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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 2022**

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 2022 (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		Change (%)
	2022	2021	
	(RMB in thousands, except percentages)		
Revenue	1,309,197	1,041,999	+25.6%
Gross profit	826,703	631,439	+30.9%
Profit before taxation	555,451	609,951	-8.9%
Profit for the year	552,260	606,925	-9.0%
Non-IFRS Measure:			
Adjusted net profit ¹	537,630	396,109	+35.7%

Note:

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

The Board has recommended the payment of a final dividend of RMB0.1 (equivalent to approximately HK\$0.1095) per Share for the year ended 31 August 2022, subject to the approval of the Shareholders at the annual general meeting to be held on 6 February 2023 (the “**2023 AGM**”).

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 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	<i>4</i>	1,309,197	1,041,999
Cost of revenue		<u>(482,494)</u>	<u>(410,560)</u>
Gross profit		826,703	631,439
Other income	<i>5</i>	51,631	43,490
Other gains and losses, net	<i>6</i>	16,400	221,886
Selling expenses		(4,593)	(3,600)
Administrative expenses		<u>(198,893)</u>	<u>(187,802)</u>
Profit from operations		691,248	705,413
Finance costs	<i>7</i>	<u>(135,797)</u>	<u>(95,462)</u>
Profit before tax		555,451	609,951
Income tax expenses	<i>8</i>	<u>(3,191)</u>	<u>(3,026)</u>
Profit and total comprehensive income for the year		<u>552,260</u>	<u>606,925</u>
Earnings per share	<i>9</i>		
Basic (RMB cents per share)		<u>46</u>	<u>51</u>
Diluted (RMB cents per share)		<u>45</u>	<u>50</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	2,797,921	2,780,754
Intangible asset	<i>12</i>	188,000	188,000
Right-of-use assets		554,923	541,520
Prepayment for cooperation agreements	<i>13</i>	800,111	640,056
Other non-current assets	<i>14</i>	413,409	342,625
		4,754,364	4,492,955
Current assets			
Trade and other receivables	<i>15</i>	485,139	161,635
Amount due from a shareholder		7	7
Cash and cash equivalents		630,927	399,603
		1,116,073	561,245
Current liabilities			
Accruals and other payables	<i>16</i>	304,120	383,719
Deferred revenue		2,791	3,499
Contract liabilities		533,118	219,419
Borrowings	<i>17</i>	2,025,677	1,593,517
Current tax liabilities		18,248	15,057
		2,883,954	2,215,211
Net current liabilities		(1,767,881)	(1,653,966)
Total assets less current liabilities		2,986,483	2,838,989
Non-current liabilities			
Deferred revenue		3,831	4,830
Borrowings	<i>17</i>	366,962	774,715
		370,793	779,545
NET ASSETS		2,615,690	2,059,444
Capital and reserves			
Share capital	<i>18</i>	10	10
Reserves		2,615,680	2,059,434
TOTAL EQUITY		2,615,690	2,059,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

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

2. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB1,767,881,000 as at 31 August 2022. 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 2022. 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 2022;
- (ii) the Group has entered into seven loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB2,900,000,000 are available to the Group for not less than twelve months from 31 August 2022;
- (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 audited 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 audited 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 2021. 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 audited 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 audited consolidated statement of profit or loss and other comprehensive income.

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Tuition fees	1,188,035	942,334
Boarding fees	121,162	99,665
Total revenue	<u>1,309,197</u>	<u>1,041,999</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 2022 (2021: 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants (<i>note i</i>)	92	314
Interest income	4,255	4,897
Service income	17,453	14,623
Consultancy income from Hubei College	–	12,205
Consultancy income from Tianping College (<i>note ii</i>)	9,434	–
Interest income from Tianping College (<i>note iii</i>)	11,857	–
Others	8,540	11,451
	<u>51,631</u>	<u>43,490</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 Tianping College.
- (iii) It represents the interest income of 4.75% per annum from the advance to Tianping College.

6. OTHER GAINS AND LOSSES, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on acquisition of Jingzhou College	–	246,813
Net foreign exchange gain/(loss)	18,616	(24,927)
Loss on initial recognition of advance to a third party (<i>note 14(iv)</i>)	(2,216)	–
	<u>16,400</u>	<u>221,886</u>

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses in relation to:		
– Bank borrowings	80,748	73,757
– Borrowings from non-banking institutions	58,177	33,472
– Lease liabilities	–	1
	<u>138,925</u>	<u>107,230</u>
Less: capitalised in construction in progress	(3,128)	(11,768)
	<u>135,797</u>	<u>95,462</u>

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.5% per annum in 2022 (2021: 6.3%).

8. INCOME TAX EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax	<u>3,191</u>	<u>3,026</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 2022 (2021: 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 2022 (2021: 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

	2022	2021
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	<u>552,260</u>	<u>606,925</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	<u>23,775,337</u>	<u>16,654,734</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,223,775,337</u>	<u>1,216,654,734</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 2022 and 2021.

10. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final dividend of RMB0.1 (2021: Nil) per ordinary share	<u>120,000</u>	<u>–</u>

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						
At 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 and 1 September 2021	2,500,443	200,714	18,476	494,002	271,314	3,484,949
Additions	15,627	25,315	656	28,383	151,211	221,192
Transfer from construction in progress	216,704	4,151	–	63	(220,918)	–
At 31 August 2022	2,732,774	230,180	19,132	522,448	201,607	3,706,141
Accumulated depreciation						
At 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 and 1 September 2021	418,389	97,380	11,324	177,102	–	704,195
Charge for the year	127,274	27,582	1,673	47,496	–	204,025
At 31 August 2022	545,663	124,962	12,997	224,598	–	908,220
Carrying amount						
At 31 August 2022	2,187,111	105,218	6,135	297,850	201,607	2,797,921
At 31 August 2021	2,082,054	103,334	7,152	316,900	271,314	2,780,754

As of 31 August 2022, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB1,149,062,000 (2021: RMB1,648,016,000) which are located in the PRC.

At 31 August 2022, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB312,131,000 (2021: RMB310,671,000).

12. INTANGIBLE ASSET

	School operation right RMB'000
Cost:	
At 1 September 2020	–
Acquisition of a subsidiary	<u>188,000</u>
At 31 August 2021, 1 September 2021 and 31 August 2022	<u><u>188,000</u></u>

As at 31 August 2022 and 2021, intangible asset represents a school operation right of Jingzhou College. The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite.

The recoverable amount of the intangible asset of RMB188,000,000 has been determined on the basis of value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15% (2021: 15%). The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2021: 2%). This rate does not exceed the average long-term growth rate for the relevant markets.

13. PREPAYMENT FOR COOPERATION AGREEMENTS

	2022 RMB'000	2021 RMB'000
Prepayment for cooperation agreements – Tianping College	<u><u>800,111</u></u>	<u><u>640,056</u></u>

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 RMB800,111,000 has been fully paid as at 31 August 2022 (2021: among which RMB640,056,000 has been paid as partial consideration). Up to the date of issuance of the announcement, the transfer of sponsorship has not yet been completed as the transfer is still in preparatory period. Upon the completion of transfer, the payment for the agreement of RMB800,111,000 (2021: RMB640,056,000) will be treated as the consideration of the acquisition.

14. OTHER NON-CURRENT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Prepayments/deposits paid for acquisition of property, plant and equipment	4,735	16,329
Pledged deposit (<i>note i</i>)	17,990	276,296
Deposit paid (<i>note ii</i>)	50,000	50,000
Advance to Tianping College (<i>note iii</i>)	317,900	–
Advance to a third party (<i>note iv</i>)	22,784	–
	<u>413,409</u>	<u>342,625</u>

Notes:

- (i) As at 31 August 2021, offshore foreign deposit of USD40,000,000 (equivalent to RMB260,106,000) was treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. As at 31 August 2021, the repayment date of the onshore loan was extended to July 2023. The offshore foreign deposit was reclassified as current asset accordingly as at 31 August 2022.

Pledged deposits of RMB17,990,000 (2021: RMB16,190,000) are secured for borrowings of RMB573,881,000 (2021: 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.

- (iii) As at 31 August 2022, the advance to Tianping College with principal amount of RMB317,900,000 is unsecured, interest bearing at 4.75% per annum and repayable in August 2025.
- (iv) As at 31 August 2022, the advance to a third party with principal amount of RMB25,000,000 is unsecured, non-interest bearing, repayable in August 2024 and measured at amortised cost using effective interest rate of 4.75%.

15. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Tuition and boarding fee receivables (<i>note i</i>)	53,555	13,920
Service income receivables	45,370	26,870
Consultancy income receivables from Tianping College	10,000	–
Interest receivables from Tianping College	11,857	–
Advance to a third party (<i>note ii</i>)	60,000	59,148
Refund of prepayment for land use right	–	38,643
Other receivables	15,645	13,096
Interest receivables	1,590	1,682
Prepaid expenses	1,509	8,276
Pledged deposit (<i>note iii</i>)	285,613	–
	<u>485,139</u>	<u>161,635</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 is unsecured, interest bearing at 4% per annum and repayable in December 2021. During the reporting year, advance to third parties of HK\$70,000,000 was fully settled.

As at 31 August 2022, the advance with principal amount of RMB60,000,000 is unsecured, interest bearing at 6% per annum and repayable in March 2023.

- (iii) Offshore foreign deposit of USD40,000,000 (equivalent to RMB275,613,000) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. As at 31 August 2021, the repayment date of the onshore loan was extended to July 2023. The offshore foreign deposit was reclassified as current asset accordingly as at 31 August 2022.

Pledged deposits of RMB10,000,000 are secured for borrowings of RMB71,576,000.

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0-180 days	36,185	–
181-365 days	13,912	10,829
Over 1 year	3,458	3,091
	53,555	13,920

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

	0-180 days	181-365 days	Over 1 year	Total
At 31 August 2022				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	36,185	13,912	3,458	53,555
Loss allowance (RMB'000)	–	–	–	–
At 31 August 2021				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	–	10,829	3,091	13,920
Loss allowance (RMB'000)	–	–	–	–

16. ACCRUALS AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest payables	3,375	3,194
Accrued staff benefits and payroll	44,338	42,041
Payables for purchase of property, plant and equipment and construction	128,526	212,767
Receipt on behalf of ancillary services providers	45,777	18,542
Advance from Tianping College (<i>note i</i>)	–	5,150
Other payables, accruals and deposits received	68,338	70,264
Consideration payable for acquisition of Jingzhou College	–	20,000
Other taxes payables	13,766	11,761
	<u>304,120</u>	<u>383,719</u>

Note:

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

17. BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Secured and guaranteed (<i>note i</i>)	1,664,669	1,643,735
Secured and unguaranteed (<i>note ii</i>)	296,370	289,497
Unsecured and guaranteed (<i>note iii</i>)	431,600	435,000
	<u>2,392,639</u>	<u>2,368,232</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The borrowings are repayable as follows:		
On demand or within one year	2,025,677	1,593,517
In the second year	255,788	543,335
In the third to fifth years, inclusive	111,174	231,380
	<u>2,392,639</u>	<u>2,368,232</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(2,025,677)</u>	<u>(1,593,517)</u>
Amount due for settlement after 12 months	<u>366,962</u>	<u>774,715</u>
The exposure of borrowings		
– Fixed rate	2,262,639	2,318,232
– Variable rate	130,000	50,000
	<u>2,392,639</u>	<u>2,368,232</u>

Notes:

- (i) Certain bank borrowings of RMB964,650,000 (2021: RMB966,000,000) were secured and/or guaranteed by the followings:
- (a) secured by the rights to receive the tuition fees of Anyang University, Shangqiu University, Kaifeng Campus and Hubei Jiankang Vocational College (collectively the “**Schools**”);
 - (b) secured by equity share of Anyang University, Shangqiu University and Kaifeng Campus;
 - (c) guaranteed by Mr. Hou, Ms. Song and Ms. Jiang Shuqin jointly and severally;
 - (d) guaranteed by the Company and several subsidiaries of the Company; and
 - (e) secured by deposits of RMB27,990,000 (2021: RMB16,190,000).

As at 31 August 2022, the Schools has receivables of tuition and boarding fees of RMB40,179,000 (2021: RMB9,563,000).

Certain borrowing with carrying amount of RMB700,019,000 (2021: RMB677,735,000) is secured by the Group’s plant and equipment of RMB312,131,000 (2021: RMB310,671,000) and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang Shuqin.

- (ii) A loan from a third party with carrying amount of RMB296,370,000 (2021: RMB289,487,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB275,613,000 (2021: RMB260,106,000)) (note 14 and 15).
- (iii) Certain bank borrowing were unsecured and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang Shuqin jointly and severally and guaranteed by several subsidiaries of the Company.

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

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

	2022	2021
Effective interest rate:		
Fixed-rate	2.5% – 8.1%	2.5% – 7.6%
Variable-rate	4.35% – 6.05%	5.7% – 6.525%

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 2020, 31 August 2021, 1 September 2021 and 31 August 2022	<u>50,000,000,000</u>	<u>500,000</u>	<u>424,570</u>	<u>425</u>
Issued and fully paid:				
As at 1 September 2020, 31 August 2021, 1 September 2021 and 31 August 2022	<u>1,200,000,000</u>	<u>12,000</u>	<u>9,867</u>	<u>10</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

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

The Private Higher Education Industry in China

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

Business Review

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate four colleges in Henan Province, namely Shangqiu University, Shangqiu University Kaifeng Campus, Anyang University and Anyang University Yuanyang Campus, and two colleges in Hubei Province, namely Hubei Jiankang Vocational College (湖北健康職業學院) (“**Jiankang College**”) and Jingzhou College* (荊州學院) (“**Jingzhou College**”) (formerly 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.

Since 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 measures 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 2022. The Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 2022, 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 2020/2021 and 2021/2022 school years, the average initial employment rate of our higher education programmes was approximately 84.9% and 76.9%, respectively.

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 49 bachelor’s degree programmes, 23 junior college to bachelor’s degree transfer programmes, 39 junior college diploma programmes, 13 combined vocational education and junior college diploma programmes and 25 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 2021/2022 school year, Shangqiu University had a total enrolment of 30,111 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.

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 28 bachelor's degree programmes, 21 junior college to bachelor's degree transfer programmes and 22 junior college diploma programmes. For the 2021/2022 school year, Shangqiu University Kaifeng Campus had a total enrolment of 16,112 students.

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 44 bachelor's degree programmes, 37 junior college diploma programmes, 23 combined vocational education and junior college diploma programmes and 14 technical secondary school programmes. For the 2021/2022 school year, Anyang University had a total enrolment of 33,851 students.

Anyang University Yuanyang Campus

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 year ended 31 August 2021. Anyang University Yuanyang Campus currently offers 19 bachelor's degree programmes, 15 junior college diploma programmes and 20 combined vocational education and junior college diploma programmes. For the 2021/2022 school year, Anyang University Yuanyang Campus had a total enrolment of 4,059 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 19 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, early childhood development and health management, and rehabilitation engineering technology. For the 2021/2022 school year, Jiankang College had a total enrolment of 1,318 students.

Jingzhou College (formerly Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province. Jingzhou College currently offers 35 bachelor's degree programmes, and 19 junior college diploma programmes. For the 2021/2022 school year, Jingzhou College had a total enrolment of 12,234 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 since the year ended 31 August 2021.

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2020/2021 and 2021/2022 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately)
	2021/2022	2020/2021		
Shangqiu University				
Bachelor's degree programmes	9,999	10,366	-367	-3.5%
Junior college to bachelor's degree transfer programmes	2,399	2,539	-140	-5.5%
Junior college diploma programmes ⁽²⁾	12,663	13,039	-376	-2.9%
Vocational education programmes ⁽³⁾	5,050	4,409	641	14.5%
School subtotal	30,111	30,353	-242	-0.8%
Anyang University				
Bachelor's degree programmes	10,806	13,158	-2,352	-17.9%
Junior college to bachelor's degree transfer programmes	3,602	3,556	46	1.3%
Junior college diploma programmes ⁽²⁾	12,110	11,602	508	4.4%
Vocational education programmes ⁽³⁾⁽⁴⁾	7,333	6,408	925	14.4%
School subtotal	33,851	34,724	-873	-2.5%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	7,928	7,378	550	7.5%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	2,491	1,619	872	53.9%
Junior college diploma programmes ⁽⁷⁾	5,423	5,597	-174	-3.1%
Vocational education programmes	270	-	270	-
School subtotal	16,112	14,594	1,518	10.4%
Jiankang College				
Junior college diploma programmes ⁽⁸⁾	1,318	472	846	179.2%
School subtotal	1,318	472	846	179.2%
Jingzhou College				
Bachelor's degree programmes	6,610	6,447	163	2.5%
Junior college to bachelor's degree transfer programmes	1,280	581	699	120.3%
Junior college diploma programmes	4,344	3,731	613	16.4%
School subtotal	12,234	10,759	1,475	13.7%
Anyang University Yuanyang Campus				
Bachelor's degree programmes	3,734	-	3,734	-
Vocation education programmes ⁽⁹⁾	325	-	325	-
School subtotal	4,059	-	4,059	-
Total number of students	97,685	90,902	6,783	7.5%

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 2020/2021 and 2021/2022 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.
- (9) Anyang University Yuanyang Campus started its bachelor's degree programmes and vocational education programmes in 2021.

For the 2021/2022 school year, the number of students enrolled increased by 7.5% from 90,902 in the prior school year to 97,685. The increase was primarily due to the incorporation of Jingzhou college and Anyang University Yuanyang Campus into the Group's audited consolidated financial statements. 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 17 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 2021/2022 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 95.9%.

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.

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. For further details, please refer to the announcements of the Company dated 23 July 2019, 20 August 2019, 24 September 2021 and 29 October 2021, and the major transaction circular of the Company dated 18 January 2022.

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 2022, we recorded a revenue of RMB1,309.2 million and a gross profit of RMB826.7 million. The gross profit margin was 63.1% for the year ended 31 August 2022 as compared with 60.6% for the corresponding period in 2021.

The adjusted net profit of the Group for the year ended 31 August 2022 was RMB537.6 million, representing an increase of RMB141.5 million or 35.7% from the corresponding period in 2021. The adjusted net profit margin of the Group was 41.1% and 38.0% for the years ended 31 August 2022 and 31 August 2021, respectively. The increase in adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB552.3 million and RMB606.9 million for the years ended 31 August 2022 and 31 August 2021, respectively. The net profit margin of the Group amounted to 42.2% and 58.2% for the years ended 31 August 2022 and 31 August 2021, respectively.

Revenue

Our revenue increased by 25.6% from RMB1,042 million for the year ended 31 August 2021 to RMB1,309.2 million for the year ended 31 August 2022, primarily due to the increase of the Group's student enrollment.

Revenue from Shangqiu University Kaifeng Campus increased by 16.4% from RMB203.6 million for the year ended 31 August 2021 to RMB236.9 million for the year ended 31 August 2022. The increase was primarily due to an increase in student enrolment from 14,594 for the 2020/2021 school year to 16,112 for the 2021/2022 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 2021/2022 school year.

Revenue from Shangqiu University increased by 3.8% from RMB369.2 million for the year ended 31 August 2021 to RMB383.3 million for the year ended 31 August 2022. The increase was primarily due to the increase of tuition and accommodation standards.

Revenue from Anyang University decreased by 3% from RMB425.0 million for the year ended 31 August 2021 to RMB412.2 million for the year ended 31 August 2022. The decrease was primarily due to a decrease in student enrolment from 34,724 for the 2020/2021 school year to 33,851 for the 2021/2022 school year.

Anyang University Yuangyang Campus began to have its first class of students in September 2021, with 4,059 students. Revenue from Anyang University Yuangyang Campus was RMB65.0 million for the year ended 31 August 2022.

Jiankang College increased by 190.77% from RMB6.5 million for the year ended 31 August 2021 to RMB18.9 million for the year ended 31 August 2022. The increase was primarily due to an increase in student enrolment from 472 for the 2020/2021 school year to 1,318 for the 2021/2022 school year.

Revenue from Jingzhou College increased by 413.0% from RMB37.6 million for the year ended 31 August 2021 to RMB192.9 million for the year ended 31 August 2022. The increase was primarily due to an increase in student enrolment from 10,759 for the 2020/2021 school year to 12,234 for the 2021/2022 school year.

Overall, revenue from tuition fees and boarding fees increased by 26.07% and 21.57%, respectively, from the year ended 31 August 2021 to the year ended 31 August 2022.

Cost of Revenue

Our cost of revenue increased by 17.5% from RMB410.6 million for the year ended 31 August 2021 to RMB482.5 million for the year ended 31 August 2022. As a percentage of revenue, our cost of revenue decreased from 39.4% for the year ended 31 August 2021 to 36.9% for the year ended 31 August 2022. The increase in cost of revenue was primarily due to an increase in teaching staff costs and depreciation costs.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 30.9% from RMB631.4 million for the year ended 31 August 2021 to RMB826.7 million for the year ended 31 August 2022, and our gross profit margin increased from 60.6% for the year ended 31 August 2021 to 63.1% for the year ended 31 August 2022.

Other Income

Our other income increased by 18.6% from RMB43.5 million for the year ended 31 August 2021 to RMB51.6 million for the year ended 31 August 2022, primarily due to an increase in interest income and service income.

Other Gains and Losses

We recorded other gains of RMB221.9 million for the year ended 31 August 2021, while we recorded other gains of RMB16.4 million for the year ended 31 August 2022. The decrease compared to last year is due to last year's data included the gain on acquisition of Jingzhou College.

Selling Expenses

Our selling expenses increased by 27.8% from RMB3.6 million for the year ended 31 August 2021 to RMB4.6 million for the year ended 31 August 2022, primarily because the Group increased its investment in student recruitment promotion.

Administrative Expenses

Our administrative expenses increased by 5.9% from RMB187.8 million for the year ended 31 August 2021 to RMB198.9 million for the year ended 31 August 2022, primarily due to increases in depreciation and amortisation, staff costs and travelling expenses.

Finance Costs

Our finance costs increased by 42.2% from RMB95.5 million for the year ended 31 August 2021 to RMB135.8 million for the year ended 31 August 2022, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalisation.

Taxation

We recorded income tax of RMB3.0 million for the year ended 31 August 2021 as compared to income tax of RMB3.2 million for the year ended 31 August 2022 due to service revenue and other income.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 9.0% from RMB606.9 million for the year ended 31 August 2021 to RMB552.3 million for the year ended 31 August 2022.

Non-IFRS Measure – Adjusted Net Profit

Our adjusted net profit increased by 35.7% from RMB396.1 million for the year ended 31 August 2021 to RMB537.6 million for the year ended 31 August 2022. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation, and (ii) foreign exchange (gain)/loss. The following table reconciles profit for the year to adjusted net profit for both years:

	For the year ended 31 August	
	2022	2021
	(RMB in thousands)	
Profit for the year	552,260	606,925
Add:		
Share-based compensation	3,986	11,070
Foreign exchange (gain)/loss	(18,616)	24,927
Less:		
Gain on acquisition of Jingzhou College	–	246,813
Adjusted net profit	537,630	396,109

Liquidity and Source of Funding and Borrowing

During the year ended 31 August 2022, the Company had funded the Group's cash requirements principally from cash generated from its operation and external borrowings. The Company had cash and cash equivalents of RMB399.6 million and RMB630.9 million as at 31 August 2021 and 2022, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As of 31 August 2022, the Group's principal uses of cash had 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 respectively, and the major transaction circular dated 18 January 2022), 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 2022, 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 91.4%, representing a decrease of 23.6% percentage point(s) as compared with 115.0% as at 31 August 2021. The decrease was due to the repayment of certain interest-bearing bank loans and the increase of 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 2022) during the year ended 31 August 2022.

Material Acquisitions and Disposals

On 15 December 2021, Tianping College entered into an asset transfer agreement with the Gaochun Bureau of the Nanjing Bureau of Planning and Natural Resources* (南京市規劃和自然資源局高淳分局), pursuant to which Tianping College shall acquire the land use right of a piece of land (the "**Acquisition of Land Use Right**") situated east of Ninggao New Channel, Higher Vocational Education Innovation and Innovation Park (高職園寧高新通道以東) and north of Weier Road (緯二路北側) with a total land use right area of 315,732.18 sq m. for education purposes and for the construction and development of a new school campus at a consideration of RMB180 million (equivalent to approximately HK\$220 million). Further details of the Acquisition of Land Use Right are set out the announcement of the Company dated 16 December 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 2022.

Pledge of Assets

1. On 9 September 2021, Jingzhou College (as borrower) entered into a loan agreement (the “**Jingzhou College 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**”) in relation to a revolving loan facility with a principal amount of up to RMB30,000,000 (the “**Jingzhou College Loan**”) for a term of one year with an interest rate to be separately agreed by Jingzhou College and China Everbright Bank. 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 “**Guarantee Agreements**”). Pursuant to the 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 Loan Agreement (including but not limited to the principal amount of the Jingzhou College Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions).

Further details of the Jinzhou College Loan and the related security agreements are set out in the announcement of the Company dated 24 September 2021.

2. On 20 December 2021, the School Sponsor entered into a loan agreement (the “**School Sponsor Loan Agreement**”) with Zhongyuan Bank Co. Ltd., Shangqiu Branch* (中原銀行股份有限公司商丘分行) (“**Zhongyuan Bank**”) in relation to a term loan facility with a principal amount of up to RMB90,000,000 (the “**School Sponsor Loan**”) for a term of one year commencing on 5 January 2022, at an annual interest rate of 6.00%, being 2.15% above the latest one-year loan prime rate (being 3.85%) promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China (“**PBOC**”) before the date of the First Loan Agreement (as defined below). On the same day, each of Anyang University, Shangqiu University and Jiankang College entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which each of Anyang University, Shangqiu University and Jiankang College agreed to pledge its account receivables in favour of Zhongyuan Bank for the School Sponsor’s liabilities under the School Sponsor Loan Agreement (including but not limited to the School Sponsor Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

Further details of the School Sponsor Loan Agreement and the related security agreements are set out in the announcement of the Company dated 20 December 2021.

3. Reference is made to the announcement of the Company dated 20 December 2021 in respect of the loan agreement (the “**December Agreement**”) entered into between Anyang University and Zhongyuan Bank. Pursuant to the December Agreement, Zhongyuan Bank agreed to make available a term loan facility with a principal amount of up to RMB300,000,000 to Anyang University. The Company would like to clarify that the December Agreement was subsequently cancelled.

Following the cancellation of the December Agreement, Anyang University entered into the following loan agreements (the “**Anyang University Loan Agreements**”) with Zhongyuan Bank:

- (a) a loan agreement dated 20 December 2021 in relation to a term loan facility with a principal amount of up to RMB45,000,000 (the “**First Loan**”) for a term of two years commencing on 21 December 2021, at an annual interest rate of 6.00%, being 2.15% above the latest one-year loan prime rate (being 3.85%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Second Loan Agreement;
- (b) a loan agreement dated 11 February 2022 in relation to a term loan facility with a principal amount of up to RMB130,000,000 (the “**Second Loan**”) for a term of two years commencing on 16 February 2022, at an annual interest rate of 6.00%, being 2.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Third Loan Agreement; and
- (c) a loan agreement dated 11 February 2022 in relation to a term loan facility with a principal amount of up to RMB125,000,000 (the “**Third Loan**”, together with the First Loan and the Second Loan, the “**Anyang University Loans**”) for a term of two years commencing on 23 February 2022, at an annual interest rate of 6.00%, being 2.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Third Loan Agreement.

In respect of the Anyang University Loan Agreements, Anyang University entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which Anyang University agreed to pledge its account receivables in favour of Zhongyuan Bank for Anyang University’s liabilities under the Anyang University Loan Agreements (including but not limited to the Anyang University Loans, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

Further details of the Anyang University Loan Agreements and the related security agreements are set out in the announcement of the Company dated 11 February 2022.

- 4. On 14 April 2022, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Zhongyuan Bank in relation to a term loan facility with a principal amount of up to RMB180,000,000 (the “**Shangqiu University Loan**”) for a term of one year commencing on 19 April 2022, at an annual interest rate of 5%, being 1.30% above the latest one-year loan prime rate (being 3.70%) promulgated by the National Interbank Funding Center under the authority of the PBOC before the date of the Shangqiu University Loan Agreement. On the same day, Shangqiu University entered into an account receivables pledge agreement with Zhongyuan Bank, 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 Agreement and the related security agreements are set out in the announcement of the Company dated 18 April 2022.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2022.

Foreign Exchange Exposure

During the year ended 31 August 2022, 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 or Capital Assets

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

Employee and Remuneration Policy

As at 31 August 2021 and 2022, we had 4,926 and 5,763 employees, respectively.

The number of employees employed by the Group varies from time to time depending on business needs. Employees’ remuneration is determined in accordance with prevailing industry practice and employees’ educational backgrounds, experiences and performance. The remuneration policy and package of the Group’s employees are reviewed periodically. As required by the PRC laws and regulations, the Company participates in various employee social security 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 RMB272.9 million (for the year ended 31 August 2021: RMB234.4 million).

EVENTS AFTER THE REPORTING PERIOD

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 2022.

FINAL DIVIDEND

The Board has recommend the payment of a final dividend of RMB0.1 (equivalent to approximately HK\$0.1095) per share (the “**Proposed Final Dividend**”) for the year ended 31 August 2022, subject to the approval of the Shareholders at the Company’s 2023 AGM. The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People’s Bank of China of the five business days prior to the declaration of the final dividend (i.e. 21 November 2022 to 25 November 2022) (RMB1.0 to HK\$1.09519). Such proposed dividend will be payable on or around Friday, 24 February 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 10 February 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2023 AGM is scheduled to be held on Monday, 6 February 2023. For the purpose of determining the entitlement of a Shareholder’s entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Wednesday, 1 February 2023 to Monday, 6 February 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 31 January 2023.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Friday, 10 February 2023 to Tuesday, 14 February 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 9 February 2023.

EXTRACT FROM AUDITOR’S REPORT

The following is an extract of the Auditor’s report on the Group’s audited consolidated financial statements for the year ended 31 August 2022.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the audited consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB1,767,881,000 as at 31 August 2022. 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 audited consolidated financial statements” in the extract from the Auditor’s report is disclosed as note 2 to the notes to the audited 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 Corporate Governance Code

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code as set out 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**”) during the Reporting Period.

In light of the amendments to the Corporate Governance Code which came into effect on 1 January 2022 and impose additional requirements applicable to corporate governance reports for the financial year commencing on or after 1 January 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company. The Company will report on its compliance of the latest version of the Corporate Governance Code in the corporate governance report of the Company for the year ending 31 August 2023.

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 Reporting Period.

Scope of Work of the Company’s Auditors

The figures contained in this announcement of the Group’s audited consolidated annual results for the year ended 31 August 2022 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 2022. The work performed by the Auditor in this respect does not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on this announcement.

Audit Committee

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2022 and has discussed with the Auditor and the senior management members of the Company matters with respect to the accounting policies and practices adopted by the Company and internal control.

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

During the year ended 31 August 2022, 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

The shares of the Company were listed on the Stock Exchange on 13 September 2018 (the "Global Offering"). The net proceeds from the Global Offering amounted to 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 2022 is set out below:

	Net proceeds from the Global Offering <i>RMB million</i>	Unutilised amount as at 1 September 2021 <i>RMB million</i>	Utilisation during the year ended 31 August 2022 <i>RMB million</i>	Unutilised amount as at 31 August 2022 <i>RMB million</i> ^(Note)
Acquisition of land use rights and building education and living facilities of our current colleges	244.9	104.1	39.0	65.1
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	20.3	14.0	6.3
Total	489.8	124.4	53.0	71.4

The remaining balance of the net proceeds (approximately RMB71.4 million) is held as short-term deposits. The Company expects to gradually apply the remaining unutilised net proceeds in the manner set out below:

- RMB65.1 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024; and
- RMB6.3 million for working capital and general corporate purposes by September 2023.

Note:

The Group maintains its net proceeds from the Global Offering mostly in Hong Kong dollars or United States dollars and for the purpose of disclosure in financial results announcements and reports, the movements in the use of proceeds are expressed in RMB, being currency in which the majority of the Group's transactions were settled and the functional currency of the Group's PRC subsidiaries and consolidated affiliated entities, using the currency exchange rates between RMB and HK dollars or US dollars at the relevant time. It should be noted that the unutilised amount as at 31 August 2022 is based on the foreign currency exchange rates as at 31 August 2022, which is different to the foreign currency exchange rate applied in respect of the unutilised amount as at 1 September 2021. These changes in foreign currency exchange rates on different dates are treated as income and charged to gain on foreign currency exchange account, which will ultimately be charged to profit and loss account.

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 2022 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, 25 November 2022

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.*