Company also has adopted a Pre-IPO Share Option Scheme and a Share Award Scheme.

The total remuneration cost incurred by the Group for the six months ended 28 February 2021 was RMB109.6 million (for the six months ended 29 February 2020: RMB109.4 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 28 February 2021, 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.



## OTHER INFORMATION

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at 1 September 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 28 February 2021
<b>Director of the Company</b>									
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	9 August 2018	20 years from the date of grant	HK\$0.00001	6,000,000	-	-	-	6,000,000
<b>Other grantees in aggregate</b>		9 August 2018	20 years from the date of grant	HK\$0.00001	13,950,000	-	-	-	19,950,000
<b>TOTAL</b>					<u>35,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,950,000</u>

During the Reporting Period, none of the options granted referred to above had been forfeited or cancelled or had lapsed.

## SHARE AWARD SCHEME

The Company adopted the Share Award Scheme 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 28 February 2021, 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 28 February 2021, the interests and short positions of our Directors or chief executive 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 <sup>(1)</sup>
Mr. Hou	Interest in a controlled corporation	Chunlai Investment <sup>(2)</sup>	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 <sup>(3)</sup>	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 <sup>(3)</sup>	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 28 February 2021.
- (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) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.



# OTHER INFORMATION

## 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 <sup>(1)</sup>	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner <sup>(1)</sup> and interest of spouse <sup>(2)</sup>	The School Sponsor	RMB33,780,000	29.7%
Ms. Jiang	Beneficial owner <sup>(1)</sup> and interest of spouse <sup>(2)</sup>	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 (RMB78,820,000), as to 19.8% by Chairman Hou (RMB22,520,000), as to 9.9% by Ms. Jiang (RMB11,260,000) and as to 1% by the PRC Holdco (RMB1,140,000). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.
- (2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

Save as disclosed above, as at 28 February 2021, 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 28 February 2021, 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 <sup>(1)</sup>
Mr. Hou <sup>(2)</sup>	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%
Yuanyin Finance Limited 原銀金融信貸有限公司	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 28 February 2021.
- (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) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed above, 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 2021 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## DIVIDENDS

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

## CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

1. Ms. Zhang Jie has been appointed as an executive Director with effect from 25 September 2020.
2. Mr. Hou has relinquished his role as the chief executive officer of the Company with effect from 25 September 2020, and Ms. Zhang Jie has been appointed as the chief executive officer of the Company in place of Mr. Hou with effect from 25 September 2020.
3. Mr. Hao Xiaohui was appointed as a non-executive Director and vice chairman of the Board on 25 September 2020 and resigned from such roles with effect from 8 February 2021.

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

## OTHER INFORMATION

### 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 Ownership Restriction as stipulated above.

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

### **Efforts and Actions Undertaken to Comply with the Qualification Requirement**

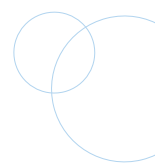
The Group is implementing a business plan with a view to expanding our education operations overseas. The Group believes that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirement.

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

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organising international classes or courses;
2. investing in or acquiring overseas education businesses as and when appropriate;
3. holding our overseas intellectual property rights and licensing them to our international partners; and
4. recruiting and employing overseas education business professionals and advisers outside of PRC.

### **CHANGE OF SCHOOL SPONSOR OF HUBEI COLLEGE SUBJECT TO MOE APPROVAL**

As disclosed in the Prospectus, the Company is in the course of applying for the change of school sponsor of Hubei College, subject to MOE approval. As of 28 February 2021, 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.



## OTHER INFORMATION

### 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 28 February 2021, 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 28 February 2021, we owned buildings with a total ground floor area of approximately 0.61 million square metres. We have not obtained building ownership certificates for a substantial portion of our buildings primarily because they were not constructed in full compliance with applicable rules and regulations in the PRC. We commenced construction of these buildings on land when the relevant land use right certificates were still under application, as our management believed that it was a practice acceptable to the relevant local authorities and in compliance with local policies.

We are proactively liaising with the relevant government authorities with a view to complying with the relevant requirements as soon as practicable. As of 28 February 2021, 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.

### IMPORTANT EVENTS AFTER 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 28 February 2021 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 1 April 2021, Anyang University obtained approval from the Education Department of Henan Province (河南省教育廳) to establish a new campus in Yuanyang County (原陽縣) of Henan Province, China. For further details, please refer to the announcement of the Company dated 7 April 2021.

Save as disclosed in this interim report, there was no other significant events that might affect the Group since the end of the six months ended 28 February 2021.

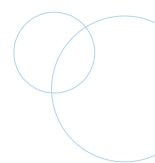
By the order of the Board

**Mr. Hou Chunlai**

*Chairman*

Hong Kong

30 April 2021





# INDEPENDENT REVIEW REPORT



**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 28 to 42, 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 28 February 2021 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 this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this 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 statements which mentions that the Group had net current liabilities of approximately RMB1,636,677,000 as at 28 February 2021. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

**Li Shun Fai**

*Engagement Director*

Practising Certificate Number P05498

Hong Kong, 30 April 2021



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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2021

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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

Note:

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

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

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The address of registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited, which was incorporated in the British Virgin Islands, and its ultimate controlling shareholder is Mr. Hou Junyu ("Mr. Hou"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 September 2018 (the "Listing").

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

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

## 2. BASIS OF PREPARATION

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

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

### Going concern basis

The Group had net current liabilities of approximately RMB1,636,677,000 as at 28 February 2021. This condition indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 28 February 2021. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 28 February 2021;



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 2. BASIS OF PREPARATION *(Continued)*

### Going concern basis *(Continued)*

- (ii) the Group has entered into loan facility agreements, under which loan facilities up to a maximum amount of approximately RMB2,325,881,000 are available for the Group to draw down within twelve months from 28 February 2021 including a maximum amount of approximately RMB1,268,234,000 are available to the Group for not less than twelve months from 28 February 2021;
- (iii) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

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

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 September 2020. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 4. REVENUE AND SEGMENT INFORMATION

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

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

	<b>Six months ended</b>	
	<b>28 February 2021</b>	29 February 2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Tuition fees	<b>452,631</b>	316,128
Boarding fees	<b>48,593</b>	34,729
Total revenue	<b>501,224</b>	350,857

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

No single customer contributes 10% or more of total revenue of the Group during the six months ended 28 February 2021 (six months ended 29 February 2020: Nil).

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 5. FINANCE COSTS

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

## 6. INCOME TAX EXPENSE

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

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the six months ended 28 February 2021 (six months ended 29 February 2020: Nil).

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the “EIT Law”), the EIT rate was 25% during the six months ended 28 February 2021 (six months ended 29 February 2020: 25%).

Given that Anyang University and Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not – for-profit schools, according to the relevant in-charge tax bureau, the schools follow previous EIT exemption treatment for the tuition related income. For the six months ended 28 February 2021, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 7. PROFIT FOR THE PERIOD

This is stated at after charging the following:

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

## 8. EARNINGS PER SHARE

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 9. DIVIDENDS

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

## 10. PROPERTY, PLANT AND EQUIPMENT

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

## 11. OTHER NON-CURRENT ASSETS

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

Notes:

- (i) Offshore foreign deposit of USD40,000,000 is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party.
- (ii) Deposit paid of RMB50,000,000 represents the refundable security deposit paid to Suzhou University of Science and Technology.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 12. TRADE AND OTHER RECEIVABLES

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

Notes:

- (i) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan, which generally take a few months to be settled from governmental institutions. There is no fixed credit term for payments. The Group's tuition receivables were due to a large number of individual students, there is no significant concentration of credit risk and no impairment is considered necessary based on the historical settlement pattern from students. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.
- (ii) As at 28 February 2021, the advance with principal amount of HK\$40,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.
- As at 28 February 2021, the advance with principal amount of HK\$30,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.
- As at 28 February 2021, the advance with principal amount of HK\$20,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2021.
- (iii) The advance to Hubei College is unsecured, non-interest bearing and repayable on 30 August 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 12. 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:

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

## 13. ACCRUALS AND OTHER PAYABLES

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

Note:

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 14. SHARE CAPITAL

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

## 15. CAPITAL COMMITMENTS

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 16. RELATED PARTY TRANSACTIONS

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

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

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

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

Notes:

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Compensation of key management personnel

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

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

## 17. EVENTS AFTER THE REPORTING PERIOD

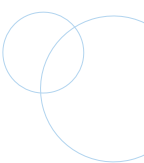
Up to the approval date of the condensed consolidated financial statements, the Group has provided financial guarantees for loan facilities of RMB120,000,000 granted to Hubei College. The borrowings of Hubei College with carrying amount of RMB120,000,000 was guaranteed by the Group.

## 18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 April 2021.

## DEFINITIONS

“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 2017 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 2017 and one of the Controlling Shareholders
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	China Chunlai Education Group Co., Ltd (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
“consolidated affiliated entities” or “consolidated affiliated entity”	the entities we control through the Contractual Arrangements from time to time
“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

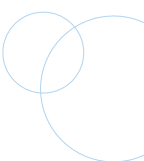


# DEFINITIONS

“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
“Jiankang College”	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 PRC and one of our PRC Operating Schools. The school sponsor of Jiankang College is Hubei Chunlai Education Technology Corporation (湖北春來教育科技有限公司), a consolidated affiliated entity of the Company
“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

## DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with 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 (侯俊宇), a PRC citizen, an executive Director 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 2017 and one of our consolidated affiliated entities
“PRC Legal Adviser”	Tian Yuan Law Firm, our legal adviser as to PRC laws and regulations
“PRC Operating Schools”	Shangqiu University (including Shangqiu University Kaifeng Campus), Anyang University and Jiankang College, consolidated affiliated entities of the Company
“Pre-IPO Share Option Scheme”	the share option scheme effective from 9 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 31 August 2018
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended 28 February 2021
“School Sponsor” or “Henan Shangqiu Chunlai”	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 2004, a consolidated affiliated entity of the Company and the sole school sponsor of each of Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University



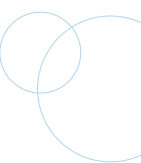
## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangqiu University”	Shangqiu University (商丘學院), a Private HEI (formerly an independent college known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) that obtained approval from MOE for its establishment on 14 July 2005) and one of our PRC Operating Schools; operating and financial data stated to be of Shangqiu University presented in this document do not include contributions by Shangqiu University Kaifeng Campus, unless otherwise specified
“Shangqiu University Kaifeng Campus”	Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013
“Share(s)”	ordinary share(s) in the Company of par value of HK\$0.00001 each
“Share Award Scheme”	the share award scheme approved and adopted by the sole shareholder of the Company on 24 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Suzhou University of Science and Technology”	Suzhou University of Science and Technology (蘇州科技大學)
“Tianping College”	Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院), an independent college of Suzhou University of Science and Technology
“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



## DEFINITIONS

“WFOE”	Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of our Company
“%”	percent



# GLOSSARY

“college”	a higher educational institution offering bachelor’s degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
“higher education”	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
“independent college”	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
“private HEI”, “private higher education institution” or “private university”	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by non-governmental 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