# 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)**

## ANNOUNCEMENT OF THE UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

### 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 unaudited consolidated annual results (the "**annual results**") of the Group for the year ended 31 August 2019 (the "**Reporting Period**"). These unaudited consolidated annual results have been reviewed by the Company's audit committee together with the management of the Company. For the reasons explained below under "Review of Unaudited Consolidated Annual Results", the auditing process for the annual results of the Group has not been completed.

| | Year ended 31 August | | |
|---|---|---|---|
| | **2019** | 2018 | **Change (%)** |
| | **(RMB in thousands, except percentages)** | | |
| | ***(Unaudited)*** | *(Audited)* | |
| Revenue | **559,380** | 487,791 | +14.7% |
| Gross profit | **293,650** | 283,428 | +3.6% |
| Profit before taxation | **169,310** | 119,773 | +36.9% |
| Profit for the year | **164,734** | 118,948 | +38.5% |
| Non-IFRS measure: | | | |
| Adjusted net profit[1] | **159,463** | 143,144 | +11.4% |

*Note:*

Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange gain and (iii) listing expenses. 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 unaudited 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 management of the Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's unaudited consolidated results of operations in the same manner as they help management of the Group and in comparing financial results across accounting periods and to those of peer companies. However, the Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 AUGUST 2019

| | *Notes* | **2019**<br>***RMB'000***<br>***(Unaudited)*** | 2018<br>*RMB'000*<br>*(Audited)* |
|---|---|---|---|
| **Revenue** | *4* | **559,380** | 487,791 |
| Cost of revenue | | **(265,730)** | (204,363) |
| **Gross profit** | | **293,650** | 283,428 |
| Other income | *5* | **47,778** | 9,891 |
| Other gains and losses, net | | **22,832** | (126) |
| Selling expenses | | **(3,642)** | (3,988) |
| Administrative expenses | | **(130,748)** | (88,812) |
| **Profit from operations** | | **229,870** | 200,393 |
| Finance costs | *6* | **(60,560)** | (80,620) |
| **Profit before tax** | | **169,310** | 119,773 |
| Income tax expense | *7* | **(4,576)** | (825) |
| **Profit and total comprehensive income for the year** | | **164,734** | 118,948 |
| **Other comprehensive loss after tax:** | | | |
| *Items that will not be re-classified to profit or loss:* | | | |
| Fair value loss on debt investment at fair value through other comprehensive income | | **(491)** | – |
| **Other comprehensive loss for the year, net of tax** | | **(491)** | – |
| **Total comprehensive income for the year** | | **164,243** | 118,948 |
| Profit and total comprehensive income for the year attributable to owners of the Company | | **164,243** | 118,948 |
| **Earnings per share** | *9* | | |
| Basic and diluted (RMB cents per share) | | **14** | 14 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019

| | Notes | **2019** **RMB'000** **(Unaudited)** | 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **1,390,998** | 878,131 |
| Prepaid lease payments | | **346,112** | 354,499 |
| Prepayment for cooperation agreements | *11* | **500,056** | 100,000 |
| Other non-current assets | | **235,190** | 142,058 |
| | | **2,472,356** | 1,474,688 |
| **Current assets** | | | |
| Trade and other receivables | *12* | **388,858** | 47,443 |
| Prepaid lease payments | | **8,387** | 8,387 |
| Debt investment at fair value through other comprehensive income | | **109,857** | – |
| Amount due from a shareholder | | **7** | 7 |
| Cash and cash equivalents | | **473,619** | 544,620 |
| | | **980,728** | 600,457 |
| **Current liabilities** | | | |
| Accruals and other payables | *13* | **184,483** | 169,014 |
| Deferred revenue | | **2,928** | 1,855 |
| Contract liabilities | | **447,130** | 353,928 |
| Borrowings | | **1,291,111** | 265,353 |
| Current tax liabilities | | **5,402** | 825 |
| | | **1,931,054** | 790,975 |
| **Net current liabilities** | | **(950,326)** | (190,518) |
| **Total assets less current liabilities** | | **1,522,030** | 1,284,170 |
| **Non-current liabilities** | | | |
| Deferred revenue | | **5,667** | 2,583 |
| Borrowings | | **229,000** | 686,753 |
| | | **234,667** | 689,336 |
| **NET ASSETS** | | **1,287,363** | 594,834 |
| **Capital and reserves** | | | |
| Share capital/paid-in-capital | *14* | **10** | 7 |
| Reserves | | **1,287,353** | 594,827 |
| **TOTAL EQUITY** | | **1,287,363** | 594,834 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

## 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 at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is at 40/F, Sunlight Tower, 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 son of Hou Chunlai, the founder and chairman of the Group. 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**").

Trading in the shares of the Company on the Stock Exchange was suspended on 2 December 2019.

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, its subsidiaries and its consolidated affiliated entities (the "**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. BASIS OF PREPARATION

**Suspension of trading in shares of the Company**

Reference is made to the announcements of the Company dated 2 December 2019 and 13 January 2020 in relation to, among others, the delay in publication of the announcement in relation to the 2019 annual results and the 2019 annual report, the suspension of trading of the shares of the Company on the Stock Exchange with effect from 2 December 2019, and the change of auditors of the Company.

On 23 March 2020, the Company received a letter from the Stock Exchange (the "**Letter**"), in which the Stock Exchange set out the following resumption guidance to the Company:

(a) conduct an appropriate investigation into the issues, announce the findings and take appropriate remedial actions;

(b) to publish all outstanding financial results and address any audit modifications;

(c) to demonstrate that the Company has put in place adequate internal control and procedures to comply with the Listing Rules; and

(d) to inform the market of all material information of the Company.

The Stock Exchange further provided the following guidance in the Letter:

Under rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the shares has remained suspended for 18 continuous months. The 18-month period shall expire on 1 June 2021. If the Company fails to remedy the issues causing the trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the shares by 1 June 2021, the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing. The above is subject to the Stock Exchange's right to impose a shorter specific remedial period under rule 6.10 of the Listing Rules where appropriate.

The Company is now taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction. The Company will seek to resume trading of its shares as soon as possible. The Company will announce quarterly updates on its developments under Rule 13.24A and publish further announcements to inform the shareholders of material updates and the date of the board meeting as and when appropriate.

**Going concern basis**

The Group had net current liabilities of approximately RMB950,326,000 as at 31 August 2019 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 August 2019. 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 2019;

(ii) the Group has entered into four loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB2,132,396,000 are available to the Group for not less than twelve months from 31 August 2019;

(iii) a loan of approximately RMB274,940,000 classified as current liabilities as at 31 August 2019 was borrowed from an independent third party. Subsequent to the year end date, the lender has agreed to delay the repayment request for another two years;

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

(v) 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 2018. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations ("**IFRICs**"). 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 except as stated below.

*IFRS 15 "Revenue from Contracts with Customers"*

IFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

| | As at 31 August 2018 *RMB'000* *(Unaudited)* | As at 1 September 2017 *RMB'000* *(Audited)* |
|---|---|---|
| Decrease in deferred revenue | (353,928) | (191,755) |
| Increase in contract liabilities | 353,928 | 191,755 |

The following new and revised IFRSs that have been published are relevant to the Group's operations but have not been early adopted.

| **New/revised IFRSs** | **Effective date** |
|---|---|
| IFRS 16 Leases | Accounting periods ("**AP**") beginning on or after 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | AP beginning on or after 1 January 2019 |

*IFRS 16 Leases*

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB1,302,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be required to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

*IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The detailed Implementation Rules of the New Law for Promoting Private Education has not yet been announced, the schools of the Group have not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the schools could follow previous PRC Enterprise Income Tax ("**EIT**") exemption treatment for the tuition related income when facts and circumstances change or new information become available.

The directors of the Company would re-assess any judgements and estimates if the facts and circumstances change or new information become available.

The Group is in the process of assessing the potential impact of the above new and revised IFRSs upon initial application but is not yet in a position to state whether the above new and revised IFRSs will have a significant impact on the Group's financial performance and 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 (the "**PRC**"). Revenue represents service income from tuition and boarding fees 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.

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Tuition fees | **501,960** | 435,677 |
| Boarding fees | **57,420** | 52,114 |
| Total revenue | **559,380** | 487,791 |

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.

**Major customers**

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 August 2019 (2018: nil).

Revenue includes tuition and boarding fees from education institutions are 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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Government grants *(Note 1)* | **3,146** | 1,896 |
| Academic administrative income | **2,149** | 957 |
| Interest income | **14,162** | 3,591 |
| Service income | **12,264** | 3,302 |
| Consultancy income *(Note 2)* | **15,330** | – |
| Others | **727** | 145 |
| | **47,778** | 9,891 |

*Note:*

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

2. It represents the provision of technical and management consultancy services to its target college, College of Engineering and Technology of Yangtze University ("**Hubei College**").

## 6. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Interest expense in relation to: | | |
| – Bank borrowings | **38,517** | 31,630 |
| – Borrowings from non-banking institutions | **35,681** | 48,821 |
| – Loan from a related party | **–** | 169 |
| | **74,198** | 80,620 |
| Less: capitalised in construction in progress | **(13,638)** | – |
| | **60,560** | 80,620 |

## 7. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Current tax – PRC Enterprise Income Tax ("**EIT**") | **4,576** | 825 |

**Reconciliation between income tax expense and accounting profit at applicable tax rate**

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Profit before tax | **169,310** | 119,773 |
| Tax calculated at applicable tax rate of 25% (2018: 25%) | **42,328** | 29,943 |
| Tax effect of profit from non-profit making organisation exempted for tax purpose | **(37,752)** | (29,118) |
| Income tax expense | **4,576** | 825 |

## 8. DIVIDEND

The board of directors of the Company do not recommend or declare the payment of any dividend in respect of the year ended 31 August 2019 (2018: Nil).

## 9. EARNINGS PER SHARE

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Earnings: | | |
| Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000) | **164,734** | 118,948 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,190,136,986** | 878,212,838 |
| Effect of dilutive potential ordinary shares: | | |
| Pre-IPO share options | **7,079,930** | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,197,216,916** | 878,212,838 |

The calculation of the basic earnings per share attributable to owners of the Company for the years ended 31 August 2019 and 2018 is based on the consolidated profit attributable to owners of the Company and the weighted average number of shares outstanding, taking into account the share allotment as described in note 14, the capital injection during the year ended 31 August 2018 and after retrospective adjustments on the assumption that the Group Reorganisation had been in effect at 1 September 2017.

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 2019.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Option Scheme as the potential ordinary shares are anti-dilutive for the year ended 31 August 2018.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Furniture and fixtures | Motor vehicles | Electronic equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost** | | | | | | |
| At 1 September 2017 | 748,970 | 80,769 | 11,995 | 140,824 | 27,179 | 1,009,737 |
| Additions | 13,559 | 20,559 | 1,499 | 30,148 | 169,266 | 235,031 |
| Disposals | – | (1,043) | (179) | (26) | – | (1,248) |
| Transfer from construction in progress | 73,526 | – | – | – | (73,526) | – |
| At 31 August 2018 and 1 September 2018 | 836,055 | 100,285 | 13,315 | 170,946 | 122,919 | 1,243,520 |
| Additions | 49,980 | 14,533 | 2,414 | 32,517 | 488,854 | 588,298 |
| Disposals | – | (28) | (11) | – | – | (39) |
| Transfer from construction in progress | 110,554 | – | – | – | (110,554) | – |
| At 31 August 2019 | **996,589** | **114,790** | **15,718** | **203,463** | **501,219** | **1,831,779** |
| **Accumulated depreciation** | | | | | | |
| At 1 September 2017 | 171,523 | 41,458 | 5,848 | 83,602 | – | 302,431 |
| Charge for the year | 40,234 | 9,989 | 1,868 | 12,052 | – | 64,143 |
| Disposals | – | (990) | (170) | (25) | – | (1,185) |
| At 31 August 2018 and 1 September 2018 | 211,757 | 50,457 | 7,546 | 95,629 | – | 365,389 |
| Charge for the year | 48,666 | 11,542 | 3,607 | 11,611 | – | 75,426 |
| Disposals | – | (27) | (7) | – | – | (34) |
| At 31 August 2019 | **260,423** | **61,972** | **11,146** | **107,240** | **–** | **440,781** |
| **Carrying amount** | | | | | | |
| At 31 August 2019 | **736,166** | **52,818** | **4,572** | **96,223** | **501,219** | **1,390,998** |
| At 31 August 2018 | 624,298 | 49,828 | 5,769 | 75,317 | 122,919 | 878,131 |

As of 31 August 2019, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB716,467,000 (2018: RMB605,703,000) which are located in the PRC.

## 11. PREPAYMENT FOR CO-OPERATION AGREEMENTS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Prepayment for co-operation agreements – YU *(Note 1)* | **100,000** | 100,000 |
| Prepayment for co-operation agreements – Tianping College *(Note 2)* | **400,056** | – |
| | **500,056** | 100,000 |

*Notes*

(1) 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. Up to the date of issuance of the announcement, the transfer of sponsorship has not yet been completed as the transfer is pending for the final approval of the Ministry of Education of the PRC and the registration with the provincial civil affairs authorities. Upon the approvals and registration of the PRC governments, the down payment for cooperation agreement of RMB100 million will be treated as part of the consideration of the acquisition.

(2) 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 Suzhou University of Science and Technology Education Development Foundation (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 Foundation at a consideration of RMB800 million, among which RMB400 million has been paid in July 2019. 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 "**Acquisition**"), the down payment for the agreement of RMB400 million will be treated as part of the consideration of the acquisition. Further details of the Acquisition are set out in the Company's announcements dated 23 July 2019 and 20 August 2019.

## 12. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Tuition and boarding fee receivables | **1,046** | 12,339 |
| Third party payment platform receivables | **12,213** | 22,920 |
| Service income receivables | **9,500** | – |
| Consultancy income receivables | **16,250** | – |
| Advance to a third party | **45,620** | – |
| Other receivables | **17,880** | 1,031 |
| Interest receivables | **567** | – |
| Deferred share issue costs | **–** | 8,115 |
| Prepaid expenses | **91** | 2,938 |
| Deposits | **285,691** | 100 |
| | **388,858** | 47,443 |

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:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| 0-30 days | **–** | 11,512 |
| 181-365 days | **1,040** | 819 |
| More than 1 year | **6** | 8 |
| | **1,046** | 12,339 |

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.

| | **Current** |
|---|---|
| **At 31 August 2019** | |
| Weighted average expected loss rate | 0% |
| Receivable amount (RMB'000) | 1,046 |
| Loss allowance (RMB'000) | – |
| **At 31 August 2018** | |
| Weighted average expected loss rate | 0% |
| Receivable amount (RMB'000) | 12,339 |
| Loss allowance (RMB'000) | – |

## 13. ACCRUED EXPENSES AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Interest payables | **8,927** | 8,743 |
| Accrued staff benefits and payroll | **19,026** | 17,671 |
| Payables for purchase of property, plant and equipment and construction | **97,599** | 73,988 |
| Receipt on behalf of ancillary services providers | **20,461** | 19,033 |
| Other payables, accruals and deposits received | **29,491** | 30,207 |
| Other taxes payables | **8,979** | 7,513 |
| Accrued share issue costs/listing expenses | **–** | 11,859 |
| | **184,483** | 169,014 |

## 14. SHARE CAPITAL/PAID-IN CAPITAL

| | Number of shares | Amount *HK$* | Amount *RMB* |
|---|---|---|---|
| Ordinary shares of HK$0.00001 each | | | |
| **Authorised:** | | | |
| At 15 November 2017 (date of incorporation), 31 August 2018 and 31 August 2019 | 50,000,000,000 | 500,000 | 424,570 |
| **Issued and fully paid:** | | | |
| At 15 November 2017 (date of incorporation) | 1 | – | – |
| Issue of shares on 12 February 2018 | 899,999,999 | 9,000 | 7,251 |
| As at 31 August 2018 and 1 September 2018 | 900,000,000 | 9,000 | 7,251 |
| Issue of shares on 13 September 2018 | 300,000,000 | 3,000 | 2,616 |
| As at 31 August 2019 | **1,200,000,000** | **12,000** | **9,867** |

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

On 13 September 2018, the Company issued a total of 300,000,000 ordinary shares at par value of HK$0.00001 each, pursuant to the global offering at the price of HK$2.08 per share and the Company's shares were listed on Main Board of The Stock Exchange of Hong Kong Limited on the same date. The premium on the issue of shares amounting to approximately RMB516,431,000, after net of share issue expenses of approximately RMB27,755,000, was credited to the Company's share premium account.

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

### Business Review

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

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2017/2018 and 2018/2019 school years, the average initial employment rate of our higher education programmes was approximately 93.8% and 95.8%, respectively, substantially above the overall average for higher education in China.

### *Our Colleges*

*Shangqiu University*

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which was co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2018/2019 school year, Shangqiu University had a total enrolment of 19,605 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours programme that aims to promote comprehensive and individualised education of its selected 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 38 bachelor's degree programmes, 25 junior college to bachelor's degree transfer programmes, 25 junior college diploma programmes, 18 combined vocational education and junior college diploma programmes and five vocational education programmes. For the 2018/2019 school year, Anyang University had a total enrolment of 22,043 students.

*Shangqiu University Kaifeng Campus*

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 17 bachelor's degree programmes, 6 junior college to bachelor's degree transfer programmes and 8 junior college diploma programmes. For the 2018/2019 school year, Shangqiu University Kaifeng Campus had a total enrolment of 8,232 students.

### *Student Enrolment*

The table below sets forth the enrolment statistics of our colleges for the 2017/2018 and 2018/2019 school years:

| | Student enrolment[1] for the school year | | | |
|---|---|---|---|---|
| | **2018/2019** | 2017/2018 | Change in number | Percentage change (approximately %) |
| **Shangqiu University** | | | | |
| Bachelor's degree programmes | **10,103** | 9,776 | 327 | 3.3% |
| Junior college to bachelor's degree transfer programmes | **1,216** | 1,150 | 66 | 5.7% |
| Junior college diploma programmes[2] | **4,884** | 5,717 | (833) | (14.6%) |
| Vocational education programmes[3] | **3,402** | 2,606 | 796 | 30.5% |
| **School subtotal** | **19,605** | 19,249 | 356 | 1.85% |
| **Anyang University** | | | | |
| Bachelor's degree programmes | **11,589** | 11,512 | 77 | 0.7% |
| Junior college to bachelor's degree transfer programmes | **2,439** | 1,680 | 759 | 45.2% |
| Junior college diploma programmes[2] | **3,303** | 3,529 | (226) | (6.4%) |
| Vocational education programmes[3][4] | **4,712** | 2,803 | 1,909 | 68.1% |
| **School subtotal** | **22,043** | 19,524 | 2,519 | 12.9% |
| **Shangqiu University Kaifeng Campus** | | | | |
| Bachelor's degree programmes[5] | **6,096** | 4,995 | 1,101 | 22.0% |
| Junior college to bachelor's degree transfer programmes[6] | **974** | 396 | 578 | 146.0% |
| Junior college diploma programmes[7] | **1,162** | 1,046 | 116 | 11.1% |
| **School subtotal** | **8,232** | 6,437 | 1,795 | 27.9% |
| **Total number of students** | **49,880** | 45,210 | 4,670 | 10.3% |

*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 2017/2018 and 2018/2019 school years, respectively.

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

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

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

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

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

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

For the 2018/2019 school year, the number of students increased by 10.3% from 45,210 in the prior school year to 49,880, achieving the Company's goal and realizing steady improvement in performance. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

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

### *Student Recruitment*

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

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2018/2019 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 96.2% for the bachelor's degree programmes.

### *Our Teachers*

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 31 August 2019, we had 1,666 full time teachers and 524 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**"). Further details of the Acquisition are set out in the Company's announcements dated 23 July 2019 and 20 August 2019 and the major transaction circular to be published in due course.

## Future Development

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

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

**Financial Review**

**Overview**

For the year ended 31 August 2019, we recorded a revenue of RMB559.4 million and a gross profit of RMB293.7 million. The gross profit margin was 52.5% for the year ended 31 August 2019 as compared with 58.1% for the corresponding period in 2018.

The adjusted net profit of the Group for the year ended 31 August 2019 was RMB159.5 million, representing an increase of RMB16.3 million or 11.4% from the corresponding period in 2018. The adjusted net profit margin of the Group was 28.5% and 29.3% for the years ended 31 August 2019 and 31 August 2018, respectively. The increase in the adjusted net profit was mainly due to the increase of the Group's student enrolment.

The net profit of the Group amounted to RMB164.7 million and RMB118.9 million for the years ended 31 August 2019 and 31 August 2018, respectively. The net profit margin of the Group amounted to 29.4% and 24.4% for the years ended 31 August 2019 and 31 August 2018, respectively.

**Revenue**

Our revenue increased by 14.7% from RMB487.8 million for the year ended 31 August 2018 to RMB559.4 million for the year ended 31 August 2019, primarily due to the increase of the Group's student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 30.9% from RMB80.9 million for the year ended 31 August 2018 to RMB105.9 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 6,437 for the 2017/2018 school year to 8,232 for the 2018/2019 school year. As Shangqiu University Kaifeng Campus increased its capacity in student enrolment from 7,848 for the 2017/2018 school year to 9,965 for the 2018/2019 school year, it received a significantly larger admission quota for the 2018/2019 school year, which was the primary reason for the increase in its student enrolment. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Anyang University increased by 17.1% from RMB210.1 million for the year ended 31 August 2018 to RMB246.1 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 19,524 for the 2017/2018 school year to 22,043 for the 2018/2019 school year. As Anyang University increased its capacity from 20,528 for the 2017/2018 school year to 23,806 for the 2018/2019 school year, it received a larger admission quota for the 2018/2019 school year, which contributed to the increase in its student enrolment. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Shangqiu University increased by 5.3% from RMB196.8 million for the year ended 31 August 2018 to RMB207.3 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 19,249 for the 2017/2018 school year to 19,605 for the 2018/2019 school year. The capacity of Shangqiu University is 22,164 for the 2018/2019 school year.

Overall, revenue from tuition fees and boarding fees of the Group increased by 15.2% and 10.2%, respectively from the year ended 31 August 2018 to the year ended 31 August 2019.

**Cost of Revenue**

Our cost of revenue increased by 30.0% from RMB204.4 million for the year ended 31 August 2018 to RMB265.7 million for the year ended 31 August 2019. As a percentage of revenue, our cost of revenue increased from 41.9% for the year ended 31 August 2018 to 47.5% for the year ended 31 August 2019. These increases were primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

**Gross Profit and Gross Profit Margin**

Our gross profit increased by 3.6% from RMB283.4 million for the year ended 31 August 2018 to RMB293.7 million for the year ended 31 August 2019, and our gross profit margin decreased from 58.1% for the year ended 31 August 2018 to 52.5% for the year ended 31 August 2019, primarily due to the combined effect of increase in the Group's student enrolment and increase in teaching staff costs.

**Other Income**

Our other income increased by 383.0% from RMB9.9 million for the year ended 31 August 2018 to RMB47.8 million for the year ended 31 August 2019, primarily due to the consultancy income amounted to RMB15.3 million starting from the 2018/2019 school year, which arises from our provision of technical and management consultancy services to Hubei College.

**Other Gains and Losses**

We recorded other losses of RMB0.1 million for the year ended 31 August 2018, while we recorded other gains of RMB22.8 million for the year ended 31 August 2019. The other gains for the year ended 31 August 2019 were primarily attributable to net foreign exchange gains.

**Selling Expenses**

Our selling expenses decreased by 8.7% from RMB4.0 million for the year ended 31 August 2018 to RMB3.6 million for the year ended 31 August 2019, primarily because we started to establish a long-term cooperation with a number of advertisers to enjoy discounts.

**Administrative Expenses**

Our administrative expenses increased by 47.2% from RMB88.8 million for the year ended 31 August 2018 to RMB130.7 million for the year ended 31 August 2019, primarily due to increases in depreciation and amortization, staff costs and travelling expenses.

## Listing Expenses

We recorded listing expenses of RMB5.7 million for the year ended 31 August 2019 in connection with the listing of the shares of the Company (the "**Global Offering**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We recorded RMB23.5 million of listing expenses for the year ended 31 August 2018.

## Finance Costs

Our finance costs decreased by 24.9% from RMB80.6 million for the year ended 31 August 2018 to RMB60.6 million for the year ended 31 August 2019, primarily due to lower average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalization.

## Taxation

We recorded income tax of RMB0.8 million for the year ended 31 August 2018 as compared to income tax of RMB4.6 million for the year ended 31 August 2019 due to service revenue and other income.

## Profit for the Year

As a result of the foregoing, our profit for the year increased by 38.5% from RMB118.9 million for the year ended 31 August 2018 to RMB164.7 million for the year ended 31 August 2019.

## Adjusted Net Profit

Our adjusted net profit increased by 11.4% from RMB143.1 million for the year ended 31 August 2018 to RMB159.5 million for the year ended 31 August 2019. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation (ii) foreign exchange gain and (iii) listing expenses. The following table reconciles profit for the year to adjusted net profit for both years:

| | **For the year ended 31 August** | |
|---|---|---|
| | **2019** | 2018 |
| | **(RMB in thousands)** | |
| | ***(Unaudited)*** | *(Audited)* |
| Profit for the year | **164,734** | 118,948 |
| Add: | | |
| Share-based compensation | **11,852** | 697 |
| Foreign exchange gain | **(22,837)** | – |
| Listing expenses | **5,714** | 23,499 |
| Adjusted net profit | **159,463** | 143,144 |

**Liquidity and Source of Funding and Borrowing**

As at 31 August 2019, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB544.6 million and RMB473.6 million as of 31 August 2018 and 2019, respectively. The Company generally deposit the Group's excess cash in interest-bearing bank accounts and current accounts.

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

**Gearing Ratio**

As at 31 August 2019, 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 118.1%, representing a decrease of 42 percentage points as compared with 160.1% as at 31 August 2018. The decrease was mainly due to an increase in retained earnings and share premium account.

**Significant Investments**

Save as disclosed in this announcement, the Group did not make or hold any significant investments during the year ended 31 August 2019.

**Material Acquisitions and Disposals**

On 19 August 2019, the School Sponsor entered into the Formal Agreement with Suzhou University of Science and Technology. 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 the preparatory period for conversion. Further details of the acquisition are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this announcement, and in the announcements of the Company dated 23 July 2019 and 20 August 2019.

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 2019.

**Pledge of Assets**

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

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

Save as disclosed in this announcement, as at 31 August 2019, the Group had no other bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

**Contingent Liabilities**

The Group had no material contingent liabilities as at 31 August 2019.

**Foreign Exchange Exposure**

During the year ended 31 August 2019, the Group mainly operated in the PRC and the majority of the transactions were settled in RMB, the functional currency of the Group's PRC subsidiaries and consolidated affiliated entities. Save as disclosed in this annual results announcement, as at 31 August 2019, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations or any foreign currency hedging policy.

**Future Plans for Material Investments**

Except as disclosed in this annual results announcement, the Company has no other plans for material investments or capital assets.

**Employee and Remuneration Policy**

As of 31 August 2018 and 2019, we had 2,897 and 3,509 employees, respectively. As of 31 August 2019, all of our employees were located in Henan Province. The following table sets forth the total number of employees by function as of 31 August 2019:

| Function | Number of employees | % of total |
|---|---|---|
| Teachers | 2,190[(1)] | 62.4% |
| Administrative staff | 512 | 14.6% |
| Ancillary teacher staff[(2)] | 350 | 10.0% |
| Other staff | 457 | 13.0% |
| **Total** | 3,509 | 100.0% |

*Notes:*

(1) Including 1,666 full-time teachers and 524 part-time teachers.

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

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

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

## EVENTS AFTER THE REPORTING PERIOD

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

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group subsequent to the year ended 31 August 2019 and up to the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the operation and financial position of the Group, and in the event that there is any significant impact, the Company will update the market as and when appropriate.

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 2019.

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 August 2019 (2018: nil).

## CLOSURE OF REGISTER OF MEMBERS

The Company's annual general meeting (the "**AGM**") will be held on Tuesday, 30 June 2020. In order to determine the identity of the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both days inclusive, during which period no share transfers will be registered. 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 Tuesday, 23 June 2020.

## 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

During the year ended 31 August 2019, 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.

### Continued Suspension of Trading

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

### 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 of the Company, 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 2019.

**Review of Unaudited Consolidated Annual Results**

The auditing process for the Group's annual results for the year ended 31 August 2019 has not been completed due to, among others, recent change of auditors of the Company and restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak, which has caused delays in the progress of the audit field work, not limited to the obtaining of certain audit evidences and confirmations. The unaudited annual results contained herein have not been agreed with the Group's auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with International Financial Reporting Standards.

**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, who possesses appropriate professional qualifications.

The audit committee has reviewed and agreed with the unaudited consolidated annual results of the Group for the year ended 31 August 2019 with the management of the Company. 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 2019, 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 net proceeds from the Global Offering amounted to approximately HK$552.6 million. As of 31 August 2019, the utilization breakdown of the net proceeds from the Global Offering is set out below.

| | **Net proceeds from the Global Offering** *RMB million* | **Unutilized amount as of 13 September 2018** *RMB million* | **Utilization during the year ended 31 August 2019** *RMB million* | **Unutilized amount as of 31 August 2019** *RMB million* |
|---|---|---|---|---|
| Acquisition of land use rights and building educational and living facilities for our current colleges | 244.9 | 241.1 | (84.4) | 156.7 |
| Acquisition of or cooperation with other universities in China | 146.9 | 144.7 | (144.7) | 0.0 |
| Repayment of loans | 49.0 | 48.2 | (48.2) | 0.0 |
| Working capital and general corporate purposes | 49.0 | 48.2 | (0.7) | 47.5 |
| **Total** | 489.8 | 482.2 | (278.0) | 204.2 |

The remaining balance of the net proceeds (approximately RMB204.2 million) was held as short term deposits. The Group expects to gradually apply the remaining net proceeds in the manner set out in the Prospectus in accordance with its actual business needs.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results 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 2019 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

**The financial information contained herein in respect of the annual results of the Group have not been audited. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 29 April 2020

*As at the date of this announcement, the Board comprises Mr. Hou Junyu as executive Director and chief executive officer; Ms. Jiang Shuqin as executive Director; 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.*