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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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 interim results of the Group for the six months ended 28 February 2023 (the “**Reporting Period**”). These interim results have been reviewed by the Company’s audit committee together with the management of the Company.

	Six months ended		Change (%)
	28 February 2023	28 February 2022	
Revenue	748,710	655,568	14.2%
Gross Profit	471,026	409,951	14.9%
Profit before taxation	335,510	252,024	33.1%
Profit for the period	331,172	250,845	32.0%
Non-IFRS Measure: Adjusted Net Profit ¹	331,819	263,399	26.0%

Note

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

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	<i>Notes</i>	Six months ended	
		28 February 2023	28 February 2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	<i>4</i>	748,710	655,568
Cost of revenue		(277,684)	(245,617)
Gross profit		471,026	409,951
Other income		40,507	20,339
Other gains and losses, net		2,281	(9,736)
Selling expenses		(3,465)	(2,417)
Administrative expenses		(113,455)	(99,623)
Profit from operations		396,894	318,514
Finance costs	<i>5</i>	(61,384)	(66,490)
Profit before tax		335,510	252,024
Income tax expenses	<i>6</i>	(4,338)	(1,179)
Profit and total comprehensive income for the period	<i>7</i>	331,172	250,845
Earnings per share	<i>8</i>		
Basic (RMB cents per share)		28	21
Diluted (RMB cents per share)		27	21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2023

	<i>Notes</i>	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	2,860,579	2,797,921
Intangible asset		188,000	188,000
Right-of-use assets		622,633	554,923
Prepayment for cooperation agreements		800,111	800,111
Other non-current assets	11	346,813	413,409
		<u>4,818,136</u>	<u>4,754,364</u>
Current assets			
Trade and other receivables	12	658,015	485,139
Amount due from a shareholder		7	7
Cash and cash equivalents		478,001	630,927
		<u>1,136,023</u>	<u>1,116,073</u>
Current liabilities			
Accruals and other payables	13	293,185	304,120
Deferred revenue		2,395	2,791
Contract liabilities		716,960	533,118
Borrowings		1,504,450	2,025,677
Current tax liabilities		22,587	18,248
		<u>2,539,577</u>	<u>2,883,954</u>
Net current liabilities		<u>(1,403,554)</u>	<u>(1,767,881)</u>
Total assets less current liabilities		<u>3,414,582</u>	<u>2,986,483</u>
Non-current liabilities			
Deferred revenue		2,832	3,831
Borrowings		491,135	366,962
		<u>493,967</u>	<u>370,793</u>
NET ASSETS		<u>2,920,615</u>	<u>2,615,690</u>
Capital and reserves			
Share capital	14	10	10
Reserves		2,920,605	2,615,680
TOTAL EQUITY		<u>2,920,615</u>	<u>2,615,690</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 28 February 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 August 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 September 2022. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods.

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

4. REVENUE AND SEGMENT INFORMATION

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

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

	Six months ended	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Tuition fees	679,405	594,711
Boarding fees	69,305	60,857
Total revenue	<u>748,710</u>	<u>655,568</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 six months ended 28 February 2023 (six months ended 28 February 2022: 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. FINANCE COSTS

	Six months ended	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Interest expense in relation to:		
– Bank borrowings	38,622	39,806
– Borrowings from non-banking institutes	25,265	27,197
	63,887	67,003
Less: capitalised in construction in progress	(2,503)	(513)
	<u>61,384</u>	<u>66,490</u>

6. INCOME TAX EXPENSES

	Six months ended	
	28 February 2023	28 February 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)	4,338	1,179

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the six months ended 28 February 2023 and 2022.

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 of the PRC subsidiaries was 25% during the six months ended 28 February 2023 and 2022.

Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Hubei Jiankang Vocational College and Jingzhou College enjoyed tax exemption for tuition related income during the six months ended 28 February 2023 and 2022.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

This is stated at after charging the following:

	Six months ended	
	28 February 2023	28 February 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Directors’ remuneration	4,619	3,645
Depreciation of property, plant and equipment	107,052	99,798
Depreciation of right-of-use assets	6,921	6,731
Foreign exchange (gain)/loss	(2,130)	9,736
Staff costs (including directors’ remuneration):		
– Salaries, bonuses and allowances	137,012	116,517
– Retirement benefit scheme contributions	18,876	15,113
– Equity-settled share-based payments	2,777	2,818
	158,665	134,448

8. EARNINGS PER SHARE

	Six months ended	
	28 February 2023 (Unaudited)	28 February 2022 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	<u>331,172</u>	<u>250,845</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>29,178,020</u>	<u>20,867,217</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,229,178,020</u>	<u>1,220,867,217</u>

9. DIVIDENDS

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Final dividend for the year ended 31 August 2022 approved and paid – RMB\$0.1 per ordinary share	<u>29,024</u>	<u>–</u>

The Board does not recommend the payment of an interim dividend for the six months ended 28 February 2023 (six months ended 28 February 2022: Nil).

The final dividend in respect of the year ended 31 August 2022 of RMB0.1 (equivalent to approximately HK\$0.1095) per share totaling approximately RMB29,024,000 was approved at the annual general meeting of the Company on 6 February 2023. On 20 December 2022, Chunlai Investment Co., Limited, a company wholly-owned by Mr. Hou, a director and controlling shareholder of the Company, consented to and irrevocably waived all rights to receive such dividend in respect of the shares it holds.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2023, the Group acquired property, plant and equipment of approximately RMB168,964,000 (six months ended 28 February 2022: RMB111,936,000) for the purpose of construction and improvement of campus infrastructure. As at 28 February 2023, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB1,266,540,000 (31 August 2022: RMB1,149,062,000) had not been obtained.

11. OTHER NON-CURRENT ASSETS

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Prepayments/deposits paid for acquisition of property, plant and equipment	1,423	4,735
Pledged deposit (<i>note i</i>)	295,390	17,990
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	–	22,784
	<u>346,813</u>	<u>413,409</u>

Notes:

- (i) As at 28 February 2023, pledged deposits of RMB17,990,000 (31 August 2022: RMB17,990,000) are secured for borrowings of RMB400,465,000 (31 August 2022: RMB573,881,000).

Offshore foreign deposit of USD40,000,000 (equivalent to RMB277,400,000 (31 August 2022: RMB275,613,000)) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year ended 31 August 2021, the repayment date of the onshore loan was extended to July 2023.

During the six months ended 28 February 2023, the repayment date of the onshore loan was further extended to July 2026. The offshore foreign deposit was reclassified as non-current asset accordingly as at 28 February 2023.

- (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 was unsecured, interest bearing at 4.75% per annum and repayable in August 2025.

During the six months ended 28 February 2023, an agreement was signed between the Group and Tianping College, pursuant to which, the advance to Tianping College with principal amount of RMB427,800,000 is unsecured, interest bearing at 4.75% per annum and repayable on 1 September 2023. The advance to Tianping College was reclassified as current assets accordingly as at 28 February 2023.

12. TRADE AND OTHER RECEIVABLES

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Tuition and boarding fee receivables (<i>note i</i>)	47,739	53,555
Service income receivables	54,745	45,370
Consultancy income receivables from Tianping College	17,500	10,000
Interest receivables from Tianping College	20,744	11,857
Advance to third parties (<i>note ii</i>)	67,940	60,000
Advance to Tianping College (<i>note iii</i>)	427,800	–
Other receivables	16,797	15,645
Interest receivables	3,113	1,590
Prepaid expenses	1,637	1,509
Pledged deposit (<i>note iv</i>)	–	285,613
	<u>658,015</u>	<u>485,139</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.

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

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
0-180 days	35,860	36,185
181-365 days	1,057	13,912
Over 1 year	10,822	3,458
	<u>47,739</u>	<u>53,555</u>

- (ii) As at 28 February 2023, the advance with principal amount of RMB29,940,000 (31 August 2022: RMB60,000,000) is unsecured, interest bearing at 6% per annum and repayable in March 2023.

As at 28 February 2023, the advance with principal amount of RMB33,000,000 is unsecured, interest bearing at 6% per annum and repayable in September 2023.

As at 28 February 2023, the advance with principal amount of RMB5,000,000 is unsecured, non-interest bearing, repayable in June 2023.

- (iii) As at 31 August 2022, the advance to Tianping College with principal amount of RMB317,900,000 was unsecured, interest bearing at 4.75% per annum and repayable in August 2025.

During the six months ended 28 February 2023, an agreement was signed between the Group and Tianping College, pursuant to which, the advance to Tianping College with principal amount of RMB427,800,000 is unsecured, interest bearing at 4.75% per annum and repayable on 1 September 2023. The advance to Tianping College was reclassified as current assets accordingly as at 28 February 2023.

- (iv) Offshore foreign deposit of USD40,000,000 (equivalent to RMB277,400,000 (31 August 2022: RMB275,613,000)) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year ended 31 August 2021, the repayment date of the onshore loan was extended to July 2023.

During the six months ended 28 February 2023, the repayment date of the onshore loan was further extended to July 2026. The offshore foreign deposit was reclassified as non-current asset accordingly as at 28 February 2023.

As at 31 August 2022, pledged deposits of RMB10,000,000 are secured for borrowings of RMB71,576,000.

13. ACCRUALS AND OTHER PAYABLES

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Interest payables	2,197	3,375
Accrued staff benefits and payroll	42,752	44,338
Payables for purchase of property, plant and equipment and construction	120,766	128,526
Receipt on behalf of ancillary services providers	55,706	45,777
Other payables, accruals and deposits received	55,559	68,338
Other taxes payables	14,807	13,766
Dividend payable	1,398	–
	<u>293,185</u>	<u>304,120</u>

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>	Amount <i>RMB</i>	Amount <i>RMB'000</i>
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2021, 31 August 2022, 1 September 2022 (Audited) and 28 February 2023 (Unaudited)	<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 2021, 31 August 2022, 1 September 2022 (Audited) and 28 February 2023 (Unaudited)	<u>1,200,000,000</u>	<u>12,000</u>	<u>9,867</u>	<u>10</u>

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	150,084	35,466
Capital expenditure in respect of land use rights	11,460	11,460
Capital expenditure in respect of capital contribution to Tianping College	30,000	30,000
	<u>191,544</u>	<u>76,926</u>

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Consultancy income from Tianping College (<i>note i</i>)	<u>7,075</u>	<u>4,717</u>
Interest income from Tianping College (<i>note i</i>)	<u>8,888</u>	<u>–</u>

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

	As at 28 February 2023 <i>RMB'000</i> (Unaudited)	As at 31 August 2022 <i>RMB'000</i> (Audited)
Consultancy income receivables from Tianping College (<i>note i</i>)	<u>17,500</u>	<u>10,000</u>
Interest receivables from Tianping College (<i>note i</i>)	<u>20,744</u>	<u>11,857</u>
Advance to Tianping College (<i>note i</i>)	<u>427,800</u>	<u>317,900</u>

Note:

- (i) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Tianping College.
- (b) Compensation of key management personnel

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

	Six months ended	
	28 February 2023	28 February 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,811	1,942
Equity-settled share-based payments	1,808	1,703
	4,619	3,645

17. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2023, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch in relation to a term loan facility with a principal amount of up to RMB60,000,000 (the “**Shangqiu University Loan**”) for a term of one year commencing on 1 April 2023, at an annual interest rate of 3.65%. On the same day, Shangqiu University entered into an account receivables pledge agreement with Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch, pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch 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 Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch in connection with any enforcement actions). Further details of the Shangqiu University Loan Agreement and the related security agreements are set out in the voluntary announcement of the Company dated 17 March 2023.

Save as disclosed in this announcement, there were no other significant events that might affect the Group since the end of the Reporting Period.

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 have 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.

The schools operated under the Group closely focus on the goal of application-oriented talent training, attach importance to and actively carry out the integration of industry and education, strengthen school-enterprise cooperation, explore “diversified talent training, innovative practical education system”, and form their own characteristics and highlights. As at 28 February 2023, the Group had about 700 school-enterprise cooperation. Our collaboration models include practice and training, joint transformation of research and development results, joint training of order classes, and joint construction of majors and laboratories, and have achieved good results.

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. As of December 31, 2022, the average employment rate of the graduates of our higher education programmes was approximately 91.4%.

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-degree bachelor's degree programmes in marketing, Chinese language and literature, economics, human resources management, and international economy and trade. For the 2022/2023 school year, Shangqiu University had a total enrolment of 29,779 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours degree 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.

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, 22 junior college diploma programmes, 6 combined vocational education and junior college diploma programmes and 12 vocational education programmes. For the 2022/2023 school year, Shangqiu University Kaifeng Campus had a total enrolment of 18,054 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, 17 junior college to bachelor's degree transfer programmes, 37 junior college diploma programmes, 23 combined vocational education and junior college diploma programmes and 14 vocational education programmes. For the 2022/2023 school year, Anyang University had a total enrolment of 30,525 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 2022/2023 school year, Anyang University Yuanyang Campus had a total enrolment of 8,149 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 2022/2023 school year, Jiankang College had a total enrolment of 3,714 students.

Jingzhou College (formerly Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province. Jingzhou College currently offers 35 bachelor's degree programmes, 14 junior college to bachelor's degree transfer programmes and 19 junior college diploma programmes. For the 2022/2023 school year, Jingzhou College had a total enrolment of 13,710 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 six months ended 28 February 2022 and the six months ended 28 February 2023:

	Student enrolment			
	As at 28 February 2023	As at 28 February 2022	Change in number	Percentage change (approximately)
Shangqiu University				
Bachelor's degree programmes	9,696	10,008	-312	-3.1%
Junior college to bachelor's degree transfer programmes	3,023	2,399	624	26.0%
Junior college diploma programmes ⁽²⁾	10,694	12,735	-2,041	-16.0%
Vocational education programmes ⁽³⁾	6,366	5,214	1,152	22.1%
School subtotal	29,779	30,356	-577	-1.9%
Anyang University				
Bachelor's degree programmes	8,465	10,808	-2,343	-21.7%
Junior college to bachelor's degree transfer programmes	5,855	3,605	2,250	62.4%
Junior college diploma programmes ⁽²⁾	10,541	12,188	-1,647	-13.5%
Vocational education programmes ⁽³⁾⁽⁴⁾	5,664	7,593	-1,929	-25.4%
School subtotal	30,525	34,194	-3,669	-10.7%

	Student enrolment			Percentage change (approximately)
	As at 28 February 2023	As at 28 February 2022	Change in number	
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	8,160	7,891	269	3.4%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	4,168	2,495	1,673	67.1%
Junior college diploma programmes ⁽⁷⁾	4,940	5,512	-572	-10.4%
Vocational education programmes	786	276	510	184.8%
School subtotal	18,054	16,174	1,880	11.6%
Jiankang College				
Junior college diploma programmes ⁽⁸⁾	3,714	1,342	2,372	176.8%
School subtotal	3,714	1,342	2,372	176.8%
Jingzhou College				
Bachelor's degree programmes	7,005	6,616	389	5.9%
Junior college to bachelor's degree transfer programmes	1,673	1,282	391	30.5%
Junior college diploma programmes	5,032	4,363	669	15.3%
School subtotal	13,710	12,261	1,449	11.8%
Anyang University Yuangyang Campus				
Bachelor's degree programmes	7,351	3,735	3,616	96.8%
Junior college diploma programmes	249	0	249	–
Vocational education programmes ⁽⁹⁾	549	325	224	68.9%
School subtotal	8,149	4,060	4,089	100.7%
Total number of students	103,931	98,387	5,544	5.6%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 28 February and 28 February for the 2021/2022 and 2022/2023 school years, respectively.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.

- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.
- (8) Jiankang College started its junior college diploma programmes in 2020.
- (9) Anyang University Yuanyang Campus started its bachelor's degree programmes and vocational education programmes in 2021.

For the 2022/2023 school year, the number of students increased by 5.6% from 98,387 in the prior school year to 103,931. The increase was primarily due to an increase in enrolment of Anyang University Yuanyang Campus and Jiankang College. 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 18 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 2022/2023 school year, the overall yield of our five colleges that offer bachelor's degree programmes (being Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Jingzhou College and Anyang University Yuanyang Campus), 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 96.7%.

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.

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 six months ended 28 February 2023, we recorded a revenue of RMB748.7 million, a gross profit of RMB471.0 million and an adjusted net profit of RMB331.8 million. The gross profit margin was 62.9% for the six months ended 28 February 2023 as compared with 62.5% for the six months ended 28 February 2022.

The adjusted net profit of the Group for the six months ended 28 February 2023 was RMB331.8 million, representing an increase of RMB68.4 million or a 26.0% increase from the corresponding period in 2022. The adjusted net profit margin of the Group was 44.3% and 40.2% for the period ended 28 February 2023 and 28 February 2022, 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 RMB331.2 million and RMB250.8 million for the period ended 28 February 2023 and 28 February 2022, respectively. The net profit margin of the Group amounted to 44.2% and 38.3% for the period ended 28 February 2023 and 28 February 2022, respectively.

Revenue

Our revenue increased by 14.2% from RMB655.6 million for the six months ended 28 February 2022 to RMB748.7 million for the six months ended 28 February 2023, primarily due to the increase of the student enrolment.

Revenue from Shangqiu University increased by 4.3% from RMB192.2 million for the six months ended 28 February 2022 to RMB200.4 million for the six months ended 28 February 2023. The increase was primarily due to the increase of average tuition fees.

Revenue from Anyang University decreased by 1.9% from RMB206.3 million for the six months ended 28 February 2022 to RMB202.4 million for the six months ended 28 February 2023. The decrease was primarily due to the decrease of student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 14.9% from RMB118.7 million for the six months ended 28 February 2022 to RMB136.4 million for the six months ended 28 February 2023. The increase was primarily due to the increase of student enrolment.

Revenue from Anyang University Yuangyang Campus increased by 102.4% from RMB32.6 million for the six months ended 28 February 2022 to RMB66.0 million for the six months ended 28 February 2023. The increase was primarily due to the increase of student enrolment.

For the 2022/2023 school year, Jingzhou College had a total enrolment of 13,710 students. Revenue from Jingzhou College increased by 21.9% from RMB96.3 million for the six months ended 28 February 2022 to RMB117.4 million for the six months ended 28 February 2023. The increase was primarily due to the increase of student enrolment.

Revenue from Jiankang College increased by 175.4% from RMB9.5 million for the six months ended 28 February 2022 to RMB26.2 million for the six months ended 28 February 2023. The increase was primarily due to the increase of student enrolment.

Overall, revenue from tuition fees and boarding fees increased by 14.2% and 13.9%, respectively, from the six months ended 28 February 2022 to the six months ended 28 February 2023.

Cost of Revenue

Our cost of revenue increased by 13.1% from RMB245.6 million for the six months ended 28 February 2022 to RMB277.7 million for the six months ended 28 February 2023. The increase was primarily due to the increase of the student enrolment.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 14.9% from RMB410.0 million for the six months ended 28 February 2022 to RMB471.0 million for the six months ended 28 February 2023, and our gross profit margin increased from 62.5% for the six months ended 28 February 2022 to 62.9% for the six months ended 28 February 2023.

Other Income

Our other income increased by 99.2% from RMB20.3 million for the six months ended 28 February 2022 to RMB40.5 million for the six months ended 28 February 2023, primarily due to the increase of consulting income and loan interest.

Other Gains and Losses

We recorded other losses of RMB9.7 million for the six months ended 28 February 2022, while we recorded other gains of RMB2.3 million for the six months ended 28 February 2023. The other gains for the six months ended 28 February 2023 were primarily attributable to exchange gain.

Selling Expenses

Our selling expenses increased by 43.4% from RMB2.4 million for the six months ended 28 February 2022 to RMB3.5 million for the six months ended 28 February 2023, primarily due to the increase of advertising expenses in student recruitment promotion.

Administrative Expenses

Our administrative expenses increased by 13.9% from RMB99.6 million for the six months ended 28 February 2022 to RMB113.5 million for the six months ended 28 February 2023, primarily due to the increase of bank fees and employee salaries.

Finance Costs

Our finance costs decreased by 7.7% from RMB66.5 million for the six months ended 28 February 2022 to RMB61.4 million for the six months ended 28 February 2023, primarily due to the decrease of average loan.

Taxation

We recorded income tax of RMB4.3 million for the period ended 28 February 2023 as compared to income tax of RMB1.2 million for the period ended 28 February 2022 due to the increase of profit.

Profit for the Period

Our profit increased by 32.0% from RMB250.8 million for the six months ended 28 February 2022 to RMB331.2 million for the six months ended 28 February 2023, primarily due to the increase of student enrolment.

Non-IFRS Measure – Adjusted Net Profit

To supplement the Group's unaudited consolidated financial statements which are presented in accordance with the IFRS, the Company also uses adjusted net profit as an additional financial measure. The Company presents this financial measure because it is used by management of the Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's 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.

Our adjusted net profit increased by 26.0% from RMB263.4 million for the six months ended 28 February 2022 to RMB331.8 million for the six months ended 28 February 2023. Adjusted net profit (as an non-IFRS measure) was calculated as profit for the period excluding (i) share-based compensation, and (ii) foreign exchange (gain)/loss. The following table reconciles profit for the period to adjusted net profit for both periods:

	For the six months ended	
	28 February	28 February
	2023	2022
	<i>(RMB in thousands)</i>	
Profit for the period	331,172	250,845
Add:		
Share-based compensation	2,777	2,818
Foreign exchange (gain)/loss	<u>(2,130)</u>	<u>9,736</u>
Adjusted net profit	<u>331,819</u>	<u>263,399</u>

Liquidity and Source of Funding and Borrowing

As of 28 February 2023, the Company had funded the Group's cash requirements principally from cash generated from our operations and external borrowings. The Company had cash and cash equivalents of RMB630.9 million and RMB478.0 million as of 31 August 2022 and 28 February 2023, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As of 28 February 2023, the Group's principal uses of cash had been for 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 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 28 February 2023, the gearing ratio of the Group, calculated as total borrowings divided by total equity as of the end of the period, was approximately 68.3%, representing a decrease of 23.1 percentage points as compared with 91.4% as at 31 August 2022. The decrease was due to the reduced repayment of certain interest-bearing bank loans and increase of equity.

Significant Investments

Save as disclosed in this announcement, the Group did not 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 28 February 2023) during the six months ended 28 February 2023.

Material Acquisitions and Disposals

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 six months ended 28 February 2023.

Pledge of Assets

On 27 December 2022, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (the “**Borrower**”) entered into a loan agreement (the “**Henan Shangqiu 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 with a principal amount of up to RMB90,000,000 (the “**Henan Shangqiu Loan**”) for a term of one year with an annual interest rate of 6%, being 2.35% above the latest one-year loan prime rate (being 3.65%) promulgated by the National Interbank Funding Center under the authority of the People's Bank of China one day before the date of the Henan Shangqiu Loan Agreement. On 27 December 2022, each of the Company and Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) (the “**PRC Holdco**”) entered into a guarantee agreement with the Lender (collectively, the “**Guarantee Agreements**”). Pursuant to the Guarantee Agreements, each of the Company and PRC Holdco shall provide a guarantee in favour of the Lender for the Borrower's liabilities under the Henan Shangqiu Loan Agreement (including but not limited to the principal amount of the Henan Shangqiu Loan, interest, damages, compensation, and fees incurred by the Lender in connection with any enforcement actions).

Further details of the Henan Shangqiu Loan and the related security agreements are set out in the announcement of the Company dated 30 December 2022.

Contingent Liabilities

The Group had no material contingent liabilities as at 28 February 2023.

Foreign Exchange Exposure

During the six months ended 28 February 2023, 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

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

Employee and Remuneration Policy

As at 28 February 2022 and 28 February 2023, we had 4,494 and 4,750 employees, respectively.

The number of employees employed by the Group varies from time to time depending on business need. Employees’ remuneration is determined in accordance with prevailing industry practice and employees’ educational backgrounds, experiences and performance. The remuneration policy and package of the Group’s employees are reviewed periodically. As required by PRC laws and regulations, the Company participates in various employee social security insurance 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 RMB158.7 million (for the six months ended 28 February 2022: RMB134.4 million).

EVENTS AFTER THE REPORTING PERIOD

On 11 March 2023, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch in relation to a term loan facility with a principal amount of up to RMB60,000,000 (the “**Shangqiu University Loan**”) for a term of one year commencing on 1 April 2023, at an annual interest rate of 3.65%. On the same day, Shangqiu University entered into an account receivables pledge agreement with Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch, pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch 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 Industrial and Commercial Bank of China LTD. Shangqiu Xinjian Road branch in connection with any enforcement actions). Further details of the Shangqiu University Loan Agreement and the related security agreements are set out in the voluntary announcement of the Company dated 17 March 2023.

Save as disclosed in this announcement, there were no other significant events that might affect the Group since the end of the Reporting Period and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 28 February 2023 (six months ended 28 February 2022: Nil).

The final dividend in respect of the year ended 31 August 2022 of RMB0.1 (equivalent to approximately HK\$0.1095) per share totaling approximately RMB29,024,000 was approved at the annual general meeting of the Company on 6 February 2023. On 20 December 2022, Chunlai Investment Co., Limited, a company wholly-owned by Mr. Hou, a director and controlling shareholder of the Company, consented to and irrevocably waived all rights to receive such dividend in respect of the shares it holds.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Code on Corporate Governance Practices

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as the basis of the Company’s corporate governance practices. During the Reporting Period, the Company has complied with all the code provisions set out in the CG Code.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the Reporting Period. 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 Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

USE OF PROCEEDS FROM GLOBAL OFFERING

Our shares were listed on the Stock Exchange on 13 September 2018 (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). The utilisation breakdown of the net proceeds from the Global Offering as at 28 February 2023 is set out below.

	Net proceeds from the Global Offering	Unutilised as at 31 August 2022	Utilisation during the six months ended 28 February 2023	Unutilised amount as at 28 February 2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Acquisition of land use rights and building education and living facilities for our current colleges	244.9	65.1	35.6	29.5
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purpose	49.0	6.3	6.3	0.0
Total	489.8	71.4	41.9	29.5

The remaining balance of the net proceeds (approximately RMB29.5 million) is held as short-term deposits. The Company expects to gradually apply the remaining net proceeds of RMB29.5 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Group for the six months ended 28 February 2023 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.

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

Hong Kong, 28 April 2023

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.*