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CHINA CHUNLAI EDUCATION GROUP CO., LTD.

中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1969)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Chunlai Education Group Co., Ltd. (the “**Company**”, together with its subsidiaries and its consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2021 (the “**Reporting Period**”). These audited consolidated annual results have been reviewed by the Company’s audit committee together with the management of the Company.

	Year ended 31 August		
	2021	2020	Change (%)
Revenue	1,041,999	702,493	+48.3%
Gross profit	631,439	369,577	+70.9%
Profit before taxation	609,951	148,205	+311.6%
Profit for the year	606,925	141,332	+329.4%
Non-IFRS Measure: Adjusted net profit ¹	396,109	173,186	+128.7%

Note:

- (1) Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation; (ii) foreign exchange loss, and (iii) gain on acquisition of Jingzhou College (formerly known as College of Engineering and Technology of Yangtze University (長江大學工程技術學院) (“**Hubei College**”). For details of the reconciliation of the profit for the year to the adjusted net profit of the Group, please refer to the section headed “Financial Review” in this announcement.

Non-IFRS Measure

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	1,041,999	702,493
Cost of revenue		<u>(410,560)</u>	<u>(332,916)</u>
Gross profit		631,439	369,577
Other income	5	43,490	39,345
Other gains and losses, net	6	221,886	(26,356)
Selling expenses		(3,600)	(2,594)
Administrative expenses		<u>(187,802)</u>	<u>(139,439)</u>
Profit from operations		705,413	240,533
Finance costs	7	<u>(95,462)</u>	<u>(92,328)</u>
Profit before tax		609,951	148,205
Income tax expense	8	<u>(3,026)</u>	<u>(6,873)</u>
Profit for the year		<u>606,925</u>	<u>141,332</u>
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Fair value loss on debt investment at fair value through other comprehensive income		<u>–</u>	<u>491</u>
Other comprehensive income for the year, net of tax		<u>–</u>	<u>491</u>
Total comprehensive income for the year attributable to owners of the Company		<u>606,925</u>	<u>141,823</u>
Earnings per share	9		
Basic (RMB cents per share)		<u>51</u>	<u>12</u>
Diluted (RMB cents per share)		<u>50</u>	<u>12</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	<i>11</i>	2,780,754	1,928,004
Right-of-use assets		541,520	440,482
Intangible asset	<i>12</i>	188,000	–
Prepayment for cooperation agreements	<i>13</i>	640,056	500,056
Other non-current assets	<i>14</i>	342,625	456,857
		4,492,955	3,325,399
Current assets			
Trade and other receivables	<i>15</i>	161,635	224,101
Amount due from a shareholder		7	7
Cash and cash equivalents		399,603	204,011
		561,245	428,119
Current liabilities			
Accruals and other payables	<i>16</i>	383,719	412,129
Deferred revenue		3,499	2,874
Contract liabilities		219,419	89,092
Lease liabilities		–	140
Borrowings	<i>17</i>	1,593,517	1,294,203
Current tax liabilities		15,057	12,031
		2,215,211	1,810,469
Net current liabilities		(1,653,966)	(1,382,350)
Total assets less current liabilities		2,838,989	1,943,049
Non-current liabilities			
Deferred revenue		4,830	2,792
Borrowings	<i>17</i>	774,715	498,808
		779,545	501,600
NET ASSETS		2,059,444	1,441,449
Capital and reserves			
Share capital	<i>18</i>	10	10
Reserves		2,059,434	1,441,439
TOTAL EQUITY		2,059,444	1,441,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 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 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited ("**Chunlai Investment**"), which was incorporated in the British Virgin Islands, and its ultimate controlling shareholder is Mr. Hou Junyu ("**Mr. Hou**"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 September 2018 (the "**Listing**").

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

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

2. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB1,653,966,000 as at 31 August 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 August 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 31 August 2021;
- (ii) the Group has entered into six loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB1,900,000,000 are available to the Group for not less than twelve months from 31 August 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 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 year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 September 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards (“IAS”) and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

4. REVENUE AND SEGMENT INFORMATION

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

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Tuition fees	942,334	668,082
Boarding fees	99,665	34,411
Total revenue	<u>1,041,999</u>	<u>702,493</u>

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

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 August 2021 (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.

5. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants (<i>note i</i>)	314	2,964
Interest income	4,897	4,590
Service income	14,623	14,623
Consultancy income from Hubei College (<i>note ii</i>)	12,205	16,038
Others	11,451	1,130
	<u>43,490</u>	<u>39,345</u>

Notes:

- (i) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- (ii) It represents the provision of technical and management consultancy services to Jingzhou College (formerly known as Hubei College).

6. OTHER GAINS AND LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gain on acquisition of Jingzhou College (<i>note 19</i>)	246,813	–
Net foreign exchange loss	(24,927)	(19,591)
Loss on initial recognition of refund of prepayment for land use rights	–	(1,499)
Waiver of interest receivable from Hubei College	–	(4,483)
Loss on redemption of debt investment at fair value through other comprehensive income	–	(783)
	<u>221,886</u>	<u>(26,356)</u>

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses in relation to:		
– Bank borrowings	73,757	55,101
– Borrowings from non-banking institutes	33,472	40,314
– Lease liabilities	1	33
	<u>107,230</u>	<u>95,448</u>
Less: capitalised in construction in progress	(11,768)	(3,120)
	<u>95,462</u>	<u>92,328</u>

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.3% per annum in 2021 (2020: 6.2%).

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax	<u>3,026</u>	<u>6,873</u>

The Company was incorporated in the Cayman Islands while Chunlai BVI was incorporated in the BVI, both jurisdictions are tax exempted.

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 August 2021 (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 year ended 31 August 2021 (2020: 25%).

Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, Hubei Jiankang Vocational College and Jingzhou College enjoyed tax exemption for tuition related income.

9. EARNINGS PER SHARE

	2021	2020
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	<u><u>606,925</u></u>	<u><u>141,332</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	<u><u>16,654,734</u></u>	<u><u>9,470,031</u></u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>1,216,654,734</u></u>	<u><u>1,209,470,031</u></u>

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as the potential ordinary shares are dilutive for the year ended 31 August 2021.

10. DIVIDENDS

The directors of the Company do not recommend or declare the payment of any dividend in respect of the years ended 31 August 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Teaching and electronic equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
1 September 2019	996,589	114,790	15,718	203,463	501,219	1,831,779
Additions	109,495	39,147	2,731	157,187	341,627	650,187
Transfer from construction in progress	591,763	6,212	–	5,112	(603,087)	–
At 31 August 2020 and 1 September 2020	1,697,847	160,149	18,449	365,762	239,759	2,481,966
Additions	24,810	31,276	–	88,076	283,554	427,716
Acquisition of a subsidiary	272,539	8,557	27	39,464	254,680	575,267
Transfer from construction in progress	505,247	732	–	700	(506,679)	–
At 31 August 2021	2,500,443	200,714	18,476	494,002	271,314	3,484,949
Accumulated depreciation						
1 September 2019	260,423	61,972	8,746	109,640	–	440,781
Charge for the year	70,550	13,673	1,596	27,362	–	113,181
At 31 August 2020 and 1 September 2020	330,973	75,645	10,342	137,002	–	553,962
Charge for the year	87,416	21,735	982	40,100	–	150,233
At 31 August 2021	418,389	97,380	11,324	177,102	–	704,195
Carrying amount						
At 31 August 2021	2,082,054	103,334	7,152	316,900	271,314	2,780,754
At 31 August 2020	1,366,874	84,504	8,107	228,760	239,759	1,928,004

As of 31 August 2021, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB1,648,016,000 (2020: RMB1,300,120,000) which are located in the PRC.

At 31 August 2021, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB232,430,000 (2020: RMB43,653,000).

12. INTANGIBLE ASSET

	School operation right RMB'000
Cost:	
At 1 September 2020	–
Acquisition of a subsidiary	188,000
	<hr/>
At 31 August 2021	188,000
	<hr/> <hr/>

As at 31 August 2021, intangible asset represent a school operation right of Jingzhou College amount. The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite.

The recoverable amount of the intangible asset of RMB188,000,000 has been determined on the basis of value-in-use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15%. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

13. PREPAYMENT FOR COOPERATION AGREEMENTS

	2021 RMB'000	2020 RMB'000
Prepayment for cooperation agreements – Jingzhou College (<i>note i</i>)	–	100,000
Prepayment for cooperation agreements – Tianping College (<i>note ii</i>)	640,056	400,056
	<hr/>	<hr/>
	640,056	500,056
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Notes

- (i) Hubei College is an independent college and originally established by “Yangtze University” 長江大學 (“YU”) in Hubei Province. In December 2014, the Group entered into a cooperation agreement and supplementary agreements. Pursuant to these agreements, the Group has obtained the right to manage Hubei College at a consideration of RMB120 million, among which RMB100 million has been paid upon entering the agreements in December 2014. These agreements have also authorised the Group the right to transfer the sponsorship of Hubei College from YU.

The conversion of Hubei College into a private ordinary college (the “**Conversion**”); and (ii) the change of school sponsor of Hubei College to Hubei Chunlai Education Technology Co., Ltd, a wholly-owned subsidiary of the Company, (the “**Change of School Sponsor**”) have been completed on 31 May 2021. Following the completion of the Conversion and the Change of School Sponsor, Hubei College has been renamed as Jingzhou College and the results of operations of Jingzhou College has been consolidated into the Group since 31 May 2021.

- (ii) Tianping College of Suzhou University of Science and Technology (“**Tianping College**”) is an independent college and originally sponsored by Suzhou University of Science and Technology and the Foundation in Jiangsu Province. In August 2019, the Group entered into an agreement which authorised the Group the right to transfer the sponsorship of Tianping College from Suzhou University of Science and Technology and the Suzhou University of Science and Technology Education Development Foundation (the “**Foundation**”) at a consideration of approximately RMB800 million, among which approximately RMB640,056,000 (2020: RMB400,056,000) has been paid as at 31 August 2021. Up to the date of issuance of the report, the transfer of sponsorship has not yet been completed as the transfer is still in preparatory period. Upon the completion of transfer, the down payment for the agreement of RMB640,056,000 (2020: RMB400,056,000) will be treated as part of the consideration of the acquisition.

14. OTHER NON-CURRENT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments/deposits paid for acquisition of property, plant and equipment	16,329	35,738
Prepayment for investment fund of Hubei College	–	80,000
Refund of prepayment for land use rights	–	14,430
Pledged deposit (<i>note i</i>)	276,296	276,689
Deposit paid (<i>note ii</i>)	50,000	50,000
	<u>342,625</u>	<u>456,857</u>

Notes:

- (i) Offshore foreign deposit of USD40,000,000 (equivalent to RMB260,106,000) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year, the repayment date of the onshore loan was extended to July 2023. The offshore foreign deposit was reclassified as non-current asset accordingly as at 31 August 2021.

Pledged deposits of RMB16,190,000 are secured for borrowings of RMB484,853,000.

- (ii) Deposit paid of RMB50,000,000 represents the refundable security deposit paid to Suzhou University of Science and Technology.

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

15. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Tuition and boarding fee receivables (<i>note i</i>)	13,920	5,691
Service income receivables	26,870	25,000
Consultancy income receivables from Hubei College	–	13,250
Advance to third parties (<i>note ii</i>)	59,148	26,509
Advance to Tianping College (<i>note iii</i>)	–	500
Advance to Hubei College (<i>note iv</i>)	–	105,900
Refund of prepayment for land use right	38,643	27,714
Other receivables	13,096	17,637
Interest receivables	1,682	770
Prepaid expenses	8,276	1,130
	<u>161,635</u>	<u>224,101</u>

Notes:

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

(ii) As at 31 August 2021, the advance with principal amount of HK\$70,000,000 (2020: HK\$30,000,000) is unsecured, interest bearing at 4% per annum and repayable in December 2021 (2020: December 2020).

Subsequent to the reporting period, advance to third parties of HK\$70,000,000 was fully settled.

(iii) As at 31 August 2020, the advance to Tianping College was unsecured, non-interest bearing and repayable on 31 August 2021.

(iv) As at 31 August 2020, the advance to Hubei College was unsecured, non-interest bearing and repayable on 30 August 2021.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
181-365 days	10,829	5,691
Over 1 year	3,091	–
	13,920	5,691

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

	181-365 days	Over 1 year	Total
At 31 August 2021			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	10,829	3,091	13,920
Loss allowance (RMB'000)	–	–	–
At 31 August 2020			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	5,691	–	5,691
Loss allowance (RMB'000)	–	–	–

16. ACCRUALS AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest payables	3,194	2,151
Accrued staff benefits and payroll	42,041	29,990
Payables for purchase of property, plant and equipment and construction	212,767	274,618
Receipt on behalf of ancillary services providers	18,542	8,313
Advance from Tianping College (<i>note i</i>)	5,150	50,000
Other payables, accruals and deposits received	70,264	36,522
Consideration payable for acquisition of Jingzhou College	20,000	–
Other taxes payables	11,761	10,535
	<u>383,719</u>	<u>412,129</u>

Note:

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

17. BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unsecured and unguaranteed	–	3,824
Secured and guaranteed (<i>note i</i>)	1,643,735	1,182,545
Secured and unguaranteed (<i>note ii</i>)	289,497	282,642
Unsecured and guaranteed (<i>note iii</i>)	435,000	324,000
	<u>2,368,232</u>	<u>1,793,011</u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The borrowings are repayable as follows:		
On demand or within one year	1,593,517	1,294,203
In the second year	543,335	60,630
In the third to fifth years, inclusive	231,380	438,178
	<u>2,368,232</u>	<u>1,793,011</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,593,517)</u>	<u>(1,294,203)</u>
Amount due for settlement after 12 months	<u>774,715</u>	<u>498,808</u>
The exposure of borrowings		
– Fixed rate	2,318,232	1,453,011
– Variable rate	50,000	340,000
	<u>2,368,232</u>	<u>1,793,011</u>

Notes:

- (i) Certain bank borrowings of RMB966,000 (2020: RMB930,000) were secured and/or guaranteed by the followings:
- (a) secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Kaifeng Campus (collectively the (“Schools”));
 - (b) secured by equity share of Shangqiu University and Kaifeng Campus;
 - (c) guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally; and
 - (d) guaranteed by several subsidiaries of the Company;
 - (e) secured by deposits of RMB16,190,000.

As at 31 August 2021, the Schools has receivables of tuition fees of RMB9,563,000 (2020: RMB5,691,000).

Certain borrowing with carrying amount of RMB677,735,000 (2020: RMB252,545,000) is secured by the Group’s plant and equipment of RMB310,671,000 (2020: RMB43,653,000) and guaranteed by Mr. Hou and Ms. Jiang Shuqin.

- (ii) A loan from a third party with carrying amount of RMB289,497,000 (2020: RMB282,642,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB276,689,000).
- (iii) Certain bank borrowing were unsecured and guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally and guaranteed by a subsidiary of the Company.

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

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

	2021	2020
Effective interest rate:		
Fixed-rate	2.5% – 7.6%	2.5% – 7.6%
Variable-rate	5.7% – 6.525%	4.4% – 6.5%

18. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount RMB	Amount RMB’000
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021	50,000,000,000	500,000	424,570	425
Issued and fully paid:				
As at 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021	1,200,000,000	12,000	9,867	10

19. ACQUISITION OF A SUBSIDIARY

The conversion of Hubei College into a private ordinary college (the “**Conversion**”); and (ii) the change of school sponsor of Hubei College to Hubei Chunlai Education Technology Co., Ltd, a wholly-owned subsidiary of the Company, (the “**Change of School Sponsor**”) have been completed on 31 May 2021. Following the completion of the Conversion and the Change of School Sponsor, Hubei College has been renamed as Jingzhou College and the results of operations of Jingzhou College has been consolidated into the Group since 31 May 2021.

The fair value of the identifiable assets and liabilities of Jingzhou College acquired as at its date of acquisition is as follows:

Net assets acquired:

	<i>RMB'000</i>
Property, plant and equipment	575,267
Right-of-use assets	111,414
Intangible assets	188,000
Other non-current assets	4,665
Trade and other receivables	19,247
Cash and cash equivalents	5,258
Accruals and other payables	(139,158)
Amount due to the Group	(239,326)
Contract liabilities	(38,615)
Borrowings	(119,939)
	<hr/>
Net assets acquired	366,813
Gain on acquisition of Jingzhou College	246,813
	<hr/>
	120,000
	<hr/> <hr/>
Satisfied by: Cash	120,000
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash and cash equivalents acquired	5,258
	<hr/> <hr/>

The Group recognised a gain on bargain purchase of RMB246,813,000 in the business combination. The gain is included in other gains and losses.

In December 2014 (the “**Agreement Date**”), the Group entered into a cooperation agreement with Yangtze University with respect to the acquisition of Jingzhou College at a consideration of RMB120 million. Since the Agreement Date, Jingzhou College has been profit making and the operation scale expanded also. The increase in fair value of Jingzhou College represented the upward adjustments on assets concerned, in particular, of the new campus established after the Agreement Date. As such, the business combination has resulted in a gain on bargain purchase as the fair value of Jingzhou College increased accordingly after the Agreement Date.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The formal education system in the People's Republic of China (“PRC” or “China”) comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be further categorised into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes.

The Private Higher Education Industry in China

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

Business Review

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and two colleges in Hubei Province, namely Hubei Jiankang Vocational College (湖北健康職業學院) (“**Jiankang College**”) and Jingzhou College* (荊州學院) (“**Jingzhou College**”) (formerly Hubei College). We also participate in the operation of Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) (“**Tianping College**”). We completed the acquisition of sponsor interest of Jingzhou College in May 2021 and are in the process of acquiring the sponsor interest of Tianping College. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities.

In 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 measure undertaken by respective local authorities which, inter alia, include closure of schools and delays in class commencement during the outbreak period. The Group has put in place certain alternative action plans for the students during the schools' closure period, which include implementation of online modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, the management of the Group has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group as at 31 August 2021. The Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 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 84.9%, 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.

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 47 bachelor's degree programmes, 18 junior college to bachelor's degree transfer programmes, 36 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 20 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, economics, human resources management, and international economy and trade. For the 2020/2021 school year, Shangqiu University had a total enrolment of 30,353 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 examinations.

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 41 bachelor's degree programmes, 32 junior college diploma programmes, 3 counterpart bachelor's degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes. For the 2020/2021 school year, Anyang University had a total enrolment of 34,724 students.

In April 2021, we established the new Anyang University Yuanyang Campus, which only started to enrol students for the 2021/22 school year after the Reporting Period.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 26 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes and 20 junior college diploma programmes. For the 2020/2021 school year, Shangqiu University Kaifeng Campus had a total enrolment of 14,594 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 472 students.

Jingzhou College (formerly Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province. Jingzhou College currently offers 31 bachelor's degree programmes, and 18 junior college diploma programmes. For the 2020/2021 school year, Jingzhou College had a total enrolment of 10,759 students. We have completed the acquisition of sponsor interest of Jingzhou College in May 2021 and the results of operations has been consolidated into those of the Group for the Reporting Period.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2019/2020 and 2020/2021 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately)
	2020/2021	2019/2020		
Shangqiu University				
Bachelor's degree programmes	10,366	10,836	(470)	(4.3%)
Junior college to bachelor's degree transfer programmes	2,539	1,610	929	57.7%
Junior college diploma programmes ⁽²⁾	13,039	7,335	5,704	77.8%
Vocational education programmes ⁽³⁾	4,409	4,194	215	5.1%
School subtotal	30,353	23,975	6,378	26.6%
Anyang University				
Bachelor's degree programmes	13,158	12,013	1,145	9.5%
Junior college to bachelor's degree transfer programmes	3,556	3,152	404	12.8%
Junior college diploma programmes ⁽²⁾	11,602	6,088	5,514	90.6%

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately)
	2020/2021	2019/2020		
Vocational education programmes ⁽³⁾⁽⁴⁾	<u>6,408</u>	<u>6,422</u>	<u>14</u>	(0.2%)
School subtotal	<u>34,724</u>	<u>27,675</u>	<u>7,049</u>	25.5%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	<u>7,378</u>	<u>6,881</u>	<u>497</u>	7.2%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	<u>1,619</u>	<u>1,341</u>	<u>278</u>	20.7%
Junior college diploma programmes ⁽⁷⁾	<u>5,597</u>	<u>1,526</u>	<u>4,071</u>	266.8%
School subtotal	<u>14,594</u>	<u>9,748</u>	<u>4,846</u>	49.7%
Jiankang College				
Junior college diploma programmes ⁽⁸⁾	<u>472</u>	<u>N/A</u>	<u>N/A</u>	N/A
School subtotal	<u>472</u>	<u>N/A</u>	<u>N/A</u>	N/A
Jingzhou College				
Bachelor's degree programmes	<u>6,447</u>	<u>6,307</u>	<u>140</u>	2.2%
Junior college to bachelor's degree transfer programmes	<u>3,731</u>	<u>2,754</u>	<u>977</u>	35.5%
Junior college diploma programmes	<u>581</u>	<u>0</u>	<u>581</u>	–
School subtotal	<u>10,759</u>	<u>9,061</u>	<u>1,698</u>	18.7%
Total number of students	<u>90,902</u>	<u>70,459</u>	<u>19,971</u>	28.3%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2019/2020 and 2020/2021 school years.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.
- (8) Jiankang College started its junior college diploma programmes in 2020.

For the 2020/2021 school year, the number of students increased by 48.1% from 61,398 in the prior school year to 90,902. The increase was primarily due to the incorporation of Jingzhou College during the Reporting Period. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

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

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 16 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe would assist us to continuously attract outstanding students. Other than referrals from alumni network, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields in our colleges that offer bachelor's degree programmes. For example, for the 2020/2021 school year, the overall yield of our four colleges that offer bachelor's degree programmes (being Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus and Jingzhou College), as defined by the number of students who enrolled in a bachelor's degree programme divided by the number of students who were admitted in that programme, was 97.1%.

Our Teachers

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 31 August 2021, we had 2,599 full time teachers and 839 part-time teachers.

Acquisition of Sponsor Interest of Tianping College

On 19 August 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (the "**School Sponsor**"), a consolidated affiliated entity of the Company, entered into an agreement with Suzhou University of Science and Technology (蘇州科技大學) ("**Suzhou University of Science and Technology**") and Suzhou University of Science and Technology Education Development Foundation (蘇州科技大學教育發展基金會), which was amended by a supplemental agreement dated 20 August 2019 between the School Sponsor and Suzhou University of Science and Technology (collectively, the "**Formal Agreement**"). Pursuant to the Formal Agreement, the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during a certain preparatory period for converting Tianping College into a standalone private ordinary college without the name of Suzhou University of Science and Technology (the "**Preparatory Period**").

for Conversion”) for a total consideration of RMB800,111,100 (equivalent to approximately HK\$909,217,159). The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC (the “Acquisition”). For further details, please refer to the announcements of the Company dated 23 July 2019 and 20 August 2019 and the major transaction circular to be published in due course.

Future Development

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

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

FINANCIAL REVIEW

Overview

For the year ended 31 August 2021, we recorded a revenue of RMB1,042 million and a gross profit of RMB631.4 million. The gross profit margin was 60.6% for the year ended 31 August 2021 as compared with 52.6% for the corresponding period in 2020.

The adjusted net profit of the Group for the year ended 31 August 2021 was RMB396.1 million, representing an increase of RMB222.9 million or 128.7% from the corresponding period in 2020. The adjusted net profit margin of the Group was 38.0% and 24.7% for the years ended 31 August 2021 and 31 August 2020, respectively. The increase in adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB606.9 million and RMB141.3 million for the years ended 31 August 2021 and 31 August 2020, respectively. The net profit margin of the Group amounted to 58.2% and 20.1% for the years ended 31 August 2021 and 31 August 2020, respectively.

Revenue

Our revenue increased by 48.3% from RMB702.5 million for the year ended 31 August 2020 to RMB1,042 million for the year ended 31 August 2021, primarily due to the increase of the Group’s student enrollment.

Revenue from Shangqiu University Kaifeng Campus increased by 56.0% from RMB130.5 million for the year ended 31 August 2020 to RMB203.6 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 9,748 for the 2019/2020 school year to 14,594 for the 2020/2021 school year. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the average tuition fee rate applicable to students newly admitted in the 2020/2021 school year.

Revenue from Anyang University increased by 37.9% from RMB308.2 million for the year ended 31 August 2020 to RMB425.0 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 27,675 for the 2019/2020 school year to 34,724 for the 2020/2021 school year. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2020/2021 school year.

Revenue from Shangqiu University increased by 39.9% from RMB263.7 million for the year ended 31 August 2020 to RMB369.2 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 23,975 for the 2019/2020 school year to 30,353 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 RMB6.5 million for the year ended 31 August 2021.

Overall, revenue from tuition fees and boarding fees increased by 41.1% and 189.6%, respectively, from the year ended 31 August 2020 to the year ended 31 August 2021.

Cost of Revenue

Our cost of revenue increased by 23.3% from RMB332.9 million for the year ended 31 August 2020 to RMB410.6 million for the year ended 31 August 2021. As a percentage of revenue, our cost of revenue increased from 47.4% for the year ended 31 August 2020 to 39.4% for the year ended 31 August 2021. The increase in cost of revenue was primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 70.9% from RMB369.6 million for the year ended 31 August 2020 to RMB631.4 million for the year ended 31 August 2021, and our gross profit margin increased from 52.6% for the year ended 31 August 2020 to 60.6% for the year ended 31 August 2021, primarily due to revenue has increased more than teaching staff costs and depreciation costs.

Other Income

Our other income increased by 10.2% from RMB39.3 million for the year ended 31 August 2020 to RMB43.5 million for the year ended 31 August 2021, primarily due to the value-added tax rebates which amounted to RMB5.6 million.

Other Gains and Losses

We recorded other gains of RMB26.4 million for the year ended 31 August 2020, while we recorded other gains of RMB221.9 million for the year ended 31 August 2021. The other gains for the year ended 31 August 2021 were primarily attributable to gain on the acquisition of Jingzhou College.

Selling Expenses

Our selling expenses increased by 38.8% from RMB2.6 million for the year ended 31 August 2020 to RMB3.6 million for the year ended 31 August 2021, primarily because the Group increased its investment in student recruitment promotion.

Administrative Expenses

Our administrative expenses increased by 34.7% from RMB139.4 million for the year ended 31 August 2020 to RMB187.8 million for the year ended 31 August 2021, primarily due to increases in depreciation and amortisation, staff costs and travelling expenses.

Finance Costs

Our finance costs increased by 3.4% from RMB92.3 million for the year ended 31 August 2020 to RMB95.5 million for the year ended 31 August 2021, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalisation.

Taxation

We recorded income tax of RMB6.9 million for the year ended 31 August 2020 as compared to income tax of RMB3.0 million for the year ended 31 August 2021 due to service revenue and other income.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 329.4% from RMB141.3 million for the year ended 31 August 2020 to RMB606.9 million for the year ended 31 August 2021.

Adjusted Net Profit

Our adjusted net profit increased by 128.7% from RMB173.2 million for the year ended 31 August 2020 to RMB396.1 million for the year ended 31 August 2021. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange loss, and (iii) gain on acquisition of Jingzhou College. The following table reconciles profit for the year to adjusted net profit for both years:

	For the year ended 31 August	
	2021	2020
	(RMB in thousands)	
Profit for the year	606,925	141,332
Add:		
Share-based compensation	11,070	12,263
Foreign exchange loss	24,927	19,591
Minus:		
Gain on acquisition of Jingzhou College	246,813	–
Adjusted net profit	396,109	173,186

Liquidity and Source of Funding and Borrowing

As at 31 August 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 RMB399.6 million as of 31 August 2020 and 2021, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As at 31 August 2021, the Group's principal uses of cash have been for funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this announcement 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 Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering (as defined below) and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

Gearing Ratio

As at 31 August 2021, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the year, was approximately 115.0%, representing a decrease of 9.4% percentage point(s) as compared with 124.4% as at 31 August 2020. The decrease was due to the increase of total equity.

Significant Investments

Save as disclosed in this announcement, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 August 2021) during the year ended 31 August 2021.

Material Acquisitions and Disposals

On 28 June 2021, Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) (the “**PRC Holdco**”) entered into a cooperation framework agreement and a framework agreement supplemental to the cooperation framework agreement with the People's Government of Linzhou City (林州市人民政府) pursuant to which PRC Holdco shall acquire the land use right (“**Acquisition of Land Use Right**”) of a piece of land with an area of approximately 2,000 mu (equivalent to approximately 1,333,333 sq m) which will be south of Linzhou Avenue (林州大道以南), north of Tianping Avenue (天平大道以北) and east of College Road (學院路以東) at an expected consideration of approximately RMB220 million (equivalent to approximately HK\$265 million) calculated by reference to a price of RMB110,000 per mu and an expected size of 2000 mu plot of land.

Further details of the Acquisition of Land Use Right are set out the announcement of the Company dated 28 June 2021.

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2021.

Pledge of Assets

On 30 December 2020, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (“**Henan Shangqiu**”) (as borrower) entered into a loan agreement (the “**Henan Shangqiu 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 “**Henan Shangqiu 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 as at the date immediately before the date of the Henan Shangqiu Loan Agreement of 3.85% made by Zhongyuan Bank to Henan Shangqiu. On the same day, each of Anyang University, Shangqiu University and Jiankang College entered into an account receivables pledge agreement with Zhongyuan Bank (the “**Henan Shangqiu 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's liabilities under the Henan Shangqiu Loan Agreement (including but not limited to the Henan Shangqiu Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Henan Shangqiu Loan and the Henan Shangqiu Pledge Agreements are set out in the announcement of the Company dated 30 December 2020.

On 24 May 2021, Jingzhou College (as borrower) entered into a loan agreement (the “**Jingzhou College May 2021 Loan Agreement**”) with China Everbright Bank Co. Ltd., Jingzhou Branch* (中國光大銀行股份有限公司荊州分行) (“**China Everbright Bank**”) (as lender) in relation to a term loan facility in an aggregate amount of RMB90,000,000 (the “**Jingzhou College May 2021 Loan**”). On 25 May 2021, each of the Company, the PRC Holdco, Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團) (the “**School Sponsor**”), Hubei Chunlai Education Technology Co., Ltd.* (湖北春來教育科技有限公司) (“**Hubei Chunlai**”) and Henan Chunlai Education Information Consultancy Co., Ltd.* (河南春來教育信息諮詢有限公司) (“**WFOE**”) entered into a guarantee agreement with China Everbright Bank (collectively, the “**May 2021 Guarantee Agreements**”), pursuant to which each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai and WFOE shall provide a guarantee in favour of China Everbright Bank for Jingzhou College’s liabilities under the Jingzhou College May 2021 Loan Agreement (including but not limited to the Jingzhou College May 2021 Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions). Further details of the Jingzhou College May 2021 Loan and the May 2021 Guarantee Agreements are set out in the announcement of the Company dated 10 June 2021.

On 10 June 2021, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Zhongyuan Bank (as lender) in relation to a term loan facility in an aggregate amount of RMB180,000,000 (the “**Shangqiu University Loan**”) with an annual interest rate of 5.0%, being 1.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China as at the date immediately before the date of the Shangqiu University Loan Agreement of 3.85% made by Zhongyuan Bank to Henan Shangqiu. On the same day, Shangqiu University entered into an account receivables pledge agreement with Zhongyuan Bank (the “**Shangqiu University Pledge Agreement**”), pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Zhongyuan Bank for Shangqiu University’s liabilities under the Shangqiu University Loan Agreement (including but not limited to the Shangqiu University Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Shangqiu University Loan and the Shangqiu University Pledge Agreement are set out in the announcement of the Company dated 16 June 2021.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2021.

Foreign Exchange Exposure

During the year ended 31 August 2021, the Group mainly operated in the PRC and the majority of the transactions were settled in Renminbi (“**RMB**”), the functional currency of the Group’s PRC subsidiaries and consolidated affiliated entities. The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollars and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Future Plans for Material Investments

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

Employee and Remuneration Policy

As of 31 August 2020 and 2021, we had 2,710 and 4,926 employees, respectively.

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

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

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

The total remuneration cost incurred by the Group for the Reporting Period was RMB234.4 million (for the year ended 31 August 2020: RMB217.3 million).

EVENTS AFTER THE REPORTING PERIOD

On 9 September 2021, Jingzhou College (as borrower) entered into a loan agreement (the “**Jingzhou College September 2021 Loan Agreement**”) with China Everbright Bank in relation to a revolving loan facility with a principal amount of up to RMB30,000,000 (the “**Jingzhou College September 2021 Loan**”). On 10 September 2021, each of the Company, the PRC Holdco, the School Sponsor, Hubei Chunlai, WFOE entered into a guarantee agreement with China Everbright Bank (collectively, the “**Company Guarantee Agreements**”), and each of Mr. Hou Junyu (“**Mr. Hou**”), Ms. Song Mengmeng (“**Ms. Song**”) and Ms. Jiang Shuqin (“**Ms. Jiang**”) entered into a guarantee agreement with China Everbright Bank (collectively, the “**Personal Guarantee Agreements**” and together with the Company Guarantee Agreements, the “**September 2021 Guarantee Agreements**”). Pursuant to the September 2021 Guarantee Agreements, each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai, WFOE, Mr. Hou, Ms. Song and Ms. Jiang shall provide a guarantee in favour of China Everbright Bank for Jingzhou College’s liabilities under the Jingzhou College September 2021 Loan Agreement (including but not limited to the principal amount of the Jingzhou College September 2021 Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions). Further details of the Jinzhou College September 2021 Loan and the September 2021 Guarantee Agreements are set out in the announcement of the Company dated 24 September 2021.

Save as disclosed in this announcement, there was no other significant events that might affect the Group since the end of the year ended 31 August 2021.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 August 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company’s annual general meeting (“**AGM**”) will be held on Friday, 28 January 2022. The register of members of the Company will be closed from Tuesday, 25 January 2022 to Friday, 28 January 2022, both days inclusive, in order to determine the identity of the shareholders of the Company (the “**Shareholders**”) who are entitled to attend the AGM, during which period no share transfers will be registered. The record date for determining Shareholders who are entitled to attend the AGM will be Friday, 28 January, 2022. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 January 2022.

EXTRACT FROM AUDITOR’S REPORT

The following is an extract of the Auditor’s report on the Group’s consolidated financial statements for the year ended 31 August 2021.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB1,653,966,000 as at 31 August 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.

The aforesaid "note 2 to the consolidated financial statements" in the extract from the Auditor's report is disclosed as note 2 to the notes to the consolidated financial statements in this announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Code on Corporate Governance Practices

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the basis of the Company's corporate governance practices.

During the year ended 31 August 2021, the Company has complied with all the code provisions set out in the CG Code. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 August 2021.

Scope of Work of the Company's Auditors

The figures contained in this announcement of the Group's consolidated annual results for the year ended 31 August 2021 have been agreed by the Company's auditor, ZHONGHUI ANDA CPA Limited (the "**Auditor**"), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 August 2021. The work performed by the Auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

Audit Committee

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2021 and has discussed with the Auditor matters with respect to the accounting policies and practices adopted by the Company and internal control. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

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

During the year ended 31 August 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Use of Proceeds from Global Offering

Our shares were listed on the Stock Exchange on 13 September 2018 (the "Global Offering"). The net proceeds from the Global Offering amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). The utilisation breakdown of the net proceeds from the Global Offering as of 31 August 2021 is set out below:

	Net proceeds from the Global offering <i>RMB million</i>	Unutilised amount as of 1 September 2020 <i>RMB million</i>	Utilisation during the year ended 31 August 2021 <i>RMB million</i>	Unutilised amount as of 31 August 2021 <i>RMB million</i>
Acquisition of land use rights and building education and living facilities of our current colleges	244.9	146.4	42.3	104.1
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	14.5	20.3
Total	489.8	181.2	56.8	124.4

The remaining balance of the net proceeds (approximately RMB124.4 million) is held as short-term deposits. The Company expects to gradually apply the remaining unutilised net proceeds in the manner set out below:

- RMB104.1 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024; and
- RMB20.3 million for working capital and general corporate purposes by September 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chunlaiedu.com. The annual report of the Group for the year ended 31 August 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Hong Kong, 30 November 2021

As at the date of this announcement, the Board comprises Mr. Hou Junyu and Ms. Jiang Shuqin as executive Directors, Ms. Zhang Jie as executive Director and chief executive officer, Mr. Hou Chunlai as non-executive Director and chairman, and Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man as independent non-executive Directors.

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